



Fund Balance Policy

Alaska Remote Sales Tax Commission hereby establishes and will maintain reservations of Fund Balance as defined herein in accordance with the Governmental Accounting and Financial Standards Board (GASB) Statement No. 54. This policy shall apply to the Alaska Remote Seller Sales Tax Commission ("ARSSTC") Operating Fund.

Classifications of Fund Balance

Under GASB Statement No. 54, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned amounts.

1. Non-Spendable – Amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable and property acquired for resale), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).
2. Restricted – Amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.
3. Committed – Amounts constrained to be used for a specific purpose as per action by the Alaska Remote Seller Sales Tax Commission Board of Directors. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Commission Board removes or changes the commitment by taking the same action it employed to impose the commitment.
4. Assigned – Amounts intended to be used by the "ARRSTC" for a specific purpose but are neither restricted nor committed. The intent shall be expressed by the Commission for a specific purpose. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.
5. Unassigned – Amounts available for any purpose (amounts that are not Non-Spendable, Restricted, Committed or Assigned) in the "ARRSTC."

Prioritization of Fund Balance Use (Spending Policy)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Commission to use the restricted amounts first as permitted under the law. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Commission to use the committed amounts first, followed by the assigned amounts and then unassigned amounts.

Minimum Level of Unassigned General Fund Balance

It shall be the policy of the Commission to begin each fiscal year with a minimum unassigned fund balance of 20% of the annual expenditures for that year. Such fund balance shall serve liquidity needs, protect against unforeseen expenditures and litigation, and mitigate the single revenue source dependency upon unanticipated revenue declines. Fund Balance in excess of the minimum may only be appropriated for expenditure by an affirmative vote of a majority of the Commission as a whole.



Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed as part of the closing of the financial books at year-end (June 30) and the amounts of restricted, committed, assigned and non-spendable fund balance will be determined. Any residual balance amounts will be classified as unassigned.

Emergency Expenditure Policy

The minimum fund balance as set forth through the ARSSTC Fund Balance Policy are to be maintained at all times except in the case of an emergency. In an actual emergency, the Commission may expend below the minimums as set forth in the Fund Balance Policy by an affirmative vote of a majority of the Commission Board.

Replenishing Fund Balance once Below the Prescribed Minimum Fund Balance

When fund balance falls below the minimum 20% range, the Commission will replenish shortages/deficiencies using the budget strategies and timeframes described below.

- The Commission will reduce recurring expenditures, or
- The Commission will reduce member's future fees, or
- The Commission will rebate a portion of member past fees, or
- The Commission will increase revenues or pursue other funding sources, or,
- The Commission will request an equitable specified contribution from participating Commission members, or,
- Some combination of the three options above.

Minimum fund balance deficiencies shall be replenished within the following time period:

- Deficiency resulting in a minimum fund balance less than 20% shall be replenished over a period not to exceed two years.

Use of Surplus Fund Balance once Above the Prescribed Minimum Fund Balance

Should unassigned fund balance ever exceed the maximum 25% range, the Commission may consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

Policy Review

This policy is to be reviewed by the Commission's Board annually. Review shall be initiated by the Commission's Finance Committee.