

MEMORANDUM

TO: NWABSD Board of Education
Members

DATE: September 20, 2023

NUMBER: 24-039

FR: Office of the Superintendent

SUBJECT: Approval of Proposed
Revisions to 3470,
Business and Non-
Instructional Operations,
Fund Balance
Classification; First
Reading

STRATEGIC PLAN/BOARD GOAL:

Improve Stakeholder Communication.

ABSTRACT:

Board policy revisions require Board approval.

ISSUE:

At issue is to approve the first reading of the proposed revisions to 3470, Business and Non-Instructional Operations, Fund Balance Classification and open for public comments.

BACKGROUND AND/OR PERTINENT INFORMATION:

The Superintendent/designee presents drafts or suggestions for board policy revisions when changes in law occur or when specific need occurs. Policy revisions shall normally be given two readings prior to adoption by the Board. This is the first reading of the proposed revisions to 3470, Business and Non-Instructional Operations, Fund Balance Classification.

The Board Policy Committee reviewed the proposed changes, recommends approval and to open for public comments.

ALTERNATIVES:

1. Approve the first reading to the proposed revisions to 3470, Business and Non-Instructional Operations, Fund Balance Classification as presented and open for public comments;
2. Do not approve first reading to the proposed revisions to BP 1312 as presented;
3. Take no final action.

ADMINISTRATION'S RECOMMENDATION:

The administration recommends the Board approve the first reading to the proposed revisions to 3470, Business and Non-Instructional Operations, Fund Balance Classification as presented and open for public comments.

BP 3470 FUND BALANCE CLASSIFICATION

Note: This policy is consistent with the requirements of the Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The policy allows a school board to have greater control over the district's fund balances by addressing the order of spending.

Neither this policy nor GASB Statement No. 54 preclude the calculation required to be made in the Auditor's Report on Fund Balance Compliance as required by 4 AAC 06.121(5)(A).

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The Board desires to establish a fund balance classification policy tailored to the needs of the School District in a manner consistent with governmental accounting standards. As provided for in Governmental Accounting Standards Board (GASB) Statement No. 54, the Board identifies the order of spending unrestricted resources applying the highest level of classification of fund balance, while honoring constraints on the specific purposes for which amounts in those fund balances can be spent.

It is the responsibility of the Superintendent or designee to make recommendations to the Board regarding fund balance designations. Formal Board action is required to establish, modify, and/or rescind a committed fund balance amount.

Fund Balance Classifications

Fund balances will be classified as follows:

- A. Nonspendable fund balance - The non-spendable fund balance classification includes amounts that cannot be spent because they are either: (a) not in spendable form; ~~or, or~~ (b) legally or contractually required to be maintained intact. This includes items not expected to be converted to cash, including inventories, prepaid expenses, supplies, and long-term receivables, and the principal of a permanent fund.
- B. Restricted fund balance - The restricted fund balance classification is utilized when constraints (restrictions) placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or governmental laws or regulations; ~~or, or~~ (b) imposed by law through constitutional provisions or enabling legislation. This includes "categorical balances."
- C. Committed Fund Balance - The committed fund balance classification reflects amounts that can only be used for specific purposes determined by formal action of the Board. Commitments may be removed or changed by formal Board action. This classification also includes contractual obligations to the extent that existing

Commented [JC1]: This update clarifies the definition of the committed fund balance and assigned fund balance. It also adds reference to the DEED Uniform Chart of Accounts.

resources in the fund have been specifically committed for use in satisfying those contractual requirements. Any remaining excess fund balance in a special revenue or capital projects fund at fiscal ~~year-end~~year-end shall be a committed fund balance and designated for the intended purpose of that special revenue or capital project fund. Such fund balances shall be carried over to the ensuing fiscal year as Committed Fund Balance.

- D. Assigned Fund Balance - The assigned fund balance classification reflects amounts intended to be used by the district for specific purposes. Intent can be expressed by the Board or by the Superintendent, having been designated such authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. ~~Thus, the assigned fund balance classification is the residual classification for the special revenue, debt service, capital projects and/or permanent funds (unless that amount is negative, which requires classification as unassigned fund balance).~~
- E. Unassigned Fund Balance - The unassigned fund balance classification is the residual classification for the general fund and includes all amounts not contained in the other classifications. Positive unassigned amounts will be reported only in the general fund. If another governmental fund, other than the general fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification of that fund.

Spending Prioritization

The order of spending regarding the restricted and unrestricted fund balances, when an expenditure is incurred for which both restricted and unrestricted fund balance is available, should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The Board authorizes the Superintendent to assign amounts to a specific purpose in compliance with GASB 54. An unassigned fund balance should also be reported in the order of spending unrestricted resources, but is not restricted or committed.

Legal Reference:
DEED Uniform Chart of Accounts

Adopted: July 26, 2012

Reviewed: (Date of Review)

Revised: (Date of Revision)

Northwest Arctic Borough School District