

# NORTH SLOPE BOROUGH SCHOOL DISTRICT

*Superintendent Richard Carlson*



## RESOLUTION 22-02

### A RESOLUTION OF THE NORTH SLOPE BOROUGH SCHOOL DISTRICT FOR THE CLASSIFICATION OF FUND BALANCES AS REQUIRED BY GASB 54

**WHEREAS**, the North Slope Borough School District (School District) wishes to adhere to the reporting requirements as set forth by the Governmental Accounting Standards Board (GASB) Statement 54 Fund Reporting and Governmental Fund Type Definitions;

**WHEREAS**, the School District will categorize Fund Balance according to the following components as of June 30, 2021 and subsequently: Nonspendable (including but not limited to inventory and prepaid expenses), Restricted (external restrictions), Committed (imposed by resolution), Assigned (general intent for specific use) and Unassigned (residual);

**WHEREAS**, the School District Board of Education wants to confirm the delegation of authority to the Superintendent and the Chief Financial Officer to identify intended uses of Assigned funds;

**WHEREAS**, the School District will strive to maintain total General (School Operating) Fund discretionary reserves equal to 10% of annual General (School Operating) Fund operating expenditures;

**WHEREAS**, the School District is committed to maintain a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unexpected expenditures and contingencies;

**WHEREAS**, the School District Board of Education wants to confirm the Assigned designation for financial resources held with the investment custodian account as Assigned for long-term educational expenditures; and

**NOW THEREFORE BE IT RESOLVED** that the School District Board of Education hereby adopts the attached Exhibit A, General (School Operating) Fund Reserve Financial Policy.

**THE NORTH SLOPE BOROUGH SCHOOL DISTRICT** authorizes and directs the Superintendent or designee to initiate an Agreement between the DISTRICT and the State of Alaska; Department of Administration.

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SCHOOL BOARD PRESIDENT

ATTEST:

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SCHOOL BOARD CLERK

## **EXHIBIT A**

### **FUND BALANCE RESERVE FINANCIAL POLICY**

Fund balance is created from excess revenues over expenditures. District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

1. **Nonspendable fund balance** – amounts that cannot be spent because they are in a nonspendable form (such as inventory and prepaids) or legally or contractually required to be maintained intact (such as the corpus of an endowment fund).
2. **Restricted fund balance** – amounts constrained by external parties, or legislation (such as grantors or higher levels of government).
3. **Committed fund balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority through Board action memos; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action through Board memos to remove or change the constraint. The highest level of authority is the School Board.
4. **Assigned fund balance** – amounts that are intended for a particular purpose. Intent can be expressed by the School Board, by the Superintendent and the Chief Financial Officer.
5. **Unassigned fund balances** – amounts available for any purpose; these amounts are reported only in the General (School Operating) Fund.

The five categories of fund balance place varying strengths of spending constraints on available resources in a descending order as listed. Nonspendable fund balance is the most restrictive classification and unassigned fund balance is the least restrictive.

The order of spending, regarding the restricted and unrestricted fund balance 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 classification could be used.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The Superintendent reports to the Board as close to the end of the year as possible that anticipated year-end fund balance or deficit. The Board takes appropriate action to commit or assign, or otherwise, allocate prior year fund balances as a part of the budget planning process.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General (School Operating) Fund and Special Revenue Funds. Encumbrances outstanding at year end are reported in assigned fund balances since they do not constitute expenditures or liabilities.