



## NORTH SLOPE BOROUGH SCHOOL DISTRICT

### M E M O R A N D U M

**TO:** Nancy Rock, President  
Members of the School Board

**THROUGH:** Rich Carlson, Interim Superintendent

**FROM:** Fadil Limani, Chief Financial Officer

**DATE:** November 3, 2021

**SUBJECT:** Transfer of Funds -Special Revenue Funds to General Fund **Memo No. SB22-088**  
**(Action Item)**

DocuSigned by:

Richard Carlson  
A89A83D72D564AF...

#### **2020-2025 STRATEGIC PLAN SUMMARY**

**1.0 STUDENT SUCCESS:** All students will reach their intellectual potential and achieve academic success through integrating Iñupiaq knowledge systems into the core content areas and focusing on the development of the Whole Child.

**1.5 IÑUPIAQ LANGUAGE & CULTURE:** Implement language and culture programs to revitalize the Inupiaq language.

**4.0 Financial & Operational Stewardship:** Effectively employ our operational and financial resources to support the long-term stability of the district.

**4.2 FINANCIAL STEWARDSHIP:** Ensure financial management based on what is best for our students.

#### **Background:**

During the FY2022 Budget development process, the District allocated \$1,500,000.00 to the Charter School in anticipation that the Board of Education and the Academic Policy Committee would come into an agreement on the conditions set out by the Board of Education in order to advance the Charter School forward beyond FY2021. The Board of Education through Board Memo SB21-191 approved the FY2022 Operating Budget and appropriated \$1,500,000.00 to the Special Revenue fund for the Charter School. Generally, under Governmental Accounting, the establishment of a Charter School would fall as a function within the General Fund (which is the main School Operating Fund of the District). However, the School District established a separate Special Revenue Fund for the Charter School for the sole purpose to provide transparency to the North Slope Borough and District stakeholders for the newly established Charter School.

Considering the Board of Education and the Academic Policy Committee was unable to come to a resolution, the District had to notify the State of Alaska Department of Education and Early Development through the School Verification Form that the Charter School was no longer operational. This was based on the School Board taking action on January 14, 2021 to terminate the agreement between the School District and the Charter School.

**AS 14.03.260** which governs the funding for Charter Schools' addresses in part that a School District must make available to a Charter School, at a minimum, the revenues that the Charter School generates in local, state, and federal funding. The School District has no basis to make an allocation to a Charter School that is no longer operational and will not receive any funding in FY2022, so any transfer for a closed Charter School is inappropriate.

Governmental Accounting Standards Board (GASB) 54 states that "governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources."

Since the Charter School has been closed for the 2021-2022 school year, there is no restricted or committed revenue being generated by the school. As such, the Special Revenue fund needs to be closed and any remaining funds need to be transferred back into the General School Operating fund per the GASB 54 pronouncement.

The closing and termination of the Charter School by both the Board of Education and the Qargi Academy means there is no longer a specific purpose for the special revenue fund and the proceeds of the fund must be returned to the operating fund; no other transfers into the fund should take place in FY2022 and the special revenue fund needs to be closed.

In the event the School District and the State Board of Education & Early Development should approve a new Charter School in the North Slope Borough School District in the future, then the District and the Department of Education and Early Development can have the conversation about whether a new Special Revenue Fund to account for the activities of the new Charter School is necessary.

In order for the School District to be compliant with GASB pronouncement and Alaska State Statutes as prescribed above, a transfer of funds is required from the Special Revenue Fund into the General Operating School Fund. As prescribed in BP3110, Transfer of Funds, Budget line transfers in excess of \$75,000.00 require Board approval.

**Proposed Motion:**

"I move that the NSBSD Board of Education authorize the Transfer of Funds from the Special Revenue Fund into the General School Operating Fund in the sum amount of \$1,500,000 and the funding committed for the Inupiat Education Department. The Board also requests an action plan brought before the Board of adoption in order to utilize the committed funds."

Moved By: \_\_\_\_\_ Seconded By: \_\_\_\_\_

Vote: \_\_\_\_\_