

Board Policy Review Committee Meeting

Wednesday, April 5, 2023 9:00 AM

District Office Conference Room, 2920 3.5 Nome-Teller Hwy, Nome, Alaska 99762

- A. **Call to Order**
- B. **Policy for Review**
- 1. **BP 3470** Fund Balance Classification
- C. **Adjournment**

AASB POLICY REFERENCE MANUAL UPDATE SERVICE

2021 *Business and Noninstructional Operations* UPDATE

INSTRUCTION SHEET

NOTE: This packet includes only those policy manual pages that have been revised, deleted or newly established. Full text pages are included and are to be substituted as indicated below.

This update revises various board policies and administrative regulations in Series 3000 of the AASB Model Policies, *Business and Noninstructional Operations*.

For ease of School Boards, AASB has identified those portions of the Update that require formal Board action in order to implement the policy changes. This is indicated by a “Yes” or “No.” A “No” is used if changes have been made only to an AR or an Exhibit, or if policy changes are limited to explanatory notes, legal reference or cross-reference updates, or minor grammatical or stylistic changes that have not changed the policy meaning.

	FORMAL ADOPTION REQUIRED	
REPLACE/ADD		DESCRIPTION

ARTICLE 3, Series 3000 – Business and Noninstructional Operations

BP 3000	Yes	This update clarifies the working relationship between the Board and Superintendent, as well stylistic edits to better reflect the Board’s fiscal practices.
BP 3100	No	This update provides stylistic edits to the Board’s budget process, and clarifies the importance of public input in the budgetary process.
AR 3100	No	This update recognizes that some local ordinances may require a date earlier than May for the adoption of a budget. As an AR, this update does not require board approval.
BP 3260	No	This update provides stylistic edits to the Board’s material fees program.
BP 3270	Yes	This update provides the Superintendent greater discretion to dispose of used District property, in an amount up to \$5,000.
BP 3280	No	This update provides stylistic edits to the Board’s material fees program. This update provides the Superintendent greater discretion to dispose of used District property, in an amount up to \$5,000.

REPLACE/ADD

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		This update clarifies that districts in municipalities or boroughs may work with their municipality or borough on the sale or lease of school facilities.
BP 3290	Yes	To ensure appropriate oversight, this update establishes that all donations greater than \$1,000 shall be brought before the Board. It also states that the Superintendent may apply for special revenue grants.
BP 3300	Yes	This update removes the requirement that the Board approve or ratify <i>all</i> transactions. Transactions may still be subject to Board approval elsewhere in board policy.
BP 3315	Yes	This update adds a conflict of interest provision for awards with federal funds.
BP 3400	No	This update provides stylistic edits to the management of district accounts policy.
BP 3440	No	This update adds a reference to BP 3440.1, <i>Fixed Assets Capitalization</i> .
BP 3450	Yes	This update strengthens best practices for the maintenance of liquid money in school buildings.
AR 3450	Yes	This update rennumbers AR 3451 and associates it with AR 3450.
BP 3470	No	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.
BP 3510	Yes	This update provides greater clarity regarding the Superintendent's role in assuring proper inspection and maintenance of district buildings.
BP 3514.1	Yes	This update clarifies Board and Superintendent roles in the management of hazardous substances.
AR 3514.1	No	This update clarifies Board and Superintendent roles in the administration of pesticide application. As an AR, this update does not require board approval.
BP 3515	Yes	This update provides stylistic edits to the management of school safety and security policy. It also adds several policy references.
AR 3515	No	This update strengthens best practices for security and safety in school buildings. As an AR, this update does not require board approval.
BP 3515.6	No	This update makes grammatical corrections to BP 3515.6
BP 3530	No	This update emphasizes Board intent to maintain a robust risk management program.

REPLACE/ADD

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BP 3540	Yes	This update clarifies that there must be adequate space on a bus schedule so that transportation to charter schools does not interfere with transportation to attendance area schools. It also makes stylistic changes.
BP 3541.1	Yes	This update raises the recommended amount of private insurance for persons transporting students to \$1,000,000. It also revises the school related trip section to ensure that trips in school vans are covered by policy.
BP 3541.5	Yes	This update removes the monetary requirement for districts that wish to adopt in-lieu-of transportation arrangements with parents.
BP 3542	No	This update retitles BP 3542 to recognize that it applies to bus drivers.
BP 3550	Yes	This update includes language to recognize various dietary guidelines that may apply to different districts. It also updated nutrition terminology. Finally, it updates language authorizing the use of independent contractors to perform food services.
BP 3554	No	This update makes the food sale policy inclusive of all District programs.
BP 3580	No	This update incorporates reference to AS 40.21.070, <i>Records Management for Local Records</i> .

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).

The School 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 School 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 School Board regarding fund balance designations. Formal School 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 nonspendable fund balance classification includes amounts that cannot be spent because they are either: (a) not in spendable form; 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, (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 School Board. Commitments may be removed or changed by formal School Board action. This classification also includes contractual obligations to the extent that existing 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 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 School 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.
- 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 School 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.

Policy

Alaska Statute AS 14.17.505 establishes that a District may not accumulate in a fiscal year an unreserved portion (as defined by 4 AAC 09.130) of its year-end fund balance in its school operating fund that is greater than 10 percent of its expenditure for that fiscal year.

Minimum Unassigned Fund Balance

The District should maintain a minimum unassigned fund balance in its General Fund of 5 percent of the subsequent year's budget expenditures and out-going transfers. Board approval is required to go below 5 percent. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies – when fund balance falls below the minimum 3 percent range, the District should replenish shortages/deficiencies using the budget strategies and timeframes described below.

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

- The District will reduce recurring expenditures to eliminate any structural deficit or,
- The District will increase revenues or pursue other funding sources, or,
- Some combination of the two options above
- Replenishment of funds may occur over a multi-year period

When an expenditure has been duly authorized and funding to pay for the expenditure is available within multiple fund balance classifications, the funding available in the most restrictive classification will be used first.

Legal Reference:

DEED Uniform Chart of Accounts

ALASKA ADMINISTRATIVE CODE

4 AAC 09.130 School District Audit

4 AAC 09.160 Fund Balance

ALASKA STATUTES

AS 14.17.505 Fund Balance in School Operating Fund

Revised 09/2022

Revised 04/2017

Revised 09/2016

Revised 01/2013

Adopted: June 10, 2003

Nome Public Schools