

NORTH PROVIDENCE SCHOOL DEPARTMENT FUND BALANCE POLICY	Approved: 9/28/2022

PURPOSE:

The purpose of this policy is to establish North Providence School Committee guidelines and expectations for the spending of North Providence School Department money in accordance with the Governmental Accounting Standards Board (GASB) 54¹. This policy shall become effective July 1, 2022.

PHILOSOPHY:

The North Providence School Committee recognizes the maintenance of a fund balance is essential to the preservation of the financial integrity of the School Department and to provide a high-quality education to the students of North Providence. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the School Department to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

DEFINITIONS:

Fund Balance: Fund balance is the difference between assets and liabilities in governmental funds (i.e., general fund, special revenue funds, capital projects fund, debt service funds and permanent funds).

Nonspendable Fund Balance: The amount of a fund balance that cannot be spent because it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact (i.e., prepaid expenses, inventory, fixed assets, endowment principal, etc.)

Restricted Fund Balance: The amount of a fund balance that can only be spent on specific expenses due to constraints on the spending because of legal restrictions, outside party creditors, and grantor/donor requirements (i.e., debt service fund balances, bond fund balances, grants, and donations with specific spending constraints).

Committed Fund Balance: The amount of a fund balance that includes the portion of the spendable fund balance but has constraints on the spending that the School Committee has imposed upon itself by a formal

¹ <https://gasb.org/page/PageContent?pageId=/standards-guidance/pronouncements/summary--statement-no-54.html&isStaticPage=true>

action of the School Committee. This constraint must be imposed prior to a fiscal year end, but the specific amount may be determined at a later date.

Assigned Fund Balance: The amount of a fund balance that includes the portion of the spendable fund balance that reflects funds intended to be used by the government for specific purposes assigned by information operation planning (e.g., capital goods replacement, annual technology replacement, etc.). The assigned fund balance represents a “plan” for spending the amount, but it is not restricted or committed. The authority to “assign” fund balance is designated to the Superintendent of Schools.

Unassigned Fund Balance: The amount of a fund balance that is in the General Fund and includes all spendable amounts that are not otherwise contained in the classifications listed above, and therefore, not subject to annual constraints or intended use. Unassigned amounts are available for any legal purpose. These are the current resources available for which there are no external or self-imposed limitations or set spending plan. Although there is generally no set spending plan for the unassigned portion, there is a need to maintain a certain funding level. Unassigned fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as unassigned can be used to cover expenditures for revenues not yet received.

POLICY STATEMENT:

All Non-Spendable and Spendable Fund Balance shall be reported at the end of each fiscal year as follows:

- 1. *The portion of the fund balance that is not in spendable form as Non-Spendable Fund Balance on the annual financial statements.***
- 2. *Restricted fund balance amounts that have applicable legal restrictions per GASB 54.***
- 3. *Committed fund balances that have been committed by self-imposed actions by the North Providence School Committee.***
- 4. *The portion of fund balance, if any, that is assigned for a specific purpose and a description of the specified purpose.***
- 5. *The portion of unassigned fund balance.***

In addition, the North Providence School Department shall maintain an unassigned fund balance of no less than two (2) months of total General fund Budgeted Operating Expenditures or a minimum of 8% of total General Fund Budgeted Operating Expenditures, whichever is lower, to accommodate immediate cash flow needs for unanticipated expenditures and/or emergencies.

If the amounts assigned for cash flow fall above or below the desired range of unassigned fund balance, the Superintendent/or designee shall report such amounts to the School Committee as soon as practical after the end of the fiscal year. Should the actual amount assigned for cash flow fall below the desired range, the School Committee shall create a plan to restore the fund to the appropriate levels.

After completion of the annual audit, if the undesignated unassigned fund balance exceeds two (2) months of total General fund Budgeted Operating Expenditures or a minimum of 8% of total General Fund Budgeted Operating Expenditures, whichever is lower, the excess funds shall be designated assigned for capital projects and will be transferred into the applicable School Improvement Capital Reserve Funds for use on non-recurring expenditures.

The North Providence School Department shall, when possible, expend funds beginning with those funds that have the highest level of restriction first, and will spend those funds with the lowest level of restriction last. When multiple categories of fund balance are available for expenditure (e.g., a project is funded partly by a grant, funds set aside by the School Committee and unassigned fund balance), the Department will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The Finance Director's shall ensure that the Department's expenditures are properly classified based on the restrictions (both external and internal) of the revenue and fund balance(s) in accordance with the definitions listed above.

Approved: 9/28/2022

EFFECTIVE DATE: 9/28/2022