

## Policy Code: 8351 Local Current Expense Fund Balance

### 1. Policy

**1.1 Fund Balance for Cash Flow Purposes** - The CHCCS will make a good faith effort to maintain a level of unassigned fund balance that will ensure sufficient funds are available to address its cash flow needs. The targeted level of unassigned fund balance for cash flow purposes will be at a minimum of 5.5 percent of budgeted expenditures.

**1.2 Accumulated Fund Balance Above Cash Flow Purposes** - In the event that the school district accumulates more than the percentage amounts allowed for cash flow purposes, the Boards of Education will develop a plan for spending the accumulated fund balance surplus for non-recurring purposes. The Board of Education will share that plan with the Board of County Commissioners.

**1.3 Fund Balance Appropriation Occurring Outside the Normal Annual Budgeting Process** - Appropriation of fund balance is a budgetary action that rests with the Board of Education. It is highly desired that fund balance appropriations be limited to non-recurring expenses. The CHCCS has historically appropriated fund balance as part of its normal budgeting process, and this practice will remain until additional revenue is available to eliminate the use of fund balance. The Board of Education should note and explain significant deviations in the normal budgetary appropriation as a part of the budget narrative accompanying the recommended and adopted budgets.

If the Board of Education finds it necessary to appropriate fund balance, outside the normal annual budgeting process, the Board of Education shall highlight the appropriation in their next fiscal year's budget request. The County Commissioners are not obligated to increase local current expense in order to fund recurring items for which the Board of Education appropriates fund balance outside of the normal budgeting process.

**2. Unassigned Fund Balance** - Unassigned fund balance may be allowed to accumulate above the cash flow percentages under certain circumstances. The School Board should develop a detailed plan for future use of accumulated fund balance. The Board of Education is to use unassigned fund balance to address unforeseen events or opportunities. In these instances, it is the responsibility of the Board of Commissioners to work with the School Boards to address the extraordinary issues.

**3. Extraordinary Emergency Needs** - There may arise a time in the future when the Board of Education experiences an unforeseen, extraordinary, uninsured event that greatly compromises how the district serves children. In such instances, there may be a need for the school district to use some or all of its fund balance. In such instances, the Board of Education is to take appropriate action to correct the problem, and following necessary budgetary action by the Board of County Commissioners, the County will reimburse the School Board for the necessary expenditures.

**4. Policy Review** - The School/County Collaboration Work Group shall review this policy every 18 months to determine if changes to the policy are necessary.

Legal References: [G.S. 115C-422](#), [Article 31](#)

Cross References:

Adopted: 2/4/99

Revised: 11/20/08, 9/7/12