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UNDESIGNATED OPERATING FUND BALANCE

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~~As the recipient of Wake County funds allocated for use in local public education, the Wake County Board of Education has the responsibility to use these funds efficiently and wisely. The Board of Education maintains an Undesignated Operating Fund Balance to address emergency funding needs and other generally one-time costs not included in the annual budget. In addition, the Board of Education may use Undesignated Operating Fund Balance as a funding source for the annual budget. Any use of the Undesignated Operating Fund Balance requires action by the Board in a public meeting. Management of the Undesignated Operating Fund Balance is one component of effectively managing Wake County appropriated funds.~~

~~As a good business practice, the Board of Education sets the following limits on the Undesignated Operating Fund Balance:~~

- ~~• The Board targets maintenance of an Undesignated Operating Fund Balance no greater than 6% of the subsequent year's county appropriation.~~
- ~~• The Board will return to Wake County any Undesignated Operating Fund Balance in excess of the specified 6% target on an annual basis.~~
- ~~• The Board will not use more than 50% of its July 1st Undesignated Operating Fund Balance to provide funding to the following year's annual budget.~~

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UNASSIGNED FUND BALANCE

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The Wake County Board of Education receives funding from Federal, State, and Local government sources, and maintains a fiduciary responsibility to use these funds effectively and wisely. The School System has no taxing authority, and is reliant upon these governmental funding sources to conduct its statutorily required operation. The Board of Education maintains an Unassigned Fund Balance as a fiscal tool to manage emergency funding needs and funding requirements not included within the annual operating budget. In addition, the Board of Education may use the Unassigned Fund Balance to fund a portion of its annual operating budget. Use of Unassigned Fund Balance for any purpose requires Board approval.

The Wake County Public School System prudently manages its total operating budget, including all funding sources, ensuring that funds expiring or reverting to the funding source at the end of a fiscal year are used prior to other funding sources. Unassigned Fund Balance results when specified non-reverting revenue sources exceed associated expenditures in a fiscal year.

To meet its fiduciary responsibility of managing its overall operating budget funded by governmental agencies, without the ability to generate revenue via taxing authority, the Board employs fiscal tools including an Unassigned Fund Balance.

As such, the Board of Education sets the following guidelines on its Unassigned Fund Balance:

- The Board targets maintenance of an Unassigned Fund Balance no greater than 3% of the total annual operating budget for such year.
- The Board will use no more than 50% of its July 1 Unassigned Fund Balance to fund a subsequent years operating budget.
- If upon completion of the annual external financial audit it is determined that the Unassigned Fund Balance at the end of a fiscal year is greater than 3% of the total operating budget for the fiscal year subsequent to that being audited, the Board will return to Wake County any such excess amount.