

## **Policy for Use of Year End Balance in the School Operating Fund**

### **I. Background**

At the end of a fiscal year, unspent expenditure appropriations and revenues in excess of budget generally lapse and revert to a reserve or fund balance within the fund in which the appropriations originated. Given the level of uncertainty associated with public school funding in the Commonwealth of Virginia, it is desirable to reappropriate these funds to establish and maintain certain Accounting Funds separate from the Operating Fund. The Board of Supervisors has previously supported these prudent fiscal practices via a process of carry-forward and reappropriation on a case by case basis. The National Advisory Council on State and Local Budgeting (NACSLB) has issued guidelines representing standards of excellence in governmental budgeting that include the preparation of policies and plans for capital asset acquisition, maintenance, and replacement (Principle 2; Element 5; Practice 5.2); and preparation of policies and plans for other reserve funds (Principle 2; Element 4; Practice 4.1). This policy addresses these standards.

### **II. Purpose**

This policy establishes a formal and less cumbersome process for the utilization of year end operating balances. This policy also establishes guidelines for a School Capital Fund, Medicaid Reimbursement Fund, and School Textbooks Fund. Encouraging sound fiscal management practices will provide opportunities for funding large, planned intermittent expenditures and for addressing unforeseen revenue declines or expenditure increases.

### **III. Performance Standard**

Departments will not engage in practices for the purpose of solely generating savings that will adversely affect the quality of service delivery unless approved by the Superintendent and/or the School Board.

### **IV. Policy Guidelines for Use of Year End Balances**

- A. When the school division's revenue and expenditure operating accounts are closed out at the end of each fiscal year, unexpended Medicaid specific and Textbooks specific appropriations will be transferred to the Medicaid Reimbursement Fund and the School Textbooks Fund.
- B. The remaining year end operating balance, as determined on the cash basis of accounting, will be transferred to the School Capital Fund for capital projects listed on the Capital Improvements Plan as adopted by the School Board.
- C. Given that appropriations lapse in the Commonwealth of Virginia at the conclusion of each fiscal year, the Board of Supervisors shall reappropriate to the School Board the amounts transferred to the School Capital, School Medicaid, and School Textbook funds at the beginning of the subsequent fiscal year or as soon thereafter as feasible.

Adopted: January 24, 2011

01/11 ACPS

ALLEGHANY COUNTY PUBLIC SCHOOLS