

Policy Committee Agenda

August 15, 2023
5:00 – 6:00 PM
Assembly Room

Type of Meeting: Lee County Schools Board Policy Committee

Attendees: All Policy Committee Members

Revision Key: Additions – double underline
Deletions – ~~strikethrough~~
NCSBA - **yellow**
General Statute Changes – **red**
Lee County Schools Changes – **blue**

Agenda Topics

Welcome and Call to Order.....Chris Gaster, Chair

Approval of August 15, 2023 Agenda.....Chris Gaster, Chair

Approval of May 16, 2023 Minutes.....Chris Gaster, Chair

POLICIES FOR REVIEW

Committee Discussion as recommended by Evergreen Solutions, LLC.....Chris Gaster, Chair

- 1) Development of policy on banking service contract and/or depositories – to include written agreement and what is to be expected from both parties
Lee County Schools Policy 8320 Depositories
- 2) Fund Balance - Sample policies from NCSBA
Policy 8101 Local Current Expense Fund Balance – Orange County
Policy 8105 Fund Balance Policy – Davie County
Regulation 8300-R Cash Management – Guilford County
Policy 8301 Fund Balance Reporting – Newton-Conover
Policy 8351 Local Current Expense Fund Balance – Chapel Hill-Carrboro Schools
- 3) Development of policy in conducting physical audit of fixed assets annually
Lee County Schools Policy 6560 Disposal of Surplus Property
Lee County Schools Policy 8350 Fixed Assets Inventory
Sample policy NCSBA - Policy 8350 Fixed Assets and Maintenance of Inventory –
Roanoke Rapids Graded School
- 4) Development of policy to rotate external audit contract every 5 – 7 years
Sample policy from NCSBA -
Policy 8310 Annual Independent Audit and Financial Statement – Beaufort County
G.S. 115C-447 Annual independent audit

**Discussion of Lee County Schools policies relating to student discipline as requested
by the Board of Education Chair.....Chris Gaster, Chair**
Policy Code 4300 Code of Student Conduct
Policy Code 4302 School Plan for Management of Student Behavior
Policy Code 4303 Fair and Consistent Discipline Administration
Policy Code 4328 Gang-Related Activity
Policy Code 4329/7311 Bullying and Harassing Behavior Prohibited
Policy Code 4345 Student Discipline Records
Policy Code 4370 Student Discipline Hearing Procedures

Adjourn.....Chris Gaster, Chair

Next Policy Committee Meeting
September 19, 2023
5:00 PM

**Lee County Board of Education
Policy Committee Meeting
Assembly Room, Basement
Heins Education Building
May 16, 2023
5pm**

Members Present:

Sandra Bowen-Lee County Board of Education Member; Policy Committee member

Dr. Johnnye Waller-Assistant Superintendent Auxiliary Services

Dr. Chris Dossenbach-Assistant Superintendent Curriculum and Instruction

Stacie Eggers-Assistant Superintendent Human Resources

Kelly Jones-Chief Finance Officer

James Alverson-Public Information Officer

Jessica Blackman

Susan P. Britt-Administrative Assistant

Members Present Remotely:

Chris Gaster-Lee County Board of Education member; Chairman-Policy Committee

Stephen Rawson-Board Attorney

Due to Policy Committee Chairman Gaster being remote, Policy Committee Member Bowen called the meeting to order.

Approval of 5/16/2023 Agenda-The 5/16/2023 agenda was approved.

Approval of 4/18/2023 Minutes-The 4/18/2023 minutes were approved.

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Policies for Review

Committee Discussion

Policy 3530-Citizenship and Character Education

Bathroom Facilities and Usage

Policy Committee Chairman Gaster made the motion to table the discussion of Policy 3530 and Bathroom Facilities and Usage until the next Policy Committee meeting. The motion was seconded by Policy Committee Member Bowen, and approved unanimously.

Strongly Recommended means the provisions are required by law, but they do not have to be addressed in policy, although NCSBA strongly recommends that the provisions be added to policy.

Policy 1610/7800-Professional and Staff Development

Policy Committee Chairman Gaster made the motion to accept the policy updates for submission to the Board for first reading on June 13, 2023. The motion was seconded by Policy Committee Member Bowen, and approved unanimously.

Policy 3101-Dual Enrollment

Policy Committee Chairman Gaster made the motion to accept the policy updates for submission to the Board for first reading on June 13, 2023. The motion was seconded by Policy Committee Member Bowen, and approved unanimously.

Policy 4012/7233-Education for Pregnant and Parenting Students and Employees

Policy Committee Chairman Gaster made the motion to accept the policy updates for submission to the Board for first reading on June 13, 2023. The motion was seconded by Policy Committee Member Bowen, and approved unanimously.

Policy 6315-Drivers

Policy Committee Chairman Gaster made the motion to accept the policy updates for submission to the Board for first reading on June 13, 2023. The motion was seconded by Policy Committee Member Bowen, and approved unanimously.

Policy 7503-Teleworking

Policy Committee Chairman Gaster made the motion to accept the policy updates for submission to the Board for first reading on June 13, 2023. The motion was seconded by Policy Committee Member Bowen, and approved unanimously.

There being no further business, Policy Committee Member Bowen adjourned the meeting.

NOTE: Footnotes are for reference only. They should be eliminated from an individual board's policy.

DEPOSITORIES

Policy Code:

8320

The board will solicit bids at least every three years from, and will designate as official depositories of the school system, one or more banks, savings and loan associations, or trust companies in North Carolina.¹ The school system will comply with all legal requirements applicable to the deposit of funds into the school system's official depository(ies).² No money will be deposited in any place other than an official depository, except as permitted by G.S. 115C-443(b), which exception relates only to certificates of deposits or such other forms of time deposits approved by the Local Government Commission.

Legal References: G.S. 115C-443, -444; 147-86.11, -86.12

Cross References:

Issued:

Revised: March 31, 2022

¹ The board is required by G.S. 115C-443 to designate an official depository. The process of soliciting bids at least every three years is optional and may be modified or omitted.

² See, e.g., G.S. 115C-444(b) (moneys on deposit in the official depository must be secured) and G.S. 147-86.12(c)-(d) (LEAs may deposit state funds in their official depositories provided those state funds are disbursed by the third business day after being withdrawn from the State Treasury).

Policy Code: 8101 Local Current Expense Fund Balance

1. Guidelines

The School Budget and Fiscal Control Act (SBFCA) establishes accounting, budgetary and fiscal control guidelines for School Systems. The SBFCA is codified in G.S. Chapter 115C, Article 31, beginning at G.S. 115C-422. This act parallels the statutes established for Local Government with a few exceptions.

2. Definitions

2.1. **Total Fund Balance** - The difference between a school system's total assets and its total liabilities at the end of the fiscal year.

2.2. **Fund Balance Available for Appropriation** - The sum of a school system's assets held in cash and investments minus the sum of the school system's liabilities and encumbrances at the end of the fiscal year as outlined in G.S. 115C-425 of the SBFCA.

2.3. **Assigned Fund Balance** - The amount of the available fund balance that has been appropriated for the budget year through budgetary action of the School Board.

2.4. **Unassigned Fund Balance** - The difference between Fund Balance Available for Appropriation and Assigned Fund Balance.

3. Policy

3.1. **Fund Balance for Cash Flow Purposes** - Each school district 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 following levels are to be maintained for cash flow purposes only:

3.1.1. **Chapel Hill Carrboro City Schools** - The targeted level of unassigned fund balance for cash flow purposes will be at a minimum of 5.5 percent of budgeted expenditures.

3.1.2. **Orange County Schools** - The targeted level of unassigned fund balance for cash flow purposes will be at a minimum of 3 percent of budgeted expenditures.

3.2. **Accumulated Fund Balance Above Cash Flow Purposes** - In the event that either school district accumulates more than the percentage amounts allowed for cash flow purposes, the respective Boards of Education will develop a plan in place 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.

3.3. **Fund Balance Appropriation Occurring Outside the Normal Annual Budgeting Process** - Appropriation of fund balance is a budgetary action that rests with elected bodies of each school system. It is highly desired that fund balance appropriations be limited to non-recurring expenses. Both school districts have historically appropriated fund balance as a part of their 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.

4. Unassigned Fund Balance

Unassigned fund balance may be allowed to accumulate above the cash flow percentages under certain circumstances. School Boards will develop a detailed plan for future use of accumulated fund balance. Boards of Education are 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.

5. Extraordinary Emergency Needs

There may arise a time in the future when one or both school district(s) experience(s) an unforeseen extraordinary uninsured event that greatly compromises how the district(s) serve(s) children. In such instances, there may be a need for the school district(s) to use some or all of its fund balance. In such instances, the Board(s) of Education is (are) 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(s) for the necessary expenditures.

6. Policy Review

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

Rescinds Policy Number.

Issued: 11/17/2008

Date Reviewed/Approved: 10/08/2012

Orange County Board of Education

Policy Code: 8105 Fund Balance Policy

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the board of education to be in a strong financial position that will allow for a better position to weather negative economic trends.

The fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. In the preparation of financial reports, as per Governmental Accounting Standards Board (GASB) Statement No. 54, there are five separate components of fund balance, each of which identifies the extent to which the board of education is bound to honor constraints on the specific purpose for which amounts can be spent.

A. Fund Balance Reporting Account Type Classifications

1. Fund Balance - Nonspendable

Nonspendable fund balance consists of funds that cannot be spent due to their form (e.g. inventories) or funds that legally or contractually must be maintained intact (e.g. the principal of an endowment fund).

2. Fund Balance - Restricted

Restricted fund balance consists of funds that are mandated for specific purpose by external parties, constitutional provisions or enabling legislation.

3. Fund Balance - Committed

Committed fund balance consists of funds that are set aside for a specific purpose by the board of education. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

4. Fund Balance - Assigned

Assigned fund balance consists of funds that are set aside with the intent to be used for a specific purpose by the board of education. Assigned funds cannot cause a deficit in unassigned fund balance.

5. Fund Balance - Unassigned

Unassigned fund balance consists of excess funds that have not been classified in the previous four (4) categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

B. Nonspendable and Restricted Funds

Nonspendable funds are those funds that cannot be spent because they are either: (1) not in spendable form (e.g. inventories); or (2) legally or contractually required to be maintained intact. It is the responsibility of the superintendent to report all Nonspendable Funds appropriately in the Board of Education Financial Statements.

Restricted funds are those funds that have constraints placed on their use either: (1) externally by creditors, grantors, contributors, or laws or regulations or other governments; or (2) by law through constitutional provisions or enabling legislation. It is the responsibility of the

superintendent to report all Restricted Funds appropriately in the Board of Education Financial Statements.

C. Classification of Fund Balance

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless the board of education has provided otherwise in its commitment or assignment actions.

D. Authority to Commit Funds

The board of education has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

E. Stabilization Arrangement

Maintaining a Financial Stabilization Account is a necessity for sound financial management and fiscal accountability. The board of education has the authority to establish a Financial Stabilization Account that will be a Committed Fund Balance. A Financial Stabilization Account is established for the purpose of providing funds for an urgent event that affects the safety of the employee and student population (e.g. earthquake, wildfires, etc.). The minimum level for the Financial Stabilization Account is one (1%) percent of the Local Current Expense Fund expenditures. The recognition of an urgent event must be established by the board of education or the superintendent. If established by the superintendent, the specific urgent event must be reported to the board of education at their next meeting. A budget revision must be approved by the board of education. In the event that the balance drops below the established minimum level, the board of education will develop a plan to replenish the Stabilization Account balance to the established minimum level within four (4) years.

F. Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the board of education's superintendent to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the board of education at their next regular meeting. The board of education has the authority to remove or change the assignment of the funds with a simple majority vote.

The board of education has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

G. Unassigned Fund Balance

Unassigned Fund Balance is the residual amount of Fund Balance in the Local Current Expense Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the Local Current Expense Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the board of education. In the

event of projected revenue shortfalls, it is the responsibility of the superintendent or their designee to report the projections to the board of education at the next regularly scheduled board meeting and shall be recorded in the minutes.

Any budget revision that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of the board of education.

The Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to seventeen (17%) percent of the total Local Current Expense Fund expenditures. In the event that the balance drops below the established minimum level, the board of education will develop a plan to replenish the fund balance to the established minimum level within two (2) years.

Legal References:

Cross References:

Adopted: February 7, 2012

Davie County Schools

Regulation Code: 8300-R* (formerly DF-P) Cash Management

Descriptor Term: CASH MANAGEMENT	Descriptor Code: 8300-R* (formerly DF-P)
Date Issued: September 9, 1997	Date Revised: Recodified as regulation 8300-R: May 10, 2022

The Guilford County Board of Education believes that it is in the best interest of the public to fully maximize the use of district funds, and that the finance and/or assistant finance officer is responsible for supervising the management of these funds to ensure that all funds are used in the most efficient manner. The cash management plan has been devised to be used in conjunction with the Local School Fund Accounting Procedures Manual and the Auxiliary Services Procedures Manual as an administrative procedure for the implementation of Board Policy DF - CASH MANAGEMENT.

The following procedures are hereby established and shall be incorporated in the appropriate sections of the cash management plan.

Section I. CASH RECEIPTS

A. Deposits are to be made whenever monies on hand amount to as much as \$250, but in any event, deposits are to be made on the last business day of the week and on the last business day of the month. Monies shall be deposited in such a manner as to receive the current day's credit. The deposit shall be made by the finance and/or assistant finance officer or by employees duly authorized to do so and supervised by the finance and/or assistant finance officer.

B. Monies due to the Board shall be promptly billed, collected, and deposited. The finance and/or assistant finance officer shall monitor the status of all uncollected monies owed to the Board and implement measures to collect any and all delinquent accounts except as otherwise provided by law. Prompt action will be undertaken to collect good funds for any checks received and deposited which are returned due to insufficient funds.

C. Applications and reports to the state or federal government for funds and/or reimbursement requests are to be filed promptly. Employees who administer programs that receive monies from the state or federal government should meet with the finance and/or assistant finance officer to establish a cash flow schedule for these monies.

D. The finance and/or assistant finance officer shall periodically review each revenue source of the Board and examine the methods for prompt billing, collecting, depositing, and reporting of those sources. These methods shall be analyzed with the individual responsible for the particular revenue source, and changes shall be instituted if quicker and more efficient means of revenue realization are possible.

Section II. CASH MOBILIZATION AND MANAGEMENT OF AVAILABLE RESOURCES (DEPOSITS AND/OR INVESTMENTS)

A. The finance and/or assistant finance officer shall devise and implement a central depository system for the district. This system shall include the creation of two bank accounts: a cash
8300-R* (formerly DF-P)

concentration account and an imprest payroll account. These two accounts will be established with an official depository approved/designated by the Board.

B. Collateralization for deposits shall be in accordance with Title 20, Chapter 7 of the North Carolina Administrative Code (20 NCAC 7). All deposits for the Board shall be fully protected through deposit insurance and eligible collateral securities pursuant to 20 NCAC 7. While there are two methods of collateralization available to depositories - the Dedicated Method wherein the responsibility for monitoring collateral is with the finance and/or assistant finance officer and the Pooling Method wherein the responsibility for monitoring collateral is with the State Treasurer - the Board's deposits shall be held in financial institutions which utilize the Pooling Method of collateralization and the finance and/or assistant finance officer shall maintain necessary documentation to show that the responsibility of monitoring collateralization levels is with the State Treasurer.

C. The finance and/or assistant finance officer shall strive to maximize the percentage of the Board's monies invested at all times. Eligible investments shall be limited to the classes of securities cited in General Statute 115C-443 with an additional consideration being given to the factors of legality, safety, liquidity, and rate of return. The finance and/or assistant finance officer will maintain adequate diversification of the investment portfolio in order to minimize risks brought on by economic and market changes.

D. The finance and/or assistant finance officer shall be responsible for obtaining custody and providing safekeeping of securities and deposit certificates. All securities purchased by the Board shall be delivered to the Board's custodian and placed in the Board's custody account. The custodian agent will promptly provide the Board with a custody receipt. All such custodial agreements shall be between the Board and the custodian. Certificates of deposit purchased by the Board shall be between the Board and the custodian.

E. Each year (a) the Board shall designate official depositories for all funds of the district including the accounts of individual schools pursuant to General Statute 115C-444 and (b) the Board shall appoint a treasurer for each school within the district pursuant to General Statute 115C-448.

Section III. CASH DISBURSEMENTS

A. To create the maximum amount of funds available for investment, a cost effective disbursement cycle shall be established. The obligations of the Board shall be paid by their due date; however, the finance and/or assistant finance officer shall determine whether or not the discount for cash payment is more beneficial than payment on the billing's due date. The disbursement cycle shall be revised periodically by the finance and/or assistant finance officer and changes shall be instituted when appropriate.

B. The finance and/or assistant finance officer shall develop a system of inventory and supply controls to ensure that the quantity of materials on hand keeps the Board operating efficiently without maintaining excessive amounts of inventories/supplies.

C. A purchase order or encumbrance system requiring a preaudit certificate shall be used to ensure that there is an appropriation authorizing any purchase orders or expenditures.

D. The finance and/or assistant finance officer will consolidate, to the extent practicable, all payments to a particular vendor rather than issuing separate checks for each billing period.

Section IV. BANKING RELATIONS

A. The finance and/or assistant finance officer shall maintain the minimum number of bank accounts necessary to conduct the Board's business. A cash concentration account and an imprest payroll account shall be required accounts.

B. The finance and/or assistant finance officer shall maintain in the Board's accounts enough monies to meet the Board's daily obligations.

C. An official depository for the Board shall be selected based on a competitive request for proposal (RFP). The proposals shall be evaluated and the banking services awarded to a financially sound institution that demonstrates the ability to handle the Board's business in a cost effective manner. Evaluations of financial institutions shall include, but not be limited to, an examination of historical trend data and ratio analysis to determine capital adequacy, profitability, asset/loan quality and liquidity. The financial institution selected and designated as the official depository shall receive the Board's bank accounts for a period of three years with an opportunity for a two year extension. The finance and/or assistant finance officer shall sign for the Board a contract with the official depository establishing the banking services and costs (compensating balances or direct charges) that will be applicable to the Board and what conditions will necessitate termination of the contract. The official depository shall be monitored for compliance with the specifications contained in the RFP, and for any new services that may become available in the banking industry.

Section V. MONITORING AND REPORTING

A. The finance and/or assistant finance officer shall report to the Board as requested concerning the status of investments, the collateralization of Board monies, and the comparison of actual disbursements and receipts to the budgeted disbursements and receipts.

B. Significant changes in banking services or costs, and the issuance of a Request for Proposals for Banking Services shall be reported to the superintendent and/or Board.

C. The finance and/or assistant finance officer shall semi-annually submit the LGC-203 Report of Deposits and Investments to the secretary of the Local Government Commission. This information, with appropriate explanations, shall also be reported to the superintendent after each report has been submitted to the Local Government Commission. Any schools having funds in financial institutions which utilize the Dedicated Method of collateralization shall be advised to place those funds in financial institutions which utilize the Pooling Method of collateralization. Also, given Federal Deposit Insurance Coverage (FDIC) protection is available up to \$100,000, schools shall be further advised that deposits/investments must not exceed \$100,000 per institution.

D. Each year the cash management plan shall be reviewed by the finance and/or assistant finance officer during budget preparation. The finance and/or assistant finance officer shall report to the superintendent and/or Board any amendments he/she has adopted, any procedural changes he/she has made, and any actions he/she recommends the Board take to enhance the cash management plan.

E. The annual audit shall contain findings and recommendations relative to the Board's compliance with the established cash management plan and the reports of the finance and/or assistant finance officer thereon.

F. All employees of the Board shall follow the cash management plan and provisions of this procedure. The willful or continued failure to do so is sufficient cause for disciplinary action, including dismissal, and such deviations from the plan by an employee shall be reported to the superintendent and/or his/her designee.

Guilford County Board of Education

Policy Code: 8301 Fund Balance Reporting

To account for the implementation of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Classifications, the Newton-Conover City Schools Board of Education defines Fund Types and Fund Balance classifications to ensure accurate designation of Fund Balance and Governmental Fund Type effective July 1, 2010.

A. Fund Balance Reporting Account Type Classifications

1. Fund Balance - Nonspendable

Nonspendable fund balance includes amounts that are not in a spendable form (inventory, for example) or are required, either legally or contractually, to be maintained intact (the principal of an endowment fund, for example).

- Inventories
- Prepaid Items
- LongLoans and Notes Receivable
- Corpus of a Permanent Fund

2. Fund Balance - Restricted

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers, creditors, contributors, or laws or regulations of other governmental entities), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

3. Fund Balance - Committed

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the board. Commitments may be changed or lifted only by the board, taking the same formal action that imposed the constraint originally (i.e. legislation, resolution, or ordinance). Contractual obligations should be incorporated to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations. Encumbrances approved by action of the board (board-approved construction contract with XYZ company) should be reported as committed.

4. Fund Balance - Assigned

Assigned fund balance comprises amounts intended to be used by the school system for specific purposes. Intent can be expressed by an official to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. Encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by appropriate officials should be reported as assigned.

5. Fund Balance - Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be

reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

B. Governmental Fund Type Definitions

A fund is an independent fiscal and accounting entity consisting of cash and other resources together with all related liabilities, obligations, reserves and equities which are segregated by appropriate accounting techniques for the purpose of carrying on specific activities or attaining certain objectives in accordance with established legal regulations, restrictions or limitations.

1. State Public School Fund (Fund 1) - Appropriations for the current operating expenses of the public school system from monies made available to the local school administrative unit by the Department of Public Instruction.
2. Local Current Expense Fund (Fund 2) - Appropriations for the current operating expenses of the local school administrative unit other than appropriations included in the State Public School Fund and the Federal Grant Fund. This shall include, but not be limited to, revenues from fines and forfeitures, county appropriations for current expenses, supplemental taxes levied for current expenses, state allocations and appropriated fund balances (revenues accruing to a school administrative unit in prior years but not yet expended).
3. Federal Grant Fund (Fund 3) - Appropriations for the expenditure of federal categorical grants made available through the Department of Public Instruction.
4. Capital Projects Fund (Fund 4) - To account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays. Appropriations for:
 - a. the acquisition of real property for school purposes, including but not limited to school sites, playgrounds, athletic fields, administrative headquarters and garages;
 - b. the acquisition, construction, reconstruction, enlargement, renovation or replacement of buildings and other structures, including but not limited to, buildings for classrooms and laboratories, physical and vocational educational purposes, libraries, auditoriums, gymnasiums, administrative offices, storage and vehicle maintenance;
 - c. the acquisition or replacement of furniture and furnishings, instructional apparatus, data processing equipment, business machines and similar items of furnishings and equipment;
 - d. the acquisition of school buses as additions to the fleet;
 - e. the acquisition of activity buses and other motor vehicles; and
 - f. such other objects of expenditures as may be assigned to the Capital Outlay Fund by the uniform budget format.

The cost of acquiring or constructing a new building, or reconstructing, enlarging or renovating an existing building shall include the cost of all real property and interests in real property and all plants, works, appurtenances, structures, facilities, furnishings, machinery and equipment necessary or useful in connection therewith; financing charges; the cost of plans, specifications, studies, reports and surveys; legal expenses; and all other costs necessary or incidental to the construction, reconstruction, enlargement or renovation.

5. Child Nutrition Fund (Fund 5) - Revenues and expenditures for Child Nutrition Operations.
6. Trust & Agency Fund (Fund 6) - Revenues and expenditures for trust and agency funds as needed by the local school administrative unit to account for trust and agency arrangements such as endowments, funds of individuals held by the school finance officer and special funds of individual schools.
7. Supplemental Services Fund (Fund 7) - Revenues and expenditures for After School Daycare

and Supplemental Services.

8. Special Revenue Fund (Fund 8) - To account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Cross References:

Legal References:

Other Resources: Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions

Adopted: June 13, 2011

Revised: April 2, 2012

Newton-Conover City Schools

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

DISPOSAL OF SURPLUS PROPERTY

Policy Code:

6560

When personal property becomes unnecessary and undesirable for public school purposes, the school system will sell or dispose of the property in order to provide additional revenue for educational purposes, in accordance with the requirements of Article IX, Section 7 of the North Carolina Constitution,¹ G.S. 115C-518, and G.S. 160A, art. 12. Equipment and supplies acquired under a federal award will be disposed of in accordance with the terms and conditions of the federal award, all applicable requirements of federal law and regulation, and the provisions of this policy not inconsistent with such requirements.²

Contracts for the sale or disposal of surplus property must be consistent with G.S. 147, art. 6E and 6G.³ Before any property may be sold or disposed of, it must be removed from the appropriate fixed asset inventory.

The superintendent or designee shall ensure that any confidential, proprietary, or other identifying information is removed from surplus property prior to disposition. In addition, the disposal of any equipment or other property through waste management services must be done in a manner consistent with environmental or other relevant rules and regulations.

A. PROPERTY WORTH LESS THAN \$30,000⁴

Pursuant to G.S. 160A-266(c), the board permits the superintendent or designee to dispose of personal property worth less than \$_____ ⁵ for a single item or group of similar

¹ Though G.S. 160A-274 and -280 permit the conveyance of property to other governmental units without consideration (compensation), Article IX, Section 7 of the North Carolina Constitution states that "property belonging to a county school fund...shall belong to and remain in the several counties, and shall be faithfully appropriated and used exclusively for maintaining free public schools." The North Carolina Supreme Court has interpreted the constitutional provision to prohibit the conveyance of school system property to another governmental unit without compensation unless the property will continue to be used for public school purposes. See *Boney v. Board of Trustees*, 229 N.C. 136 (1948).

² Requirements for the disposal of equipment and supplies acquired under a federal award are described at 2 C.F.R. 200.313-200.314. Disposal requirements depend on whether the fair market value of the property is above \$5,000.

³ Chapter 147, Article 6E, is the "Iran Divestment Act" and Chapter 147, Article 6G, is titled "Divestment from Companies Boycotting Israel." These laws prohibit certain contracts with companies that are determined to be engaging in investment activities in Iran or determined to be engaging in a boycott of Israel.

⁴ For the sale or exchange of property valued at less than \$30,000, G.S. 160A-266(c) permits boards to develop their own rules in substitution for the requirements of G.S. 160A, art. 12. This section establishes the board's rules for conducting the sale or exchange of property valued at less than \$30,000. These rules may be modified. The board's rules must be designed to secure for the school system fair market value for all property disposed of and to accomplish the disposal efficiently and economically. Alternatively, the board could set a lower dollar threshold for when the board's rules will be used in substitution for the requirements of G.S. 160A, art. 12, or the board could delete this section and follow the statutory requirements for sales or exchanges of all property. Either of these alternatives require corresponding changes below.

⁵ Fill in the appropriate amount, which can be no greater than \$30,000. The board may delegate to the superintendent the authority to dispose of all personal property valued at less than \$30,000 or may limit the delegation to a smaller amount. If the board delegates authority for all property less than \$30,000, the following

items; to set the property's fair market value; and to convey title to the property for the board of education. Prior to disposition, the superintendent or designee must make a finding that the property is no longer necessary or desirable for school use.

⁶For property worth \$_____ or more but less than \$30,000,⁷ the superintendent or designee shall determine and recommend to the board of education whether or not items or groups of similar items are unnecessary or undesirable for school purposes. The recommendation must include the description of the items or the groups of items and a recommended method of sale or disposition.

Property covered by this section may be disposed of through a public or private exchange or sale. The superintendent or designee shall choose or recommend⁸ any method of disposal that is designed to obtain a fair market value for the property in the most efficient and economical manner possible and is in the best interest of the school system, as determined by the superintendent or designee. For all public sales, the superintendent or designee must publish notice at least 10 days in advance. The notice must identify the property to be sold and set out the date, time, place, and terms of the sale. Notice must be published in a newspaper having general circulation and/or by electronic means.

The superintendent shall provide a semiannual report to the board detailing such transactions. The report must include: (1) a general description of the property sold or exchanged; (2) the name of the person(s) to whom the property was sold or with whom it was exchanged; and (3) the amount of money or other consideration received for each sale or exchange.

B. PROPERTY WORTH \$30,000⁹ OR MORE

Property worth at least \$30,000¹⁰ will be disposed of pursuant to the requirements of G.S. 160A, art. 12,¹¹ G.S. 115C-518, and Article IX, Section 7 of the North Carolina Constitution.¹²

Legal References: 2 C.F.R. 200.313-200.314; N.C. Const. art. IX, § 7; G.S. 115C-518; 147 art. 6E, art. 6G; 160A, art. 12; *Boney v. Board of Trustees*, 229 N.C. 136 (1948)

paragraph should be deleted.

⁶ Delete this paragraph if the board delegates authority to the superintendent for property worth less than \$30,000 in the previous paragraph. If this paragraph is retained, fill in the blank with the same figure as inserted in the previous paragraph.

⁷ If the board changed the \$30,000 figure in the section title, this figure must be changed to match.

⁸ Delete "or recommend" if the board delegates authority to the superintendent up to \$30,000 in the first paragraph of Section A.

⁹ The requirements of G.S. 160A, art. 12 must be followed for the sale or exchange of any property valued at \$30,000 or more. If the board wishes to set a lower dollar threshold in this section, see footnote 4 above.

¹⁰ Private sale may not be used to dispose of personal property valued at \$30,000 or more except in very limited circumstances. See G.S. 160A-266(b) and 160A-279.

¹¹ Alternatively, the board may list all provisions of the statute.

¹² The relevance of this provision of the North Carolina Constitution is explained in footnote 1.

Cross References: Fixed Assets Inventory (policy 8350)

Issued: May 7, 2004

Revised: July 15, 2005; January 31, 2006; April 28, 2009; April 19, 2016; September 29, 2017; September 28, 2018; March 31, 2022

FIXED ASSETS INVENTORY

Policy Code:

8350

Fixed asset accounting is an important part of the stewardship responsibility of school officials. It allows school officials to properly account for the financial and economic resources of the school system. An inventory control system will be established for all tangible fixed assets owned or possessed by the board of education. The superintendent¹ shall ensure that a physical account of fixed assets is taken on an annual basis.²

A. DEFINITION OF FIXED ASSETS³

Fixed assets are items of tangible property, both real and personal, having a value of \$500⁴ or more and an estimated useful life of two years⁵ or more. Fixed assets are distinguishable from intangible property, such as money or securities, and consumable tangible property, such as office supplies.

B. CATEGORIES OF FIXED ASSETS⁶

For the purposes of accounting and inventorying fixed assets, they will be divided into the following categories.

1. Land: Real property owned in fee simple, easements, rights-of-way and leases, and other interests in land.
2. Land Improvements: Permanent improvements (excluding buildings as defined in Section 3 below) that add value to the land or improve the use of land, such as sidewalks, parking lots, driveways, fences, and drainage systems.
3. Buildings: Any permanent or portable, man-made structure owned by the board of education and used to house or shelter persons or property, including schools, offices, warehouses, garages, sheds, and similar structures.
4. Equipment: Any portable, tangible personal property not permanently affixed to real property that is owned, leased or used by the school system, including such items as machinery, tools, furniture, computers, and motor vehicles.

C. RECORDKEEPING

¹ The board may designate other appropriate school official.

² This sentence is optional.

³ Alternatively, the board could have a different amount for the value and years of useful life for each category of fixed assets.

⁴ The board may insert a different amount as appropriate for the school system.

⁵ The board may designate a longer or shorter useful life period.

⁶ The board could choose different or additional categories, such as separating the items included under the Equipment category.

The superintendent shall develop an appropriate record keeping and inventory system for the school system's fixed assets.

Legal References: G.S. 58-31A-35; 115C-36, -47, -102.6A(c)(5), -529

Cross References:

Issued: July 15, 2005

Revised: September 30, 2019; March 31, 2020

Policy Code: 8350 Fixed Assets and Maintenance of Inventory

Fixed asset accounting and maintenance of inventory are important parts of the stewardship responsibility of school officials. It allows school officials to properly account for the financial and economic resources of the school system.

An inventory control system will be established for all tangible fixed assets owned or possessed by the board of education. The superintendent shall ensure that a physical account of fixed assets is taken on an annual basis in accordance with this policy.

A. Definition of Fixed Assets

Fixed assets are items of tangible property, both real and personal, having a value of \$1500.00 or more and an estimated useful life of two years or more. Fixed assets are distinguishable from intangible property, such as money or securities, and consumable tangible property, such as office supplies.

B. Categories of Fixed Assets

For the purposes of accounting and inventorying fixed assets, they will be divided into the following categories.

1. Land: Real property owned in fee simple, easements, rights-of-ways and leases and other interests in land.
2. Land Improvements: Permanent improvements (excluding buildings as defined in Section 3 below) that add value to the land or improve the use of land, such as sidewalks, parking lots, driveways, fences and drainage systems.
3. Buildings: Any permanent or portable, man-made structure owned by the board of education and used to house or shelter persons or property, including schools, offices, warehouses, garages, sheds and similar structures.
4. Equipment: Any portable, tangible personal property not permanently affixed to real property that is owned, leased or used by the school system, including such items as machinery, tools, furniture, significant technology devices and motor vehicles.

C. Record Keeping

The superintendent shall develop an appropriate record keeping and inventory system for the school system consistent with the following guidelines.

1. Administrative personnel and teachers shall be responsible for taking a physical count of all equipment items and stock supplies in their possession at least annually.
2. A copy of the inventory will be filed in the offices of the superintendent and the principal of the applicable school.
3. Information for equipment purchases with a value of less than \$1500.00 must be kept by designated programs, such as the child nutrition program, or individual schools and reported to the finance officer at the end of each school year.
4. Fixed assets must be identified and tagged by the finance department. Fixed assets with a value of \$5,000.00 or more will be entered as an equipment item for required

financial reporting purposes.

5. The principal or the director of a designated program is accountable for maintaining and reporting information as set forth in any administrative procedures established to implement this policy.

Legal References: G.S. 58-31A-35; 115C-36, -47, 115C-102.6A(c)(5), -529

Cross References:

Adopted: May 15, 2012

Revised: January 21, 2020 (updates legal references); August 18, 2020 (legal references only)

Roanoke Rapids Graded School District

Policy Code: 8310 Annual Independent Audit and Financial Statement

The accounts of the school system and the individual schools will be audited as soon as possible after the close of each fiscal year by an independent, qualified auditor. The auditor will be selected by the board, and the terms and conditions will be specified in a written contract that complies with the requirements of 20 N.C.A.C. 03.0502(c). The auditor will report directly to the board.

The superintendent shall assist the board in providing for an annual independent audit that meets all requirements as provided by G.S. 115C-447 and any other relevant statute. All employees and agents of the school system having custody of public money or responsibility for keeping records of public financial or fiscal affairs shall produce all books and records requested by the auditor and provide any information relating to fiscal affairs requested by the auditor. Any employee who fails to cooperate may be subject to disciplinary action, up to and including dismissal, and also may be found guilty of criminal conduct.

The board will receive the report and opinion of the auditor and will arrange for the auditor to present to the board the audited financial statements, compliance reports, if any, and other information as specified in the audit contract. The presentation must be in an official meeting in open session, held as soon as the audited financial statements are available but not later than 45 days after the submission of the audit report to the Secretary of the Local Government Commission.

If required by 20 N.C.A.C. 03.0508, the board will submit a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" to the Secretary of the Local Government Commission pursuant to that rule within 60 days of the auditor's presentation to the board.

In addition, the administration shall prepare a comprehensive annual financial report that encompasses all the funds and account groups of the school system. The comprehensive annual financial report shall contain the general purpose financial statements as well as combining statements by fund type and individual fund statements.

The school finance officer shall report to the Secretary of the Local Government Commission on January 1 and July 1 each year, or such other dates as the secretary may prescribe, the amount of money then in his or her custody and in the custody of treasurers of individual schools within the system, the amount of deposits of such money in depositories, a list of all investment securities and time deposits held by the school system and individual schools therein.

The finance officer shall prepare other statements of financial condition of the school system and other such financial information as may be necessary or desirable by the administration and the board.

Legal References: G.S. 115C-447; 20 N.C.A.C. 03.0502, 03.0508

Cross References: Professional Employees: Demotion and Dismissal (policy 7930), Classified Personnel: Suspension and Dismissal (policy 7940)

Adopted: March 19, 2013

Revised: May 18, 2021; December 14, 2021

Beaufort County Schools

§ 115C-447. Annual independent audit.

(a) Each local school administrative unit shall have its accounts and the accounts of individual schools therein audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Local Government Commission as qualified to audit local government accounts. The auditor who audits the accounts of a local school administrative unit shall also audit the accounts of its individual schools. The auditor shall be selected by and shall report directly to the board of education. The audit contract shall be in writing, shall include all its terms and conditions, and shall be submitted to the Secretary of the Local Government Commission for his approval as to form, terms and conditions. The terms and conditions of the audit contract shall include the scope of the audit, and the requirement that upon completion of the examination the auditor shall prepare a typewritten or printed report embodying financial statements and his opinion and comments relating thereto. The financial statements accompanying the auditor's report shall be prepared in conformity with generally accepted accounting principles. The auditor shall file a copy of the audit report with the Secretary of the Local Government Commission, the State Board of Education, the board of education and the board of county commissioners, and shall submit all bills or claims for audit fees and costs to the Secretary of the Local Government Commission for his approval. It shall be unlawful for any local school administrative unit to pay or permit the payment of such bills or claims without this approval. Each officer, employee and agent of the local school administrative unit having custody of public money or responsibility for keeping records of public financial or fiscal affairs shall produce all books and records requested by the auditor and shall divulge such information relating to fiscal affairs as he may request. If any member of a board of education or any other public officer, employee or agent shall conceal, falsify, or refuse to deliver or divulge any books, records, or information, with an intent thereby to mislead the auditor or impede or interfere with the audit, he is guilty of a Class 1 misdemeanor.

The State Auditor shall have authority to prescribe the manner in which funds disbursed by administrative units by warrants on the State Treasurer shall be audited.

(b) When the State Board of Education finds that incidents of fraud, embezzlement, theft, or management failures in a local school administrative unit make it appropriate to review the internal control procedures of the unit, the State Board of Education shall so notify the unit. If the incidents were discovered by the firm performing the audit under subsection (a) of this section, the board of the local school administrative unit shall submit the audit together with a plan for any corrective actions relative to its internal control procedures to the State Board of Education and the Local Government Commission for approval and shall implement the approved changes prior to the next annual audit. Where the firm preparing the audit under subsection (a) of this section identifies significant problems with internal control procedures the local school administrative unit shall submit the audit together with a plan for any corrective actions relative to its internal control procedures to the State Board of Education and the Local Government Commission for approval and shall implement the approved changes prior to the next annual audit.

If the incidents were not discovered by the firm performing the audit under subsection (a) of this section, the State Board of Education and the Local Government Commission shall employ an audit firm to review the internal control procedures of that local school administrative unit. Upon completion of this review, the audit firm shall report publicly to the State Board of Education, the Local Government Commission, and the board of the local school administrative unit. If the State Board of Education determines that significant changes are needed in the internal control procedures of the local school administrative unit, the local board shall submit a plan of corrective actions to the State Board of Education and the Local Government Commission for approval and shall implement the approved changes prior to the next annual audit. The local school administrative unit shall pay the cost of this

audit. (1975, c. 437, s. 1; 1981, c. 423, s. 1; 1983, c. 913, s. 17; 1987 (Reg. Sess., 1988), c. 1025, s. 14; 1993, c. 539, s. 891; 1994, Ex. Sess., c. 24, s. 14(c); 2005-276, s. 7.58.)