POLICY

No. 603

Board of Trustees
Douglas County School District **FINANCES**

BUDGET PREPARATION AND FUND BALANCES

The Board considers the preparation of an annual budget to be one of its most important functions as the budget is the financial reflection of the educational plan for the District. The budget shall be designed to carry out that plan, to maintain school facilities, and to honor the obligations of the District, and to comply with all Nevada statutes and regulations governing local financial administration. In order to ensure adequate time for the preparation and review of the proposed budget, the Board requests that the Chief Financial Officer (CFO) present to the Board all available information associated with the Tentative Budget in April, and the Final Budget by the third Wednesday of May. The Board will then direct any revisions to the Tentative and/or Final prior to approval and submission to the Nevada Departments of Education and the Nevada Department of Taxation on or before April 15 and June 8 respectively or such other dates as may be established in NRS 354.596, NRS 354.598, and NAC 354.559. The Board shall hold a public hearing on the tentative budget within the dates required by NRS 354.596 and related regulations, and shall provide the required notice and opportunity for public comment.

In any year in which the Nevada Legislature increases or decreases the revenues or required expenditures of the District, and that increase or decrease was not included or anticipated in the District's final budget as adopted pursuant to NRS 354.598, the Board may, within 30 days of adjournment of the legislative session, amend the final budget in accordance with NRS 354.598005 and applicable regulations of the Nevada Department of Taxation.

In preparing the budget, all revenues and appropriations shall be prepared on a realistic basis with all parts carefully estimated, described and recorded. To provide a safeguard against variances between budgeted and actual enrollment, budget estimates of enrollment may be more conservative than other projections of enrollment. All anticipated expenditures for the upcoming budget year shall be carefully estimated and incorporated into the budget as planned. Estimated resources and expenditures are to be categorized in a manner that complies with Nevada Department of Education and the Nevada Department of Taxation requirements, Nevada Revised Statutes and Nevada Administrative Code applicable to local governments, any relevant state and federal guidelines, and in accordance with generally accepted accounting principles (GAAP) applicable to local governments.

When preparing the District's Tentative and Final budgets for any given year, particular attention shall be given to including appropriate contingencies and fund balances in all school district funds. Fund balance is a measure of available financial resources in a governmental fund and represents the difference between total assets and total liabilities, reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54 or its successor pronouncements. As such, the District is responsible for maintaining a prudent level of financial resources to protect against reducing service levels or incurring debt because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District shall report governmental fund balance in the following classifications, consistent with GASB Statement No. 54: non-spendable, restricted, committed, assigned, and unassigned. The Board delegates to the Superintendent and Chief Financial Officer the authority to classify amounts as Assigned Fund Balance for specific purposes (e.g., encumbrances or projects) intended to be used in future periods.

Spending Prioritization: When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Adequate balances must be budgeted in order to maintain the School District's credit rating, to minimize interest costs to taxpayers, to meet seasonal cash flow needs, to facilitate a financially sound transition between fiscal years, and to financially protect the District against fluctuation or unforeseen reductions in revenue and unforeseen expenditures in excess of the appropriated amounts. Therefore, all District funds are to have adequate and appropriate budgeted ending fund balances. To mitigate current and future risks and to ensure stable tax rates, the Board establishes a goal of maintaining an Unassigned General Fund Balance of not less than 4.0% - with the stated goal of maintaining a Fund Balance of 8.3% (Equivalent of one month of operations) of total annual General Fund expenditures.

The following should be taken into consideration in formulating budgeted ending fund balances:

1. Cash flow requirements needed to support operating expenses;
2. The relative stability of the fund's revenue from year to year;
3. Susceptibility of the fund to emergency or large unanticipated expenditures;
4. The credit worthiness and capacity of the fund to support debt service requirements;
5. Legal or regulatory requirements relative to revenues, disbursements, and fund balances; and

6. Such other factors as the Board, in its discretion, shall determine.

See Administrative Regulation related to this Policy

Reference: NRS Chapter 354 (Local Financial Administration), including without limitation NRS 354.596, 354.598, 354.598005; NRS 387.300;
NAC Chapter 354, including NAC 354.559;
GASB Statement No. 54.

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