

ADMINISTRATIVE REGULATION

No. 603

Board of Trustees Douglas County School District

FINANCES

BUDGET PREPARATION, FUND BALANCE, AND RESERVES

1. Purpose

This Administrative Regulation establishes procedures for implementing Board Policy 603, Budget Preparation, Fund Balance, and Reserves.

The regulation is intended to:

Establish consistent procedures for preparing and monitoring the District's annual budget;

1. Define administrative responsibilities for maintaining prudent General Fund reserves;
2. Distinguish recurring revenues and expenditures from one-time resources and uses;
3. Establish procedures for calculating and reporting the District's reserve benchmarks;
4. Control the use of General Fund contingency and unrestricted fund balance;
5. Require timely corrective action when reserves fall below Board-established levels; and
6. Provide the Board of Trustees and the public with clear and consistent financial information.

Nothing in this regulation authorizes an expenditure, transfer, assignment, commitment, budget amendment, or use of reserves that is inconsistent with applicable law, Board policy, the legally adopted budget, or generally accepted accounting principles.

2. Scope

This regulation applies to:

- Preparation and administration of the General Fund budget;
- Calculation and monitoring of General Fund ending fund balance and unrestricted fund balance;
- Establishment and use of the General Fund contingency appropriation;
- Classification of fund balance in all governmental funds;
- Requests to use unrestricted General Fund balance;
- Financial stabilization and reserve-replenishment plans; and
- Related financial reporting to the Board.

The 4%, 8.3%, and 12% reserve benchmarks established in Board Policy 603 apply to the General Fund unless the Board expressly establishes a comparable requirement for another fund.

All other District funds remain subject to applicable legal, contractual, grant, accounting, and Board-imposed restrictions.

3. Definitions

For purposes of this regulation:

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A. Annual General Fund Expenditures and Other Financing Uses

"Annual General Fund expenditures and other financing uses" means General Fund expenditures and other financing uses reported in the District's adopted budget, amended budget, financial records, or annual audit, excluding capital outlay and extraordinary accounting transactions that do not represent normal operating costs.

B. Assigned Fund Balance

"Assigned fund balance" means amounts intended to be used for a specific purpose as established by the Superintendent, Chief Financial Officer, or other official to whom assignment authority has been properly delegated.

C. Budgeted Ending Fund Balance

"Budgeted ending fund balance" means the amount projected to remain in the General Fund at the end of the applicable fiscal year after considering budgeted revenues, other financing sources, expenditures, other financing uses, and beginning fund balance.

D. Committed Fund Balance

"Committed fund balance" means amounts whose use is limited to a specific purpose by formal action of the Board. Modification or removal of a commitment requires the same level of formal Board action.

E. Contingency

"Contingency" means an appropriation within the current-year budget that is available for unforeseen or uncertain expenditures after an approved transfer to an appropriate expenditure account. Contingency is separate from ending fund balance.

F. Material Financial Impact

"Material financial impact" means a financial effect that, in the professional judgment of the Chief Financial Officer, could significantly affect:

- The District's budget;
- Fund balance;
- Cash flow or liquidity;
- Compliance with an appropriation;
- Future-year operating costs;
- Achievement of a reserve benchmark;
- Continuity of a program or service; or
- The ability of the Board or public to understand the District's financial condition.

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Materiality shall be evaluated based on both quantitative and qualitative factors.

G. Nonrecurring or One-Time Expenditure

"Nonrecurring" or "one-time expenditure" means an expenditure that is not expected to continue or create a financial obligation beyond a defined period.

An expenditure shall not be considered one-time merely because it is funded for only one year. The expenditure must not create a future contractual, staffing, maintenance, replacement, programmatic, or operational obligation unless a sustainable funding plan has been identified.

H. Recurring Expenditure

"Recurring expenditure" means an expenditure that is expected to continue in future fiscal years, including salaries, benefits, ongoing contracts, continuing programs, routine services, leases, maintenance costs, software subscriptions, and other continuing obligations.

I. Recurring Revenue

"Recurring revenue" means revenue reasonably expected to continue and be available to support ongoing operations.

One-time grants, temporary appropriations, proceeds from the sale of property, insurance recoveries, legal settlements, prior-year carryover, and other nonrecurring receipts shall not ordinarily be treated as recurring revenue.

J. Reserve Measurement Base

"Reserve measurement base" means the amount used to calculate the 4%, 8.3%, and 12% reserve benchmarks under Section 6 of this regulation.

K. Structural Deficit

"Structural deficit" means a financial condition in which recurring expenditures and other recurring uses exceed recurring revenues and other recurring financing sources.

L. Unplanned General Fund Year-End Operating Surplus

"Unplanned General Fund year-end operating surplus" means a positive General Fund operating result exceeding the amount anticipated in the final amended budget, after accounting for:

- Restricted resources;
- Outstanding encumbrances and legally enforceable obligations;
- Board commitments;
- Administrative assignments;
- Known audit adjustments;
- Required transfers;

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- Accounting corrections; and
- Other amounts that are not reasonably available for general reserve purposes.

The Chief Financial Officer shall calculate the preliminary surplus during the year-end closing process and reconcile it to audited results.

M. Unrestricted Fund Balance

“Unrestricted fund balance” means committed, assigned, and unassigned General Fund balance that is not subject to an external legal, contractual, grant, or other enforceable restriction.

4. Administrative Responsibilities

A. Board of Trustees

The Board retains authority to:

1. Adopt the tentative, final, and amended budgets;
2. Commit fund balance for a specific purpose;
3. Modify or remove a fund-balance commitment;
4. Approve a use of unrestricted fund balance projected to reduce reserves below the 8.3% operating reserve floor;
5. Approve a temporary financial stabilization plan;
6. Approve a reserve-replenishment plan;
7. Approve an alternative reserve calculation recommended by the Chief Financial Officer;
8. Authorize uses of amounts above the 12% target; and
9. Take other actions reserved to the governing body by law or Board policy.

B. Superintendent

The Superintendent shall:

1. Direct preparation of a budget that reflects the District’s educational and operational priorities;
2. Ensure that budget recommendations comply with Board Policy 603 and this regulation;
3. Review significant proposed recurring expenditures and their identified recurring funding sources;
4. Present reserve-use, stabilization, and replenishment recommendations to the Board;
5. Direct appropriate corrective measures when financial projections materially deteriorate; and
6. Ensure that administrators comply with District budgetary controls.

C. Chief Financial Officer

The Chief Financial Officer shall:

1. Develop and administer the annual budget calendar;
2. Prepare or supervise preparation of revenue, enrollment, expenditure, cash-flow, and fund-balance projections;
3. Maintain a multiyear General Fund financial forecast;
4. Calculate the reserve measurement base and all reserve benchmarks;

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5. Determine the appropriate fund-balance classification in consultation with the District's independent auditor when necessary;
6. Evaluate requests to use contingency or fund balance;
7. Determine whether a proposed budget action requires a transfer, amendment, augmentation, Board action, public hearing, or state filing;
8. Prepare required reserve-use, stabilization, and replenishment recommendations;
9. Monitor actual and projected financial results throughout the fiscal year;
10. Advise the Superintendent and Board promptly of material financial risks;
11. Maintain documentation supporting reserve calculations, assignments, commitments, and uses;
12. Coordinate required budget filings with applicable state agencies; and
13. Provide annual budget and fiscal-control training to District administrators and budget managers.

D. Human Resources

Human Resources shall provide Business and Financial Services with timely and complete information regarding:

- Authorized positions and position control;
- Vacancies and expected hiring dates;
- Salary schedules and employee movement;
- Benefit and retirement costs;
- Collective bargaining proposals and agreements;
- Stipends, supplemental pay, and other compensation;
- Employee separations, retirements, and leave obligations; and
- Other personnel actions that may materially affect the current or future budget.

The full annualized cost of a proposed position or compensation change shall be identified, regardless of the anticipated implementation date during the first year.

E. Grants and Accountability

The department responsible for grants and accountability shall identify:

- Grant award amounts and periods of availability;
- Restricted uses;
- Matching or maintenance requirements;
- Positions, programs, or contracts supported by temporary funding;
- Grant expiration dates;
- Potential reimbursement or compliance risks; and
- Sustainability or exit plans for activities that may continue after grant funding ends.

A grant-funded program shall not be assumed to continue from unrestricted General Fund resources unless the ongoing cost and recurring funding source have been expressly evaluated and approved through the budget process.

F. Department and School Budget Managers

Budget managers shall:

1. Prepare and administer budgets within authorized appropriations;
2. Distinguish recurring requests from one-time requests;

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3. Identify the full current-year and future-year cost of proposals;
4. Identify the proposed funding source;
5. Monitor expenditure, revenue, position, and encumbrance activity;
6. Promptly report material variances or anticipated over-expenditures;
7. Avoid commitments that exceed available budget authority;
8. Submit contingency, transfer, or reserve-use requests with complete supporting documentation; and
9. Implement corrective actions directed by the Superintendent or Chief Financial Officer.

No department or school has an entitlement to contingency or fund balance based solely on prior-year savings, unfilled positions, unspent appropriations, or the availability of Districtwide reserves.

5. Annual Budget Preparation and Long-Range Forecasting

A. Budget Calendar

The Chief Financial Officer shall issue an annual budget calendar that provides sufficient time for:

- Development of revenue and enrollment assumptions;
- Department and school budget submissions;
- Position and compensation reconciliation;
- Cabinet review;
- Public notice and hearings;
- Board workshops;
- Tentative and final budget adoption;
- State review and filing; and
- Any required corrective action.

The calendar shall be updated when legislative action, state funding information, enrollment changes, collective bargaining, or other material circumstances affect the budget-development schedule.

B. Budget Assumptions

Budget assumptions shall be reasonable, supportable, and appropriately conservative. Assumptions shall address, as applicable:

1. Enrollment and state education funding;
2. Property tax and other local revenues;
3. Federal and state grants;
4. Interest earnings and other financing sources;
5. Salaries, benefits, retirement, and other personnel costs;
6. Position vacancies and anticipated hiring;
7. Collective bargaining;
8. Insurance, utilities, fuel, transportation, contracted services, supplies, and other operating costs;
9. Debt and lease obligations;
10. Transfers between funds;
11. Expiration of temporary or restricted revenues;
12. Deferred maintenance and equipment replacement;
13. Legal, regulatory, and compliance requirements; and

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14. Known economic, legislative, operational, or enrollment risks.

The tentative and final budget presentations shall identify material assumptions and significant changes from the prior forecast.

C. Multiyear Forecast

Business and Financial Services shall maintain a General Fund forecast covering the budget year and at least four subsequent fiscal years, unless the Chief Financial Officer determines that a different period provides a more useful analysis.

The forecast shall include, at a minimum:

- Recurring revenues;
- Recurring expenditures;
- One-time revenues and expenditures;
- Enrollment and state-funding assumptions;
- Salary and benefit projections;
- Known contractual and debt obligations;
- Transfers;
- Projected ending fund balance;
- Projected unrestricted fund balance;
- The 4%, 8.3%, and 12% reserve benchmarks;
- Contingency;
- Identified fiscal risks; and
- Corrective measures included in the forecast.

A recurring expenditure proposal with a material financial impact shall include its estimated cost for the budget year and the forecast period.

D. Recurring and One-Time Resources

Recurring expenditures shall be supported by recurring revenues.

One-time revenues may be recommended for one-time purposes, reserve replenishment, temporary financial stabilization, or other uses authorized by Board Policy 603.

When one-time funding is proposed for a temporary position, program, or service, the recommendation shall identify:

1. The duration of the funding;
2. The date on which the activity will end or be reevaluated;
3. Any future obligations created;
4. The funding source for closeout or transition costs; and
5. The plan for discontinuation or continuation after the one-time funding ends.

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E. Budget Development Sequence

In preparing the tentative and final General Fund budgets, the Superintendent and Chief Financial Officer shall:

1. Estimate available revenues and other financing sources;
2. Identify legally restricted and contractually required expenditures;
3. Estimate the cost of continuing current operations;
4. Identify structural imbalances;
5. Include an appropriate contingency;
6. Calculate the 4% minimum budgeted ending fund balance;
7. Evaluate compliance with the 8.3% operating reserve floor;
8. Evaluate progress toward the 12% long-term target;
9. Identify proposed corrective measures when a benchmark will not be met; and
10. Clearly disclose any planned use of fund balance.

6. Reserve Measurement and Calculation

A. Reserve Measurement Base

Reserve percentages shall ordinarily be calculated using the greater of:

1. Actual General Fund expenditures and other financing uses for the most recently completed fiscal year; or
2. Budgeted General Fund expenditures and other financing uses for the applicable fiscal year; excluding capital outlay and extraordinary accounting transactions that do not represent normal operating costs.

The exclusion of capital outlay from the reserve measurement base does not exclude capital outlay from the budget or from an evaluation of the effect of a proposed expenditure on fund balance and cash flow.

B. Reserve Benchmarks

Measure	Calculation	Administrative Treatment
Minimum budgeted ending fund balance	4% of the reserve measurement base	Minimum threshold for the legally adopted General Fund budget, unless a greater amount is required by law
Board operating reserve floor	8.3% of the reserve measurement base	Use projected to reduce unrestricted fund balance below this level requires formal Board approval
Long-term unrestricted fund-balance target	12% of the reserve measurement base	Long-term financial-stability objective; progress may occur over multiple fiscal years
General Fund contingency	Ordinarily at least 1% of appropriations, excluding transfers	Separate current-year appropriation; may not exceed the maximum permitted by law

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C. Calculation Schedule

The Chief Financial Officer shall prepare or update a reserve calculation:

1. With the tentative budget;
2. With the final budget;
3. With each amended budget;
4. As part of regular General Fund financial reporting;
5. When a material reserve use is proposed;
6. During preparation of the long-range forecast;
7. During the year-end closing process; and
8. Following completion of the annual audit.

The calculation shall show both the applicable percentage and dollar amount for each benchmark.

D. Alternative Calculation

When the standard calculation would not provide an accurate measure of normal General Fund operating requirements, the Chief Financial Officer may recommend an alternative calculation.

The written recommendation shall explain:

- The reason the standard calculation is not representative;
- The adjustment proposed;
- The effect on each benchmark;
- The period for which the alternative calculation would apply; and
- Any resulting financial risk.

An alternative calculation shall not be used unless disclosed to and approved by the Board.

7. Fund-Balance Classification and Documentation

A. Classification

Governmental fund balances shall be classified as:

1. Non-spendable;
2. Restricted;
3. Committed;
4. Assigned; or
5. Unassigned.

Classification shall be consistent with Governmental Accounting Standards Board Statement No. 54, successor standards, the District's audited financial statements, and guidance from the District's independent auditor when appropriate.

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B. Restricted Fund Balance

Business and Financial Services shall identify externally enforceable restrictions arising from:

- Statute or regulation;
- Grant agreements;
- Debt covenants;
- Contracts;
- Donor restrictions; or
- Other external legal requirements.

Restricted resources shall not be used for an inconsistent purpose.

C. Committed Fund Balance

A proposed commitment shall be presented to the Board through a written agenda item that identifies:

- The purpose of the commitment;
- The amount or method for determining the amount;
- The source of the resources;
- The expected period of use; and
- Any conditions governing release or modification.

The timing and form of the Board action shall comply with generally accepted accounting principles.

Modification or removal of a commitment requires formal Board action.

D. Assigned Fund Balance

The Superintendent and Chief Financial Officer may assign fund balance for purposes consistent with Board policy, the adopted budget, applicable law, and generally accepted accounting principles.

Each assignment shall be documented in writing and shall identify:

1. The assigned purpose;
2. The amount or method of calculation;
3. The anticipated period of use;
4. The reason an assignment is appropriate;
5. The effect on unassigned and unrestricted fund balance; and
6. The date and official authorizing the assignment.

An assignment shall not reduce unassigned fund balance below an applicable policy minimum without express Board approval.

Assignments shall be reviewed at least annually and may be modified or removed when the purpose has been completed, discontinued, or superseded.

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E. Year-End Review

As part of year-end closing and audit preparation, Business and Financial Services shall prepare a schedule reconciling:

- Beginning fund balance;
- Current-year operating results;
- Non-spendable fund balance;
- Restricted fund balance;
- Board commitments;
- Administrative assignments;
- Unassigned fund balance; and
- Total unrestricted fund balance.

Material changes from prior estimates shall be reported to the Superintendent and included in the next appropriate Board financial report.

8. General Fund Contingency

A. Establishment

The adopted General Fund budget shall ordinarily include a contingency appropriation of at least 1% of appropriations, excluding transfers to other funds.

The Superintendent and Chief Financial Officer may recommend a greater contingency based on identified financial risks. The contingency shall not exceed the maximum permitted by Nevada law, currently 3% of the money otherwise appropriated to the fund, exclusive of transfers to other funds.

B. Risk Assessment

In recommending the amount of contingency, the Chief Financial Officer shall consider:

- Enrollment or funding uncertainty;
- Pending legislative or regulatory action;
- Collective bargaining;
- Insurance or litigation exposure;
- Emergency facility or transportation needs;
- Price volatility;
- Unfunded mandates;
- Grant or reimbursement risk;
- Utility, fuel, or supply-chain uncertainty; and
- Other material risks.

The basis for a contingency greater than 1% shall be described in the tentative and final budget materials.

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C. Requests for Contingency

A department requesting contingency shall submit documentation that includes:

1. The amount requested;
2. The purpose and operational need;
3. The expenditure account to receive the transfer;
4. Whether the expenditure is recurring or nonrecurring;
5. The reason the need was not included in the adopted budget;
6. Alternatives considered;
7. Available departmental appropriations or savings;
8. The consequences of approving or denying the request;
9. The effect on remaining contingency; and
10. Any future-year financial effect.

Business and Financial Services may return an incomplete request without action.

D. Approval and Transfer

No expenditure, encumbrance, purchase order, or contract shall be charged directly to contingency.

After receiving all required approvals, Business and Financial Services shall transfer the approved amount from contingency to the appropriate expenditure account before the expenditure is made or the obligation is incurred.

The approval level and budget-transfer process shall comply with Nevada law and applicable Board policy and administrative regulation.

E. Reporting

Each regular General Fund financial report shall show:

- Original contingency;
- Transfers approved to date;
- A description of material transfers;
- Remaining contingency;
- Remaining contingency as a percentage of the original amount; and
- Known or anticipated claims against the remaining balance.

Unspent contingency shall remain in fund balance at year-end.

9. Requests to Use Unrestricted General Fund Balance

A. General Requirement

A department, school, or administrator shall not assume that unrestricted fund balance is available for expenditure.

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A proposed use of unrestricted General Fund balance shall be submitted to the Chief Financial Officer for evaluation before the proposal is presented to the Superintendent, Cabinet, Board committee, or Board.

B. Initial Eligibility

The request must be consistent with a use authorized by Board Policy 603, such as:

- An emergency or unanticipated expenditure;
- A temporary and material revenue shortfall;
- A one-time expenditure that does not create an ongoing obligation;
- A grant match;
- A one-time investment producing measurable savings or cost avoidance;
- An urgent health, safety, security, technology, transportation, or facility need;
- Debt repayment supported by a documented financial benefit;
- Temporary stabilization during a material disruption; or
- Another extraordinary circumstance specifically approved by the Board.

Whenever practical, a planned one-time expenditure shall be funded from an amount previously committed or assigned for that purpose rather than from the operating reserve.

C. Prohibited Uses

Except as part of a Board-approved financial recovery or transition plan, unrestricted fund balance shall not be recommended to:

1. Support permanent salaries, benefits, positions, programs, or other recurring expenditures without an identified recurring revenue source;
2. Balance an ongoing structural deficit without corrective action;
3. Support continuing compensation increases that cannot be sustained by ongoing revenues;
4. Avoid necessary operating reductions;
5. Create a continuing program or service without a sustainable funding plan;
6. Replace expired restricted revenue indefinitely;
7. Provide routine departmental enhancements outside the normal budget-prioritization process; or
8. Circumvent procurement, budget augmentation, public-meeting, or other legal requirements.

The existence of fund balance above the minimum budget threshold does not, by itself, establish that the resources are available or prudent to spend.

D. Required Request Documentation

A reserve-use request shall include:

1. The requesting department;
2. The amount requested;
3. The proposed purpose;
4. The requested implementation date;
5. Whether the expenditure is recurring or nonrecurring;
6. The proposed fund-balance classification;
7. Alternatives considered;
8. Available current-year appropriations and contingency;

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9. The expected operational or educational benefit;
10. Any measurable savings or cost avoidance;
11. Procurement and implementation requirements;
12. Current-year and future-year costs;
13. The funding source for any future obligation;
14. The effect on cash flow;
15. The effect on the 4%, 8.3%, and 12% benchmarks;
16. The projected unrestricted fund balance after use;
17. The effect on the multiyear forecast;
18. The risks of approving and not approving the request; and
19. An exit, replacement, or replenishment plan when applicable.

E. Chief Financial Officer Review

The Chief Financial Officer shall review the request and may recommend:

- Approval;
- Approval with conditions;
- Reduction or modification;
- Use of another lawful funding source;
- Deferral to the regular budget process;
- Inclusion in a broader stabilization or capital plan; or
- Denial.

The financial review shall not replace any required review by legal counsel, procurement, human resources, grants, facilities, technology, risk management, or another responsible department.

10. Use Below the 8.3% Operating Reserve Floor

A. Board Approval

Any use of unrestricted General Fund balance projected to reduce unrestricted fund balance below 8.3% requires formal Board approval.

No department shall incur an obligation in reliance on such a use before the Board has acted and all legally required budget actions have been completed.

B. Required Board Report

The Superintendent and Chief Financial Officer shall provide the Board with a written recommendation addressing:

1. The amount and purpose of the proposed use;
2. Why the matter cannot reasonably be addressed through current-year appropriations, contingency, expenditure reductions, or another lawful funding source;
3. The effect on cash flow, liquidity, creditworthiness, and future budgets;

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4. Whether the expenditure is recurring or nonrecurring;
5. Alternatives considered;
6. The projected unrestricted fund balance after the proposed use, expressed in dollars and as a percentage;
7. The risks of approving and not approving the use;
8. The effect on the multiyear forecast;
9. Corrective actions already taken or proposed; and
10. A reserve-replenishment plan and timeline.

C. Administrative Controls

When projections indicate that unrestricted General Fund balance may fall below 8.3%, the Chief Financial Officer shall notify the Superintendent and recommend appropriate controls.

Depending on the circumstances, controls may include:

- Enhanced vacancy review;
- Restrictions on discretionary hiring;
- Additional approval for purchases, travel, contracts, or overtime;
- Deferral of nonessential expenditures;
- Review of contracts and service levels;
- Suspension of routine budget enhancements;
- Reduction of departmental appropriations;
- Identification of alternative revenues;
- Increased frequency of financial reporting; or
- Other lawful corrective measures.

The Superintendent may implement controls within administrative authority and shall inform the Board of material measures through the next appropriate financial report.

D. Use Below the 4% Minimum

A proposal projected to reduce the legally budgeted ending General Fund balance below 4% shall be treated as a critical fiscal matter.

Such a proposal shall not be presented for Board approval unless:

1. The action is legally permissible;
2. The Superintendent and Chief Financial Officer determine that it is necessary to address an emergency or severe fiscal condition;
3. Legal counsel has been consulted;
4. Applicable state agencies have been consulted when appropriate;
5. The Board report clearly identifies the legal and financial risks; and
6. The Board takes express action.

Nothing in this section authorizes the District to spend or contract beyond an available appropriation or to bypass a legally required augmentation, amendment, hearing, or filing.

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11. Temporary Use of Fund Balance for Structural Transition

A. Eligibility

The Board may temporarily authorize use of fund balance for recurring expenditures when a material decline in enrollment, revenue, or another economic condition makes immediate reductions impracticable or unnecessarily disruptive.

Temporary transition authority shall not be used merely to avoid difficult budget decisions or postpone correction of an ongoing structural deficit.

B. Required Stabilization Plan

The Superintendent and Chief Financial Officer shall prepare a written multiyear financial stabilization plan that includes:

1. A description of the structural imbalance;
2. The causes and estimated amount of the imbalance;
3. Baseline recurring revenues and recurring expenditures;
4. The amount of reserves proposed for use in each fiscal year;
5. The maximum duration of reserve support;
6. Specific expenditure reductions;
7. Revenue measures or operational changes;
8. Staffing, program, facility, or service-level implications;
9. The date recurring expenditures are expected to be aligned with recurring revenues;
10. Responsible administrators;
11. Measurable milestones;
12. A reserve-replenishment schedule;
13. Risks and contingency actions;
14. The effect on students, staff, and District operations; and
15. A schedule for Board reporting.

C. Board Monitoring

Progress shall be reported to the Board at least quarterly while the stabilization plan is in effect.

The report shall identify:

- Measures completed;
- Measures delayed or modified;
- Savings or revenues achieved;
- Reserve use compared with the approved plan;
- Updated fund-balance projections;
- Updated structural balance;
- Significant risks; and
- Recommended corrective action.

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If a material milestone is not achieved, the Superintendent and Chief Financial Officer shall recommend additional corrective measures or a formal revision to the plan.

D. Limitations During Transition

During a Board-approved structural transition:

- New recurring expenditures shall not ordinarily be recommended unless supported by a new recurring revenue source or offsetting recurring reduction;
- Reserve use shall not exceed the annual amount approved by the Board without further Board action;
- Temporary funding shall include a defined termination or transition date; and
- Fund balance shall not be used indefinitely to postpone resolution of the structural deficit.

12. Reserve Replenishment

A. Trigger

When unrestricted General Fund balance is projected to fall below 8.3%, the Superintendent and Chief Financial Officer shall present a reserve-replenishment plan to the Board no later than adoption of the next tentative budget, or sooner when directed by the Board.

B. Replenishment Objectives

The plan shall ordinarily:

1. Restore unrestricted General Fund balance to at least 8.3% within no more than three fiscal years; and
2. Restore unrestricted General Fund balance to the 12% target over a reasonable period established by the Board.

The plan shall identify annual dollar and percentage targets.

C. Corrective Measures

The replenishment plan may include:

- Expenditure reductions;
- Application of one-time revenues;
- Lawful revenue enhancements;
- Transfer of eligible year-end savings;
- Disposition of surplus property;
- Vacancy management;
- Program restructuring;
- Redirection of future budget surpluses;
- Contract or service-level changes;
- Operational efficiencies;
- Deferral of nonessential expenditures; or

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- Other lawful corrective measures.

D. Year-End Operating Surplus

During the year-end closing process, the Chief Financial Officer shall calculate any preliminary unplanned General Fund operating surplus.

Until the 12% target is achieved, the Chief Financial Officer shall ordinarily recommend that at least 50% of the unplanned surplus be applied to reserve replenishment.

The recommendation shall be reconciled to audited results. The Board may expressly authorize another use after considering:

- The District's current financial condition;
- Cash-flow requirements;
- Enrollment and revenue projections;
- Deferred obligations;
- Existing commitments;
- Long-term liabilities;
- The multiyear forecast; and
- Known financial risks.

E. Replenishment Reporting

Each regular General Fund financial report shall show:

- The applicable replenishment target;
- Amounts restored to date;
- Progress compared with the approved schedule;
- Updated year-end projections;
- Corrective measures implemented;
- Corrective measures still pending; and
- Any recommended changes to the plan.

13. Evaluation of Amounts Above the 12% Target

A. No Automatic Availability

Unrestricted General Fund balance above 12% shall not automatically be considered available for recurring expenditures, distribution among departments, compensation increases, or routine budget enhancements.

B. Financial Evaluation

Before recommending use of an amount above the target, the Superintendent and Chief Financial Officer shall consider:

1. Current and projected economic conditions;
2. Enrollment trends;
3. State and local revenue uncertainty;

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4. Cash-flow needs;
5. Deferred maintenance;
6. Vehicle, equipment, and technology replacement;
7. Debt and lease obligations;
8. Pension, insurance, and other long-term obligations;
9. Other operating funds requiring stabilization;
10. Existing commitments and assignments;
11. The five-year financial forecast; and
12. Known legal, operational, and financial risks.

C. Potential Uses

Amounts above the target may be recommended for:

- One-time capital or technology needs;
- Deferred maintenance;
- Vehicle or equipment replacement;
- Debt reduction;
- Long-term obligations;
- One-time strategic investments;
- Stabilization of other operating funds;
- Additional reserves for identified risks; or
- Other one-time Board priorities.

A proposal that would create a recurring obligation must identify a recurring funding source independent of the amount above the reserve target.

14. Budget Transfers, Amendments, and Augmentations

A. Continuous Appropriation Monitoring

Business and Financial Services and each budget manager shall monitor expenditures and obligations against available appropriations.

No employee or department may expend or contract to expend money, incur a liability, or enter into a contract in excess of the appropriation legally available for the applicable function, except as specifically authorized by law.

B. Financial Review Before Commitment

Before a material unbudgeted expenditure or contract is approved, the Chief Financial Officer or designee shall determine whether the action requires:

- A departmental budget transfer;
- A transfer from contingency;
- A transfer between functions;
- A transfer between funds;

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- A budget amendment;
- A budget augmentation;
- Board approval;
- A public hearing;
- Notice or filing with a state agency; or
- Another legally required action.

C. Completion of Required Action

No expenditure shall be made and no contract shall be executed in reliance on an anticipated transfer, amendment, augmentation, or reserve use until the required action has been completed.

All budget modifications shall be documented in the District's financial system and supported by the applicable request, approval, Board action, resolution, filing, or other record.

D. No Circumvention

Contingency, fund balance, transfers, assignments, or commitments shall not be used to circumvent:

- Competitive procurement;
- Contract-approval requirements;
- Budget augmentation or amendment requirements;
- Public notice or hearing requirements;
- Board agenda requirements;
- Grant restrictions;
- Appropriation controls; or
- Other legal or District requirements.

15. Monitoring and Board Reporting

A. Reporting Frequency

The Chief Financial Officer shall report projected and actual fund balance and contingency levels:

1. With the tentative budget;
2. With the final budget;
3. With each amended budget;
4. Through regular General Fund financial reports, at least quarterly;
5. With the annual audit presentation; and
6. Through the District's long-range financial forecast.

B. Required Information

Reports shall separately identify:

- Total fund balance;
- Non-spendable fund balance;

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- Restricted fund balance;
- Committed fund balance;
- Assigned fund balance;
- Unassigned fund balance;
- Total unrestricted fund balance;
- Budgeted ending fund balance;
- Original and remaining contingency;
- The 4% minimum in dollars and percentage;
- The 8.3% operating reserve floor in dollars and percentage;
- The 12% long-term target in dollars and percentage;
- Planned or actual use of fund balance;
- Progress under any stabilization or replenishment plan; and
- Material financial risks and recommended corrective actions.

C. Projected Year-End Results

Regular reports shall include a projected year-end result based on the best information reasonably available at the time of preparation.

The projection shall be updated for material changes in:

- Enrollment;
- State or local revenues;
- Salary and benefit costs;
- Vacancies;
- Contracts;
- Utilities, insurance, fuel, or supplies;
- Transfers;
- Grant reimbursements;
- Legal or emergency costs; and
- Other significant factors.

D. Early Warning

The Chief Financial Officer shall promptly notify the Superintendent when:

1. Budgeted ending fund balance may fall below 4%;
2. Unrestricted fund balance may fall below 8.3%;
3. The District may need to use reserves for recurring operations;
4. A material revenue shortfall is identified;
5. An appropriation may be exceeded;
6. Contingency may be insufficient for known risks;
7. A stabilization or replenishment milestone may not be achieved; or
8. Another condition materially threatens the District's financial stability.

The Superintendent and Chief Financial Officer shall advise the Board promptly through a financial report, memorandum, agenda item, or other appropriate communication.

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E. Clear Public Presentation

Reserve information shall be presented in a manner that allows a non-financial reader to distinguish among:

- Current-year contingency;
- Ending fund balance;
- Restricted resources;
- Board commitments;
- Administrative assignments;
- Unassigned resources;
- The minimum budget threshold;
- The operating reserve floor; and
- The long-term target.

16. Spending Order

When an expenditure qualifies for payment from more than one fund-balance classification, the District shall ordinarily consider resources spent in the following order:

1. Restricted;
2. Committed;
3. Assigned; and
4. Unassigned.

The Board may establish a different order for a particular transaction when the alternative is consistent with applicable law, contractual restrictions, accounting standards, and sound financial management.

Business and Financial Services shall apply the spending order consistently in the District's accounting records and annual financial statements.

17. Administrative Forms and Supporting Documentation

The Chief Financial Officer may develop and maintain administrative forms, worksheets, and instructions necessary to implement this regulation, including:

- Budget assumption worksheets;
- Recurring and one-time expenditure analyses;
- Five-year fiscal-impact worksheets; Contingency-transfer requests;
- Fund-balance use requests;
- Fund-balance assignment memoranda;
- Board commitment templates;
- Reserve-calculation schedules;
- Structural stabilization plan templates;
- Reserve-replenishment plan templates; and
- Fund-balance and contingency reporting dashboards.

Administrative forms may be updated without revision of this regulation, provided the changes remain consistent with Board Policy 603, this regulation, and applicable law.

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18. Training

Business and Financial Services shall provide periodic training to administrators and budget managers addressing:

- Budget responsibilities;
- Appropriation controls;
- Recurring and one-time funding;
- Position and compensation costing;
- Contingency requests;
- Fund-balance restrictions;
- Budget transfers and augmentations;
- Grant sustainability;
- Financial reporting; and
- Consequences of unauthorized commitments or expenditures.

New administrators and budget managers shall receive appropriate training as part of their onboarding.

19. Annual Review

The Chief Financial Officer shall review Board Policy 603 and this regulation at least annually during the budget-development process.

The review shall consider:

- Changes in Nevada law or regulation;
- Changes in accounting standards;
- Audit recommendations;
- Economic and enrollment conditions;
- Cash-flow requirements;
- District financial performance;
- Effectiveness of existing reserve benchmarks;
- Progress toward the 12% target; and
- Whether administrative procedures or reporting should be revised.

Recommended substantive changes shall be presented to the Superintendent and, when appropriate, to the Board.

20. Records

Business and Financial Services shall retain documentation supporting:

- Reserve calculations;
- Contingency transfers;
- Fund-balance commitments and assignments;
- Reserve-use recommendations;
- Budget amendments and augmentations;
- Stabilization and replenishment plans;
- Board reports and actions; and
- Related state filings.

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Records shall be maintained in accordance with applicable law and the District's records-retention requirements.

[Board Policy 603 — Budget Preparation, Fund Balance, and Reserves](#)
[Board policy and administrative regulation governing budget transfers, amendments, and augmentations](#)
[Board policy and administrative regulation governing purchasing and contracts](#)

Legal References

NRS Chapter 354 — Local Financial Administration

NRS 354.596

NRS 354.598

NRS 354.598005

NRS 354.608

NRS 354.6241

NRS 354.626

NRS 387.170–387.180

NRS 387.205

NRS 387.300

NAC Chapter 354

NAC 354.650

Governmental Accounting Standards Board Statement No. 54 and successor standards

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