

Board of Trustees Douglas County School District

FINANCES

BUDGET PREPARATION, FUND BALANCE, AND RESERVES

The Board of Trustees considers the preparation, adoption, and monitoring of the annual budget to be among its most important responsibilities. The budget shall reflect the District's educational priorities, provide for the maintenance of District facilities and operations, honor the District's obligations, and comply with all applicable federal and state laws, regulations, accounting standards, and reporting requirements.¹

The District shall prepare its budget using reasonable and supportable estimates of revenues, enrollment, expenditures, and other financing sources and uses. Revenue estimates shall be appropriately conservative, particularly when revenues are dependent upon enrollment, average daily enrollment, legislative appropriations, economic conditions, or other factors outside the District's control.

1. Purpose of Fund Balance and Reserves

The District shall maintain prudent fund balance and reserve levels to:

1. Provide sufficient working capital and liquidity;
2. Address temporary revenue interruptions or unanticipated revenue losses;
3. Respond to emergencies and significant unforeseen expenditures;
4. Avoid unnecessary borrowing and related interest costs;
5. Protect the District's creditworthiness;
6. Support continuity of essential educational and operational services;
7. Provide time to respond responsibly to material changes in enrollment, funding, or economic conditions; and
8. Facilitate stable, long-term financial planning.

Fund balance is not intended to serve as an ongoing funding source for expenditures that are recurring, predictable, or structurally unsupported by recurring revenues.

2. Fund Balance Classifications

The District shall classify governmental fund balances in accordance with Governmental Accounting Standards Board Statement No. 54, or its successor standards, as follows:

- Non-spendable;
- Restricted;
- Committed;

¹ Nothing in this policy shall be construed to authorize, require, or permit any action that is inconsistent with applicable federal or state law, administrative regulation, or other legally binding requirement. Where a statute, regulation, or other applicable legal authority establishes a more restrictive or heightened requirement than that provided for in this policy, the more restrictive, stringent, or heightened requirement shall govern and shall be followed by the District. In the event of any conflict between this policy and applicable law, the applicable law shall control, and this policy shall be interpreted and applied to the maximum extent permitted by law.

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- Assigned; and
- Unassigned.

The Board may commit fund balance for a specific purpose through formal Board action. The same level of formal action shall be required to modify or remove a commitment.

The Board delegates to the Superintendent and Chief Financial Officer the authority to assign fund balance for specific purposes consistent with Board policy, the adopted budget, applicable law, and generally accepted accounting principles. An assignment shall not reduce unassigned fund balance below an applicable minimum established by this policy without express Board approval.

3. General Fund Reserve Levels

For purposes of this policy, **unrestricted fund balance** consists of committed, assigned, and unassigned fund balance that is not subject to an external legal or contractual restriction.

The District shall use the following standards when preparing and administering the General Fund budget:

A. Minimum Budgeted Ending Fund Balance

The legally adopted General Fund budget shall contain an ending fund balance of no less than **4% of annual General Fund expenditures and other financing uses, excluding capital outlay**, or such greater amount as may be required by Nevada law or regulation.

The 4% amount is a minimum budget threshold and shall not be considered the District's preferred or sufficient operating reserve. In no event shall the Board adopt any budget which appropriates for any fund any amount in excess of the budget resources of that fund. NRS 288.150 separately uses a budgeted unreserved General Fund ending balance of 4% or less of prior-year actual expenditures as one collective-bargaining fiscal-emergency criterion, subject to statutory explanation and recovery-plan requirements. It is not the source of the District's Board-established minimum.

B. Board Operating Reserve Floor

The District shall seek to maintain unrestricted General Fund balance of no less than **8.3% of annual General Fund expenditures and other financing uses, excluding capital outlay**, equivalent to approximately one month of operations.

Except in the circumstances authorized by this policy, the District shall not adopt a budget that reduces projected unrestricted General Fund balance below 8.3%.

C. Long-Term Target

The Board establishes a long-term target unrestricted General Fund balance of **12% of annual General Fund expenditures and other financing uses, excluding capital outlay**.

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The target is intended to support liquidity, financial stability, continuity of operations, and the District's ability to respond to economic, legislative, enrollment, and operational uncertainty.

Achievement of the 12% target shall be balanced with the District's obligation to provide appropriate educational programs and services. Progress toward the target may occur over multiple fiscal years. NRS 354.6241 separately provides that, for Chapter 288 purposes, a school district budgeted ending fund balance of not more than 12% of total budgeted expenditures is excluded from negotiation and fact-finder or arbitrator consideration. The District's 12% target remains a Board financial-stability objective.

D. Measurement

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 Chief Financial Officer may recommend an alternative calculation when necessary to provide a more accurate measure of operating requirements, subject to disclosure to and approval by the Board.

4. Annual Contingency

As authorized by law, the adopted General Fund budget shall ordinarily include a contingency appropriation equal to at least **1% of appropriations**, excluding transfers to other funds.

The Board may approve a contingency greater than 1%, but not exceeding the maximum allowed by Nevada law, when justified by identified risks, including:

- Enrollment or funding uncertainty;
- Pending legislative or regulatory changes;
- Collective bargaining uncertainty;
- Insurance or litigation exposure;
- Emergency facility or transportation needs;
- Significant price volatility;
- Unfunded mandates; or
- Other material financial risks.

Contingency is an appropriation within the current-year budget and is separate from ending fund balance. Unspent contingency shall remain in fund balance at year-end.

Transfers from contingency shall be reported to the Board through periodic financial reports and processed in accordance with applicable Nevada budget law and District policy.

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5. Permitted Uses of Unrestricted Fund Balance

Unrestricted fund balance above the 8.3% operating reserve floor may be considered for the following purposes:

1. Unanticipated or emergency expenditures;
2. Temporary and material revenue shortfalls;
3. One-time expenditures that do not create an ongoing financial obligation;
4. Matching funds required to secure grants or other external funding;
5. One-time investments that produce measurable operating savings or cost avoidance;
6. Urgent health, safety, security, technology, transportation, or facility needs;
7. Early repayment or defeasance of debt when supported by a documented financial benefit;
8. Temporary stabilization of operations during an economic downturn, enrollment decline, legislative funding reduction, or other material disruption; or
9. Other extraordinary circumstances specifically identified and approved by the Board.

Whenever practical, planned one-time expenditures shall be funded from amounts formally committed or assigned for that purpose rather than from the District's operating reserve.

6. Restricted and Prohibited Uses

Except as part of a Board-approved financial recovery or transition plan, unrestricted fund balance shall not be used 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. Fund continuing compensation increases that cannot be sustained from ongoing revenues;
4. Avoid necessary operating reductions when recurring expenditures exceed recurring revenues;
5. Establish a new program or service that creates future-year obligations without a sustainable funding plan;
6. Replace restricted revenues that have expired when the related expenditures will continue indefinitely;
7. Provide routine departmental budget enhancements that should be considered through the normal budget-prioritization process; or
8. Circumvent competitive procurement, budget augmentation, public-meeting, or other legal requirements.

Reserves shall not be treated as excess cash merely because the balance exceeds the statutory minimum.

7. Use Below the 8.3% Operating Reserve Floor

Use of unrestricted General Fund balance that is projected to reduce the balance below 8.3% shall require formal Board approval.

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Before approving such use, the Board shall receive a written recommendation from the Superintendent and Chief Financial Officer addressing:

1. The amount and purpose of the proposed use;
2. Why the expenditure or revenue loss cannot reasonably be addressed through current-year appropriations, contingency, expenditure reductions, or another lawful funding source;
3. The projected effect on cash flow, liquidity, creditworthiness, and future budgets;
4. Whether the proposed use supports a recurring or nonrecurring expenditure;
5. Alternatives considered;
6. The projected unrestricted fund balance after the proposed use;
7. The risks of approving and not approving the use; and
8. A proposed replenishment plan and timeline.

Use of reserves below the 4% minimum shall occur only when legally permissible and necessary to address an emergency or severe fiscal condition, and shall require express Board action following consultation with legal counsel and applicable state agencies.

8. Temporary Use for Structural Transition

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

Such use shall be approved only as part of a written multi-year financial stabilization plan that:

1. Identifies the structural imbalance;
2. Establishes specific expenditure reductions, revenue measures, or operational changes;
3. Demonstrates how recurring expenditures will be brought into alignment with recurring revenues;
4. Limits the duration and annual amount of reserve use;
5. Includes measurable milestones and regular Board reporting; and
6. Restores reserves within the timeframe required by this policy.

Fund balance shall not be used indefinitely to postpone resolution of a structural deficit.

9. Replenishment of Reserves

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.

The plan shall ordinarily restore unrestricted General Fund balance to:

- At least 8.3% within no more than **three fiscal years**; and
- The 12% target over a reasonable period established by the Board.

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The replenishment plan may include:

- Expenditure reductions;
- Application of one-time revenues;
- Revenue enhancements;
- Transfer of eligible year-end savings;
- Disposition of surplus property;
- Vacancy management;
- Program restructuring;
- Redirection of future budget surpluses; or
- Other lawful corrective measures.

At least **50% of any unplanned General Fund year-end operating surplus** should ordinarily be applied toward reserve replenishment until the 12% target is achieved, unless the Board expressly authorizes another use after considering the District's financial condition and long-term obligations.

10. Use of Amounts Above the Target

When unrestricted General Fund balance exceeds 12%, the excess shall not automatically be available for recurring expenditures.

The Superintendent and Chief Financial Officer shall evaluate and may recommend that amounts above the target be used for:

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

Any recommendation shall consider current economic conditions, enrollment trends, deferred obligations, five-year projections, cash-flow needs, and known financial risks. NRS 387.1213 generally requires transfer to the State Education Stabilization Account of actual ending fund balance exceeding 16.6% of actual expenditures, subject to statutory exclusions and exceptions.

11. Monitoring and Reporting

The Chief Financial Officer shall report projected and actual fund balance and contingency levels to the Board as part of:

1. The tentative and final budget;

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2. Any amended budget;
3. Regular General Fund financial reports;
4. The annual audit presentation; and
5. The District's long-range financial forecast.

Reports shall distinguish between:

- Total fund balance;
- Restricted fund balance;
- Committed fund balance;
- Assigned fund balance;
- Unassigned fund balance;
- Total unrestricted fund balance;
- Budgeted contingency;
- The 4% minimum;
- The 8.3% operating reserve floor; and
- The 12% long-term target.

The Superintendent and Chief Financial Officer shall advise the Board promptly when projections indicate that the District may fall below a reserve standard or may need to use reserves for operating purposes. Under NRS 387.3045, the Chief Financial Officer shall submit the required written explanation if the General Fund ending balance declines for three consecutive years.

12. Spending Order

When expenditures qualify 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 consistent with applicable law, contractual restrictions, accounting standards, and sound financial management.

Legal References

- NRS 288.150; NRS 387.1213; NRS 387.3045
- NRS Chapter 354, Local Financial Administration
- NRS 354.596
- NRS 354.598
- NRS 354.598005
- NRS 354.608
- NRS 354.6241
- NRS 387.170-.180
- NRS 387.205

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- NRS 387.300
- NAC Chapter 354
- NAC 354.650
- Statement No. 54 of the Governmental Accounting Standards Board and successor standards

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