



Responsible Office: Office of Business & Financial Services

BOARD POLICY 3125

BUDGETARY COMPLIANCE AND PERIODIC FINANCIAL REPORTING

PURPOSE

The Board of Trustees (“Board”) is committed to responsible fiscal oversight which includes annual adoption of a balanced budget. To this end, the Washoe County School District (“District”) shall engage in a system of budgetary compliance and periodic financial reporting during the fiscal year to ensure the budget remains balanced, and that actual expenditures stay within expected revenues. This policy establishes guidelines through which compliance with budgetary statutes is maintained and appropriate financial reporting is conducted.

POLICY

1. Governing Principles

- a. The District shall comply with all federal and state laws and regulations regarding adjustments and augmentations to its budget.
- b. Financial controls and compliance by schools and departments with their approved budgets is a critical component of maintaining a balanced budget.
- c. The Superintendent, in consultation with the Office of Business and Finance, will keep the Board of Trustees (“Board”) apprised of the financial status of District funds by providing periodic reports to the Board.
- d. Mid-year course corrections, to the extent possible, shall be considered in light of declining revenues, unanticipated expenses or external events that could affect the District’s financial position.
- e. Expansion of existing programs or implementation of new programs should be considered during the annual budget preparation process, when possible. Proposals for new or expanded programs should include anticipated costs and the source of funding for those costs, as well as expected outcomes and measures of results. A rigorous sunset review should be conducted, including a review of actual program results including outcomes and workload measures, costs, and unanticipated consequences.

- f. The District shall encourage strategic use of underutilized funds and the proper incentives regarding the expenditure of budgets.
2. Governing Practices
- a. Operating and capital expenditures by schools and departments shall not exceed their total authorized budget. Schools and departments may exceed the authorized budget for line items (i.e., by object code), but may not exceed the authorized categorical budget for either personnel expenses or operating costs.¹ Savings in the personnel category may not be used to cover an overage in the operating (non-personnel) category, or vice versa, unless there is a nexus between savings in one category and overages in another category, such as the use of contractors to perform work of authorized positions that have remained vacant for an extended period.
 - b. For grant-eligible expenses or for operating expenses that can be allocated to special revenue or proprietary funds, costs should first be allocated to those funds and then the General Fund.
 - c. Budget Adjustments and Augmentations
 - i. Budgeted amounts within a function in the same fund may be transferred by the Budget Department, if amounts do not exceed the original budget.
 - ii. Transfers of budget authority between funds or functions require Board approval.
 - iii. Pursuant to State law, any increase in total fund appropriations requires a budgetary augmentation, which must be recommended by the Superintendent, in consultation with the Office of Business and Financial Services, and approved by the Board. Augmentations are limited to unanticipated revenues, as defined by Nevada Administrative Code (NAC).
 - iv. Accordingly, aside from additional instruction-related positions required by additional enrollment, mid-year requests for new positions or expansion of new programs will only be considered when there are offsetting recurring cost savings or increased revenues, the latter which requires a budget augmentation.² In extraordinary or unforeseen situations, a mid-year request for a

¹ An exception to this are grants, which generally prohibit expenditures from exceeding the authorized budget for each line item.

² Pursuant to state law, an exception to this are grants, which are received throughout the year.

new position or expansion of a program may be covered by transferring monies from the General Fund Contingency Account or by an augmentation from unanticipated fund balance, both of which require Board approval pursuant to State law.

- v. Although State law allows for expenditures in capital funds to exceed appropriations without an augmentation being required, a budget augmentation will be submitted to the Board when expenditures are expected to exceed the budget, based on sufficient fund balance.
- vi. By January 1 of each fiscal year, the Board is required to approve a budget augmentation based on actual enrollment in the District.

d. Periodic Financial Reporting and Reviews

- i. The Office of Business and Finance will prepare and distribute quarterly unaudited financial statements to the Board, for the General Fund and summary information by fund type for all other funds; any significant positive or negative revenue or expenditure trends will be noted.
 - ii. The Office of Business and Finance will prepare and distribute monthly unaudited financial reports to the Board for the General Fund.
 - iii. The Office of Business and Finance will review each fund's fund balance and cash balance as of the end of each month. A fund is not allowed to have a negative cash balance. When a fund's cash position falls below zero, the Chief Financial Officer shall work with affected operations of the District to address the reasons for the negative cash position. Through either corrective actions or an interfund loan, which requires Board approval, the fund's cash position shall be replenished within 45 days after the cash position falls below zero.
- e. The Superintendent, in consultation with the Chief Financial Officer, shall advise the Board when mid-year corrections, such as temporary hiring or purchasing freezes, are needed to maintain a balanced budget due to declining revenues, unanticipated expenses or external events that could affect the District's financial position.
- f. A contingency account, as provided in the Nevada Revised Statutes (NRS), will be established for unanticipated needs. This amount will be a minimum of .25% of total appropriations (including transfers out) and shall not exceed 3% of the total appropriations (excluding transfers out)

in the General Fund in accordance with NRS 354.608. Use of the contingency account will be carefully considered for truly unanticipated costs, when there is not unexpended budget authority available in the budget. Use of the contingency account requires Board approval.

- g. Funding of New and Expanded Programs³
- i. The Board and District should consider proposed mid-year requests to expand a program or to establish a new program carefully while at the same encouraging innovative new concepts and best practices.
 - ii. When considering the funding of new programs with an annual operating cost of over \$50,000 or a significant expansion of an existing program, the District shall adhere to the following requirements:
 - 1. New programs will be considered, when possible, as “pilot programs” and be evaluated after a fixed period of time, generally no longer than three years. It should be made clear to persons employed or contracted for the program that the program may be discontinued.
 - 2. When a new program is proposed, the upfront and ongoing costs of the program will each be explicitly provided to the Board.
 - 3. The basis for evaluating the success of the new program, including outcome measures, will be explicitly stated prior to implementation of the program and measured at the end of the pilot program. The cost effectiveness of the program will also be evaluated at the end of the pilot period.
 - 4. Alternative service delivery models that may achieve the same outcomes will be considered and evaluated prior to implementation.
 - 5. A formal report or memorandum to the Board shall be prepared summarizing the conclusions regarding the pilot program at the end of the pilot period.
- h. Strategic Use of Underutilized Funds

³ Grant programs are not subject to these requirements.

- i. Schools shall be allowed to carry over unused funds, up to 8% of their enrollment-adjusted operating budget, to the next fiscal year for certain nonrecurring capital outlay expenses, subject to review and approval by the Office of Business and Finance. Carryover funding authority shall be made for a limited time period, on a case-by-case basis. An assignment for these carry-over expenses will be made and will be included in the budget augmentation due by January 1 of each year.
- ii. Upon achieving a structurally balanced budget for the General Fund, the Superintendent shall adopt administrative regulations and procedures that encourage savings by schools and departments and prevent a “use it or lose it” mentality. Carryover of savings to the next fiscal year shall be subject to the following conditions:
 1. Carry-over funds will be allowed only for one-time purposes.
 2. When such an approach generates long-term savings or efficiencies to the District.
 3. When the carry-over of funding is consistent with the District’s long-range financial plan.
 4. Only savings above and beyond any budgeted “contra” savings are achieved will be considered.
 5. Savings in special revenue funds and proprietary funds, by their nature, are retained by those funds. Requests to draw down fund balances or net position should be considered during the annual budget process.

DESIRED OUTCOMES

1. This policy shall provide a level of security for the community by ensuring tax dollars are being used openly, legally, efficiently and effectively and in a manner that provides insulation from fiscal crisis and economic disruption.
2. The District will maintain a balanced budget and financial stability by frequently reviewing actual revenue and expenditure trends and making mid-year course corrections when necessary. These efforts should minimize financial crises, barring major unanticipated external events.
3. The District will maintain compliance with State laws and regulations regarding local government finance.

IMPLEMENTATION GUIDELINES & ASSOCIATED DOCUMENTS

1. This policy reflects the goals of the District’s Strategic Plan and aligns/complies with the governing documents of the District, to include:
 - a. Board Policy 3051, Fund Balance
 - b. Board Policy 3110, Preparation of the Annual Budget
2. This policy complies with Nevada Revised Statutes (NRS) and Nevada Administrative Code (NAC), to include:
 - a. Chapter 354, Local Financial Administration
 - i. NRS 354.470 – 354.626, Budget of Local Governments
 - b. Chapter 387, Financial Support of School System, and specifically:
 - i. NRS 387.300 – 387.303, Budgets...

REVIEW AND REPORTING

1. This document shall be reviewed as part of the bi-annual review and reporting process, following each regular session of the Nevada Legislature. The Board of Trustees shall receive notification of any required changes to the policy as well as an audit of the accompanying governing documents.
2. Administrative regulations, and/or other associated documents, will be developed as necessary to implement this policy.

REVISION HISTORY

Date	Revision	Modification
3/13/2018	v1	Adopted