



**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. 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. 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. The District shall comply with all federal and state laws and regulations regarding adjustments and augmentations to its budget.
2. Financial controls and compliance by schools and departments with their approved budgets is a critical component of maintaining a balanced budget.
  - a. Operating and capital expenditures by schools and departments shall not exceed their total authorized budget.
  - b. Schools and departments may exceed the authorized budget for line items (i.e., by object code), with the exception of the Travel and Training budget, but may not exceed the authorized categorical budget for either personnel expenses or operating costs.<sup>1</sup>
  - c. 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.

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

3. The Superintendent, in consultation with the Office of Business and Finance, will keep the Board apprised of the financial status of District funds by providing periodic reports to the Board.
4. 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.
5. Expansion of existing programs or implementation of new programs should be considered during the annual budget preparation process, when possible.
  - a. 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.
  - b. A rigorous sunset review should be conducted, including a review of actual program results including outcomes and workload measures, costs, and unanticipated consequences.
6. The District shall encourage strategic use of underutilized funds and the proper incentives regarding the expenditure of budgets.
7. 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.
8. Budget Adjustments and Augmentations
  - a. Budgeted amounts within a function in the same fund may be transferred by the Budget Department, if amounts do not exceed the original budget.
  - b. Transfers of budget authority between funds or functions require Board approval.
  - c. 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).
    - i. Aside from additional instruction-related positions caused 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. If the mid-

year request is based on increased revenues, a budget augmentation is required.<sup>2</sup>

- ii. In extraordinary or unforeseen situations, a mid-year request for a 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.
  - iii. Although State law allows for expenditures in capital funds and debt service 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.
- d. By January 1 of each fiscal year, the Board is required to approve a budget adjustment based on actual enrollment in the District.

#### 9. Periodic Financial Reporting and Reviews

- a. The Office of Business and Finance will prepare and distribute quarterly unaudited General Fund financial statements and summary information by fund type for all other funds to the Board.
  - i. The Office of Business and Finance will note any significant positive or negative revenue or expenditure trends.
  - ii. The Office of Business and Finance will prepare and distribute monthly unaudited General Fund financial reports to the Board.
  - iii. The Office of Business and Finance will review each 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 60 days after the cash position falls below zero. Exceptions to this requirement include reimbursement grants and zero-balance funds in which fund transfers are processed to cover fund expenses.
- b. The Superintendent, in consultation with the Chief Financial Officer, shall notify the Board when mid-year corrections, such as temporary hiring or

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

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.

- c. A contingency account, as provided in the Nevada Revised Statutes (NRS), will be established for unanticipated needs. 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.

#### 10. Strategic Use of Underutilized Funds

- a. 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 adjustment due by January 1 of each year.
- b. 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:
  - i. Carry-over funds will be allowed only for one-time purposes;
  - ii. When such an approach generates long-term savings or efficiencies to the District;
  - iii. When the carry-over of funding is consistent with the District's long-range financial plan;
  - iv. Only savings above and beyond any budgeted "contra" savings are achieved will be considered; and
  - v. 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.

11. The Superintendent shall adopt Administrative Regulations and associated documents as is necessary to accomplish the Purpose of this Policy.

**LEGAL REQUIREMENTS AND 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. Administrative Regulation 3110, Preparation of Annual Operating Budget
  - b. Administrative Regulation 3120, Preparation of Tentative 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...

**REVISION HISTORY**

Date	Revision	Modification
3/13/2018	1.0	Adopted
3/30/2021	2.0	Revised to meet policy format per BP 9070 and no exception for exceeding travel budget added.