

## **SUMMARY OF SIGNIFICANT ACCOUNTING AND BUDGETARY POLICIES**

The accounting and budgeting policies of the Clark County School District ("District") as reflected in the ensuing budget report conform to the accounting and budgeting principles for local districts as prescribed by the Nevada State Department of Education. The more significant policies are summarized below.

### **FUND ACCOUNTING**

The district uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate account entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into governmental and proprietary categories. Each category in turn is divided into separate fund types. Governmental funds are used to account for all or most of a government's general service activities. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of a net income is necessary or useful for sound financial administration. NRS 354 provides that an independent auditor must examine the operation of the district's various funds for compliance with accounting and financial requirements related to the statutes. In order to meet this mandate, the Nevada Tax Commission has prescribed that local government entities adopt a resolution in a required format establishing the various funds to record the operations of the entity, state a plan for administration of the funds, and file the resolution with the Nevada Department of Taxation. The Resolution Establishing Various Funds was adopted by the Board of School Trustees on June 25, 1996, and amended on June 26, 1997 and July 22, 1999. The district's fund types are briefly described below.

### **BUDGETARY BASIS OF ACCOUNTING**

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts and reported on the financial statements. Basis of budgeting relates to the timing of the measurement made, regardless of the measurement focus applied.

Funds included in the preparation of the fiscal year 2008-09 budget are reflected in the sidebar titled District Funds.

All Governmental Funds use the modified accrual basis of budgeting. Revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered "measurable" when received by the intermediary collecting governments and are then recognized as revenue. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable and the payment seems certain. The major revenue sources of the district include state distributive fund revenues, local school support taxes, property taxes, interest income, and governmental services taxes. Using the modified accrual basis, expenditures are recognized when the related fund liability is incurred. An exception to this rule is that principal and interest on general long-term debt are recognized when due.

All Business Type Funds (Enterprise and Internal Service) use the accrual basis of budgeting. Revenues are recognized when earned and expenses are recognized in the period incurred.

The basis of budgeting and basis of accounting are the same, except for differences in fund reporting structure. For financial statement purposes, the Medicaid Fund is shown individually; however, in this document it is combined with federal projects.

The basis of budgeting and basis of accounting are the same, except for differences in fund reporting structure. For financial statement purposes, the Medicaid and Budget Stabilization Funds are shown individually. However in the *Budget and Statistical Report*, the Medicaid Fund is combined with Federal Projects and the Budget Stabilization Fund is combined with District Projects.

Funds included in the preparation of the fiscal year 2008-09 budget are reflected in the schedule below. Following this list is further description of the funds used by the District:

| Fund                          | Title  |
|-------------------------------|--|
| <b>GENERAL FUND</b>           |  |
| 1000000000                    | General Fund   |
| 2400000000                    | Indirect Cost Recovery Pool Fund                       |
| <b>SPECIAL REVENUE FUNDS</b>  |  |
| District Projects:            |  |
| 2000000000                    | Class Size Reduction Fund                              |
| 2300000000                    | Adult High School Diploma Program Fund                 |
| 2500000000                    | Special Education Fund                                 |
| 2600000000                    | Clark County Education Foundation Fund                 |
| 2700000000                    | Other Special Revenues Fund                            |
| 2790000000                    | State Grants/Projects Fund                             |
| 2200000000                    | Vegas PBS Fund   |
| 2800000000                    | Federal Grants/Projects Fund                           |
| 2850000000                    | Medicaid Fund  |
| 2860000000                    | Administrative Claiming Fund                           |
| <b>CAPITAL FUNDS</b>          |  |
| 3080000000                    | Bond Fund—1998 Building Program                        |
| 3300000000                    | Building and Sites Fund                                |
| 3350000000                    | 1998 Building Program—AB 353                           |
| 3400000000                    | Governmental Services Tax Fund—Rehab and Modernization |
| 3700000000                    | Extraordinary Maintenance and Capital Replacement      |
| <b>DEBT SERVICE FUNDS</b>     |  |
| 4000000000                    | Debt Service Fund                                      |
| 4010000000                    | Debt Service Refunding Bonds                           |
| <b>ENTERPRISE FUND</b>        |  |
| 6000000000                    | Food Service Enterprise Fund                           |
| <b>INTERNAL SERVICE FUNDS</b> |  |
| 7000000000                    | Insurance and Risk Management Fund                     |
| 7100000000                    | Graphic Arts Production Fund                           |

## GOVERNMENTAL FUND TYPES

**General Fund**— This major governmental fund is the district's operating fund and is used to account for all financial transactions and expenditures associated with the administration and daily operations of the schools except for federal and state grant-funded programs, school construction, debt service, food service operations, and interdepartmental services.

The 1993 Nevada Legislature approved NRS 387.047, which requires all school districts in the state to account separately for all funds received for the instruction of, and provision of related services to, students with disabilities. Throughout this document, General Operating Fund refers to the combination of this Special Education Fund and the regular instruction General Fund.

Sources of revenue and assets in the General Fund include, but are not limited to, local school support sales taxes, property taxes, governmental services taxes, franchise fees, sales of assets, federal forest reserve and impact aid payments, state payments, tuitions payable from other school districts, summer school tuition, investment earnings, income from student activities, and donations.

All resources of the General Fund shall be expended according to the budget as established by the Board under applicable statutes and regulations to deliver the highest possible quality of educational experience to the students of the district, taking into account the amount of available revenues and the outcome of deliberations by the Nevada Legislature. The budget shall be formulated under Board approved regulations and shall provide, within available revenue, for the allocation of resources for direct instruction to students and for such supporting services, facilities, and materials as may be necessary to effectively support the instructional program, taking into account the increase or decrease in overall enrollment and enrollment in individual schools and programs. Contingencies and ending balances will be budgeted and managed according to district regulation. Reserved and unreserved balances will be prudently retained by the district as protection against fluctuations or unforeseen reductions in revenue, unforeseen expenditures in excess of the budgeted contingency, and to maintain and improve bond credit ratings to minimize interest cost to taxpayers. Such balances will be managed according to district regulation. Reserved and unreserved ending balances, including amounts encumbered or specifically designated, shall be recorded and reported according to generally accepted accounting principles.

When the audited unreserved, undesignated ending balance of the General Fund is less than the amount required to be maintained according to district regulation, the budgeted General Fund expenditures shall be adjusted as necessary in the current year and in the ensuing year to ensure that the unreserved, undesignated balance is not less than the amount required by district regulation in the ensuing year.

For the General Fund, an amount no less than the amount of unreserved, undesignated ending balance required by district regulation is deemed by the Board to be reasonable and necessary to achieve the purposes of the Fund.

**Special Revenue Funds**— The district maintains one major governmental and four non-major governmental special revenue funds. These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Special Education Fund** - This fund is a major governmental special revenue fund used to account for the costs and operations of education and related services to students with disabilities, including, but not limited to, salaries and benefits, supplies and materials, professional and technical services, equipment and other capital outlay, and other purchases associated with the programs.

Sources of funding in the Fund are state funds received specifically for the special education of disabled students and transfers from the General Fund. All assets of the Fund are to be applied exclusively toward the purposes for which funding has been generated.

The budget is established each year using realistic projections of revenues and expenditures. All ending balances are to be transferred into the General Fund while any deficiencies are eliminated either by a transfer from the General Fund or a correcting entry from the related fund that created the deficiency.

The anticipated and necessary unreserved year-end balance for the Fund is zero. Any deficits will be removed by transfers from the General Fund (or other funds) and any surpluses will be remitted to the General Fund. This practice is deemed by the Board to be reasonable and necessary to carry out the purposes of the Fund.

**District Projects Funds** - These funds are used to account for the costs and operations of programs supported by special purpose grants and reimbursements from the state or other non-federal governmental entities, reimbursements for school operations, private and governmental gifts, and grants. Expenditures include, but are not limited to, salaries and benefits, supplies and materials, professional and technical services, equipment and other capital outlay, depreciation, and other purchases associated with the programs.

Resources in the Funds originate from special purpose grants and reimbursements from the state or other non-federal governmental entities; reimbursements for school operations; and private and governmental gifts, grants, and donations.

All assets of the Funds are to be applied exclusively toward the purposes for which funding was generated, recognizing any conditions imposed by the granting or donating entity. The budget is developed annually to ensure that expenditure authority has been aligned as necessary with any requirements of the granting entity.

All balances and reserves in the Funds are to be retained and not be transferred or applied toward any purposes other than as permitted under the terms imposed by the granting or donating entity. If the granting or donating entity allows, balances may either be applied toward the grant or specified projects in the ensuing project year, or refunded to the granting or donating entity.

Deficiencies in the Funds are to be removed by transfers from the General Fund or by a correcting entry in another fund if the deficiency is related to activity of that fund. Retention of the entire reserved, designated, and unreserved balance is deemed by the Board to be reasonable and necessary to carry out the purposes of the Funds. Any amounts which may be due to the state or other granting entity will be reflected as such in the financial statements.

**Vegas PBS Fund** - This fund is used to account for the transactions and operations of the district's educational media services channel. Sources of revenue and assets include bequests, donations, grants, interest on investments, special state appropriations, and other local sources of funding.

Expenditures include, but are not limited to, salaries and benefits, supplies and materials, professional and technical services, equipment purchases, and other costs associated with the channel's operations. Planning for capital acquisition or other station improvements must be approved annually by the Board.

All balances and reserves in the Fund shall be retained and not transferred or applied to any purposes other than as permitted under terms imposed by grant and donor bequests. Deficiencies

in the Fund will be removed by a correcting entry in another fund if the deficiency relates to activity in that fund. Retention of the entire reserved, designated, and unreserved balance is deemed by the Board to be reasonable and necessary to carry out the purposes of the Fund.

**Federal Projects Fund** - This fund is used to account for the costs and operations of programs and projects funded by federal grants, including, but not limited to, salaries and benefits, supplies and materials, professional and technical services, equipment and remodeling, and other purchases authorized by such programs. Resources are generated from federal grant and contract proceeds.

All assets in the Fund are to be applied exclusively toward the purposes for which the resources have been generated, taking into account all restrictions imposed by the grant or contract. The budget is established each year using projections that are aligned with the stated requirements of the granting agency.

All balances and reserves in the Fund are to be retained and not transferred or applied toward any purposes other than as permitted under the terms imposed by the granting entity. If the entity permits, balances may either be applied toward the grant or specified projects in the ensuing project year or refunded to the agency. Deficiencies in the Fund are to be removed by transfers from the General Fund or by a correcting entry in another fund if the deficiency relates to the activity of that fund.

**Medicaid Fund** - This fund is used to account for the receipt and expenditure of grants or reimbursements from the Medicaid Program for services rendered on behalf of eligible students. All revenues received in the Fund are to be applied exclusively toward the salaries and benefits, supplies and materials, professional and technical services, equipment and other capital purchases, any costs incurred in the collection of Medicaid funding, or other costs associated with providing services for disabled or other students who are eligible under federal statute and regulation for the Medicaid Program.

Resources in the Fund are comprised of grants or reimbursements received by the district under the guidelines and regulations governing the Medicaid Program.

All assets in the Fund are to be applied exclusively toward the purposes for which funding has been generated. The budget is established annually using projections that account for the authority to expend strictly for programs, services, activities, and purchases on behalf of students eligible to receive reimbursable Medicaid services.

All balances and reserves in the Fund are to be retained and not applied toward purposes other than that for which the Fund was established. Deficiencies in the Fund are to be removed by transfers from the General Fund or by a correcting entry in another fund if the deficiency is related to activity in that fund. Retention of an unreserved, undesignated balance in the Fund as described above is deemed by the Board to be reasonable and necessary to carry out the purposes of the Fund.

**Debt Service Funds** - The district operates two debt service funds that are used to account for the accumulation of resources for, and the payment of, general long term debt principal and interest.

**Debt Service Funds** - These funds are used to account for the costs and payment of debt service obligations including, but not limited to, principal and interest payments, related professional and financial services fees, bond premiums and discounts, and collection and distribution of property tax revenues and other permissible sources associated with debt service or capital projects tax levies as permitted by Nevada Statute. In addition, the Fund and its resources function as a

guarantee to investors (who have purchased the district's bonds) that the district will meet its debt obligations, to the citizens of the County that schools will be constructed and renovated with voter approval, and to taxpayers that the established tax rate shall not be exceeded.

Resources deposited into the Fund include property taxes, investment earnings, reimbursements, good faith deposits, bond premiums, and other permissible sources including, but not limited to, transfers from Capital Projects Funds, or other funds of the district, as well as proceeds of sales of capital assets required to be deposited to the Fund.

All revenues and assets in the Fund are exclusively restricted toward the purposes for which the funds are generated. Budgetary amounts are established each year through the district's estimation of total resources (including the year-end reserved balance) and factored not to exceed the amount of the annual projected debt service and associated costs based on existing and proposed debt issues as well as permissible distributions of capital projects tax levies. When the actual year-end reserved balance in the Debt Service Fund exceeds the amount of existing and proposed debt service and permissible distributions of capital projects tax levies for the ensuing fiscal year, the property tax rate or other permissible sources established for the Fund shall be decreased in the ensuing fiscal year in order that the budgeted year-end reserved balances are no more than the amount of the following year's estimated payments for debt service and associated costs.

Since the district has dedicated its "full faith and credit" backing toward all general obligation bond issues, the maintenance of an adequate fund balance and corresponding property tax rate is subject to the three separate determination criteria of deficiency, all of which must be met annually. These criteria are as follows:

- When the estimated revenues to be generated for the ensuing year (plus existing Fund balance) are not sufficient to avoid a reduction in the Fund balance (not created by the issuance of new debt), the property tax rate shall be increased for the ensuing year to a rate necessary to maintain the Fund balance at the same level during the ensuing year. That rate shall not exceed the sum of the maximum rates set forth in the sample ballots for outstanding bonds and shall not exceed the \$3.64 per \$100 property tax rate cap.
- When the sum of revenue estimates for the ensuing year (plus existing Fund balance) would be insufficient after the payment of debt service, the property tax rate shall be increased in the ensuing year to that rate necessary to achieve a sufficient Fund balance that avoids any adverse comments, notations, or other negative alerts from the rating agencies, subject to the \$3.64 per \$100 property tax rate cap.
- When the sum of revenue estimates for the ensuing year (plus existing Fund balance) would be insufficient to pay the expected debt service requirements and capital projects tax distributions for the ensuing year, the property tax rate shall be increased to enable funding of the district's debt service obligations in a timely fashion, subject to the \$3.64 per \$100 property tax rate cap.

Retention of a year-end reserved balance not exceeding the amount of the anticipated debt service, associated costs, and permissible distributions of capital projects tax levies for the ensuing fiscal year is deemed by the Board to be reasonable and necessary to carry out the purposes of the Fund.

**Debt Service Refunding and Revenue Bonds Fund** - This fund is used to account for the costs and payment of debt service obligations for general obligation revenue bonds pledged by the revenue generated from a 1 5/8% Clark County hotel room tax and the revenues of a tax equivalent to 60 cents for each \$500 of value on transferred real property within Clark County. These revenues are deposited into the Capital Projects - Assembly Bill 353 Fund and transferred into the Debt Service Revenue Bonds Fund in an amount sufficient to provide for the annual

repayment of all obligations and required reserves associated with those revenue bonds issued pursuant to the provisions of Assembly Bill 353.

Should the hotel room and real property transfer tax revenues be insufficient, the full faith and credit of the district is pledged for the payment of principal and interest due thereon, subject to Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes.

All revenues and assets in the Fund are exclusively restricted toward the purposes for which the funds are generated. Budgetary amounts are established each year through the district's estimation of total resources (including the year-end reserved balance) and factored not to exceed the amount of the annual projected debt service and associated costs based upon existing and proposed debt issues.

**Capital Projects Funds**— The district maintains one major governmental and three non-major governmental capital projects funds to account for all resources used exclusively for acquiring and improving school sites, constructing and equipping new school facilities, and renovations.

**Bond Fund** - This fund is the major governmental fund used to account for the costs of capital construction and improvements financed from bond proceeds including, but not limited to, capital outlays as permitted under Nevada Revised Statutes, salaries and benefits, supplies and materials, professional and technical services, equipment and remodeling, and other renovations.

Resources in the Fund represent the net proceeds from sales of general obligation or special obligation bonds issued pursuant to Nevada law. All assets of the Fund are to be applied exclusively toward the purposes for which funding was generated. All balances and reserves in the Fund shall be retained and not transferred or otherwise applied toward any purpose except that permitted by law. Deficiencies in the Fund are to be removed by transfers from the General Fund or by a correcting entry in another fund if the deficiency is related to the activity of that fund. The entire unexpended amount of reserved, designated, and unreserved balance of the Fund is determined by the Board.

**Building and Sites Fund** - This fund is used to account for the costs of construction, purchases, modernization, or furnishing of school buildings or sites, as specified in NRS 387.335 or successor statutes including, but not limited to, salaries and benefits, supplies and materials, professional and technical services, equipment and remodeling, and other renovations.

Sources of revenue in the Fund are receipts from the rental and sales of district property. All assets of the Fund are to be applied exclusively toward the purposes for which funding was received. All balances and reserves in the Fund shall be retained and not transferred or otherwise applied toward any purpose except that permitted by law. Deficiencies in the Fund are to be removed by transfers from the General Fund or by a correcting entry in another fund if the deficiency is related to the activity of that fund. The entire unexpended amount of reserved, designated, and unreserved balance of the Fund is deemed by the Board to be reasonable and necessary to carry out the purposes of the Fund.

**Governmental Services Tax Fund** - This fund is used to account for the costs of capital projects funded from Governmental Services Taxes including, but not limited to, salaries and benefits, supplies and materials, professional and technical services, equipment and remodeling, and other renovations.

Resources in the Fund represent proceeds from the capital improvement portion of the Governmental Services Tax, bonds, or other obligations issued utilizing the tax proceeds as security.

All assets of the Fund are to be applied exclusively toward the purposes for which funding was generated. All balances and reserves in the Fund are to be retained and not transferred or otherwise applied toward any purpose except that permitted by statute.

Deficiencies in the Fund are to be removed by transfers from the General Fund or by a correcting entry in another fund if the deficiency is related to the activity of that fund.

The entire unexpended amount of reserved, designated, and unreserved balance of the Fund is deemed by the Board to be reasonable and necessary to carry out the purposes of the Fund.

**Capital Replacement Fund** - This fund is used to account for the costs of capital projects ordinarily undertaken not more frequently than once every five years to maintain district facilities and equipment in a fit operating condition including, but not limited to, salaries and benefits, supplies and materials, professional and technical services, other permissible purchases, and replacement of equipment and other assets according to a schedule approved by the Board. The district shall provide a separate accounting of such projects for each classification of assets for which the district has established a schedule of useful life. If required by statute, the district shall provide separate accounting for each facility or group of facilities affected by such projects. Resources in the Fund are transfers of money from other funds made pursuant to a plan approved by the Board based upon the estimated useful life of various classes of assets, proceeds of bonds or other obligations issued using such transfers as a source of payment or security, or applications of other funds as permitted by statute and approved by the Board.

All assets of the Fund shall be applied exclusively toward the purposes for which funding was generated. The budget shall be established each year using projections ensuring that the year end balances and reserves do not exceed the amount transferred for that year based on the Board's approved schedule of useful life of assets plus money encumbered or specifically designated by the Board for capital projects and replacement.

Deficiencies in the Fund are to be removed by transfers from the General Fund or by a correcting entry in another fund if the deficiency is related to the activity of that fund.

The entire unexpended amount of reserved, designated, and unreserved balance of the Fund is deemed by the Board to be reasonable and necessary to carry out the purposes of the Fund.

**Proprietary Funds** - The district operates three proprietary funds that focus on the determination of operating income, changes in net assets, financial position and cash flows. There are two types of proprietary funds: enterprise and internal service funds.

**Enterprise Fund** - The district maintains one enterprise fund.

**Food Services Fund** - The Food Services Fund is a non-major enterprise fund used to account for the costs and operations of food services including, but not limited to, salaries and benefits, food purchases, supplies and materials, professional and technical services, utilities, building space, equipment and renovations, depreciation, and other costs associated with program operations.

Resources of the Fund include, but are not limited to, charges to students and other consumers for meals and food services, interest earnings, proceeds of obligations, federal subsidies, and donated commodities received by the program, and with reimbursements associated with providing food to populations as approved under federal guidelines or by Board action.

All assets of the Fund are to be applied exclusively toward the purposes for which funds and assets are generated. It is the intent of the Board that the Fund is to be operated such that all

eligible costs associated with operating the program are borne exclusively by user charges, federal funding, and reimbursements to the program. No funds are to be transferred from other district funds to support the Fund unless approved by the voters as a component of a bond or capital projects tax ballot question.

The budget shall be established each year using projections of resources and expenditures that will create an ending retained earnings balance equal to the amount of three months' operating costs for the ensuing fiscal year plus any additional amounts deemed part of a Board-approved plan for capital acquisition or improvement. If the retained earnings balance exceeds this amount, the rates charged for meals and food services may, if necessary, be adjusted in the ensuing fiscal year to enable a planned reduction of the balance to the desired level.

Should the year-end retained earnings balance in the Fund be less than the required amount of three months' operating costs for the ensuing fiscal year (plus any additional amounts justified by a plan for capital acquisition or improvement approved by the Board), the rates charged for meals and food services are to be adjusted in the ensuing fiscal year to raise the retained earnings balance equal to the amount of three months' operating costs for that fiscal year plus any amount which is part of a Board-approved plan for capital acquisition or improvement.

The Board deems that an amount equal to three months' operating costs (plus any Board-approved capital outlay) is reasonable and necessary to meet the objectives of the Fund. Its operations are intended to be wholly self-supporting, and therefore, must have sufficient reserves to meet fluctuations in program revenues and food prices as well as pay for necessary capital improvements.

**Internal Service Funds**—The District maintains two separate Internal Service Funds.

**Graphic Arts Production Fund** - This fund is used to account for the costs and operations of graphic arts production including, but not limited to, salaries and benefits, supplies and materials, professional and technical services, equipment and remodeling, depreciation, and other purchases associated with productions.

Resources of the Fund include, but are not limited to, user charges to schools and departments of the district in addition to reimbursements and transfers associated with graphic arts productions. It is intended by the Board that the Fund must be operated such that all costs associated with the program are borne exclusively by user charges to schools and departments of the district and by other reimbursements received for services. Any transfers of funds for capital needs to the Fund will be approved by the Board.

All assets in the Fund are to be applied exclusively for the purposes for which funds were generated. The budget is to be established using projections of resources and expenditures of charges to schools and departments that will maintain an ending retained earnings balance equal to the amount of two months' operating costs for the ensuing year. Additional balances beyond two months' operating costs may be retained only pursuant to a Board-approved plan for acquisition of capital to be used in graphic arts operations.

Should the year-end retained earnings balance exceed or be less than two months' operating costs for the ensuing fiscal year (plus planned accumulations for capital acquisition), the rates charged, assessments, or transfers established for the Fund shall be adjusted in the ensuing fiscal year to meet the stated objective. The budgets for the district's other funds shall be adjusted accordingly to fund such changes to rates, assessments, or transfers.

The Board deems that a retained earnings balance equal to two months' operating costs (plus planned accumulations for capital acquisition) is reasonable and necessary to carry out the purposes of the Fund.

**Insurance and Risk Management Fund** - This fund is used to account for the costs and operations of insurance and risk management including, but not limited to, salaries and benefits, supplies and materials, professional and technical services, payment of premiums, establishment and operation of self-insurance reserves, equipment and renovations, depreciation, and other costs associated with program operations.

Resources in the Fund are generated from assessments to other district funds, investment earnings, transfers, and reimbursements. Assessments to other funds are proportionately allocated among the various funds operated by the district.

All assets of the Fund are to be applied exclusively toward the purposes for which the funds have been generated. The budget shall be established each year using projections that involve the establishment of rates to be charged and assessments to other funds, expenditures, and liability reserves in order that the ending retained earnings balance equals one-fourth of the ensuing year's estimated losses based on an independent actuarial study that is conducted annually, utilizing an actuarial confidence level of not less than 80%.

When the retained earnings balance of the Fund exceeds or is less than the required budgeted amount for the ensuing fiscal year, the rates charged, assessments, or transfers established for that Fund are to be adjusted in the ensuing fiscal year to meet the objectives stated above. The budgets for the district's other funds are also established accordingly to accommodate such rates, assessments, or transfers.

It is deemed by the Board that a retained earnings balance of one-fourth of the ensuing year's anticipated losses (based upon the annual actuarial study at a confidence level of not less than 80%) is reasonable and necessary to carry out the purposes of the Fund.

## **AGENCY FUND**

The Student Activity Agency Fund is used to account for the changes in assets and liabilities in the student activity funds under the control of the respective schools in the District. Reporting for the Fund originates from the bank account activity maintained and submitted by the individual schools and compiled for presentation in the District's Comprehensive Annual Financial Report.

Resources in the Fund are generated from gifts, fund raising activities, bequests, investment earnings, transfers, or other assets donated or earned by schools to be used for dedicated student funded activities.

All assets within the Fund must be applied exclusively toward student or school activity for which the funds were received.

All balances and reserves in the Fund must be retained in their entirety and may not be expended for any purposes other than that for which the Fund was established.

Any deficiencies in the Fund will be removed through legally permissible recovery.

The Fund reflects financial activity which is conducted and recorded in various bank accounts administered at the school level and reported annually for analysis and inclusion in the District's Comprehensive Annual Financial Report. The Fund does not maintain a fund balance. Assets of the Fund are offset by the liability account "Due to Student Groups".

## **BUDGETS AND BUDGETARY ACCOUNTING**

The Nevada Revised Statutes (NRS) require that school districts legally adopt budgets for all funds. The budgets are filed as a matter of public record with the Clark County auditor and the State Departments of Taxation and Education. District staff uses the following procedures to establish, modify, and control the budgetary data reflected in the financial statements.

1. The statutes provide for the following timetable used in the adoption of budgets for the following fiscal year:
  - Prior to April 15, the Superintendent of Schools submits to the Board of School Trustees a tentative budget. If, in any year, the State Legislature creates unanticipated changes impacting district revenues or expenditures (after adoption of the amended final budget), or if considered necessary by the Board, an augmented budget may be filed at any time by a majority vote of the Board. After public notice has been filed, the Board may augment the appropriation at any time by a majority vote of the Board.
  - The tentative budget includes proposed expenditures and the means of financing them.
  - Before the third Wednesday in May, a minimum of seven days' notice of public hearing on the final budget is to be published in a local newspaper.
  - Prior to June 8, a final budget is adopted by the Board of School Trustees.
  - On or before January 1, an amended final budget, reflecting any adjustments necessary as a result of the completed count of students, is adopted by the Board of School Trustees.
2. Appropriations may be transferred within or among any functions or programs within a fund without an increase in total appropriations. If it becomes necessary during the course of the year to change any of the departmental budgets, transfers are initiated by department heads and approved by the appropriate division head. Transfers between programs or function classifications can be made as necessary.
3. Statutory regulations require budget control to be exercised at the function level within the General Fund and at the fund level for Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service, and Trust and Agency funds.
4. Generally, budgets for all funds are adopted in accordance with generally accepted accounting principles. Execution of new capital leases are not budgeted as current year expenditures.