

Why Negative Unspent Balances Occur

Key Reasons:

- The district did not reduce staffing proportionately when certified enrollment decreased.
- The district used one time money (unspent balance or legislatively granted state aid outside of the finance formula) for recurring costs.
- The district certified the budget and/or prepared a line item budget for the General Fund higher than the authorized budget.

Other Reasons:

- The district has no local procedure for regular monitoring.
- The district had unanticipated expenditure late in the school year that could not be postponed and cost more than the remaining unspent balance.
- The district made accounting errors that impacted unspent balance (AEA flow through in revenues but not expenditures; expenditures coded to special education that are not appropriate; etc.).
- The district confused unspent balance (budget authority) with unexpended balance (fund balance), erroneously thinking that they still had cash on hand so must have the right to expend it, but it did not.
- The district incorrectly thought that Cash Reserve levy increased budget authority, but it does not.
- The district incorrectly believed that incurring a negative unspent balance was justified in order to meet the minimum accreditation standards, but it was not.