



# ADDISON NORTHWEST SCHOOL DISTRICT POLICY

<b>SECTION</b>	<b>Non-Instructional Operations</b>	<b>CODE</b>	<b>F45</b>
<b>TITLE</b>	<b>Fund Balance</b>		

The Fund Balance Policy is established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the District to be in a strong fiscal position that will allow for it to manage negative economic trends.

The Fund Balance consists of five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned, as defined with governmental accounting standard, GASB Statement No. 54.

1. **Non-spendable Fund Balance** consists of funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.
2. **Restricted Fund Balance** consists of funds that are mandated for a specific purpose.
  - A. Externally by creditors, grantors, contributors, laws, regulations or other governments.
  - B. By law through constitutional provisions enabling legislation.
  - C. Order of Use of Restricted and Unrestricted Funds
    - a. When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.
    - b. When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.
3. **Committed Fund Balance** consists of funds that are set aside for a specific purpose.
  - A. The Voters have the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution/article by a simple majority vote of the registered voting community. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as the information is available.
  - B. The Board of Directors shall budget for the expenditure of such committed funds through the regular budget process.
4. **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose. Funds cannot cause a deficit in the unassigned fund balance.
  - A. The Board of Directors has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple

majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

- B. Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the Superintendent or designee shall record the amount as Assigned Fund Balance.
  - C. The Board of Directors shall budget for the expenditure of such committed funds through the regular budget process.
5. **Unassigned Fund Balance** consists of excess funds that have not been classified in the previous four categories. Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls. Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget amendment by the Board of Directors. In the event of projected revenue shortfalls, it is the responsibility of the Superintendent to report the projections to the Board of Directors on at least a quarterly basis and shall be recorded in the minutes.

The Superintendent shall manage the budget so that revenue shortfalls and expenditure increases do not impact the total unassigned fund balance. Revenue and expenditure projections will be provided on at least a quarterly basis to the board.

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process.

*Date Warned:* December 5, 2019

*Date Adopted:* January 13, 2020

*References:* Policy Reviewed by RHR Smith & Co. 4/22/19