

# HORTONVILLE AREA SCHOOL DISTRICT

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**Title: Fund Balance**

**Date Adopted: 6/22/2011**

**Policy No. 10006**

**Date Revised:**

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**Policy Statement:**

Fund balance is a critical component of the District's finances. Fund balance (or fund equity) is the difference between the District's assets and liabilities. Both the amount of fund balance and the proper recording of fund balance are important to the District's operation.

It is essential that the school district maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. Fund balance also provides cash flow liquidity for the school district's general operations.

**Rationale:** Fund balance is used for analysis and is one of the most useful elements of the District's balance sheet. Fund balance can be reviewed and used during credit reviews by municipal bond analysts as well as other governmental oversight bodies to assess the financial health of an organization. Additionally, financial statement reviewers examine fund balance information to identify the available liquid resources that can be used to repay long-term debt, reduce property taxes, add new educational programs, expand existing ones, or enhance the financial position of the school district.

**Scope:** All District Funds.

**Responsibility:** Director of Business Services, District Administrator, School Board

**Implementation:** The Governmental Accounting Standards Board (GASB) Statement 54 defines fund balance into five categories. They are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These five categories of fund balance will be used as required.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

Fund Balance of the District may be committed for a specific source by formal action of the Board of Education. Amendments or modification to the committed fund balance must also be approved by formal action of the Board of Education. Committed fund balance does not lapse at year-end. The formal action required to commit fund balance shall be by board resolution or majority vote.

The Board of Education delegates authority to assign fund balance for a specific purpose to the Director of Business Services.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance on an annual basis.

The Board of Education recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board intends to maintain a minimum fund balance of 24% of the District's general fund annual operating expenditures or a balance sufficient to avoid cash flow borrowing whichever is greater.

**Associated Information:** Policy #10003

Administrative Review 5/24/2011

Policy Committee Review 5/19/2011 and 6/13/2011

First Reading 6/8/2011 Second Reading 6/27/2011