FUND BALANCE POLICY

The following policy has been adopted by the Board of Education (the Board) of the Bethlehem Central School District (the District) in order to address the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. This policy will help the District assess if it is maintaining adequate fund balances and reserves in order to:

1. Provide sufficient cash flow for daily financial needs;
2. Secure and maintain investment grade bond ratings;
3. Offset significant economic downturns or revenue shortfalls; and
4. Provide funds for unforeseen expenditures related to emergencies.

GASB Statement No. 54 changed the classification of fund balance in order to bring greater clarity and consistency to fund balance reporting. Effective for financial statements for periods ending June 30, 2011, fund balance is reportable in five new categories as follows:

Nonspendable Fund Balance

The nonspendable fund balance amount represents the portion of the fund balance that is not in a spendable format in the current period either because of their form or because they must be maintained intact. Examples include inventories, prepaid items, and the principal of endowments.

Restricted Fund Balance

The restricted fund balance amount represents the portion of fund balance that is subject to an externally and legally enforceable purpose. The restrictions are imposed by creditors, grantors, laws and regulations of other governments, or through constitutional provision or enabling legislation. Examples include workers’ compensation, employee benefits accrued liability, and tax certiorari reserves (by virtue of the State Comptroller’s Regulation of the establishment, funding, and use of reserves).

Committed Fund Balance

The committed fund balance amount represents the portion of the fund balance that is constrained for a specific purpose by the Board. Committed funds also require the Board to take formal action to subsequently remove or change the constraints. Although the action to constrain the resources must occur prior to fiscal year end, the amount may be determined in the subsequent period. The state comptroller does not believe that school districts will typically have restrictions that will be accounted for in this category.

Assigned Fund Balance
The assigned fund balance amount represents amounts that are intended to be used for specific purposes, but are not restricted or committed. Examples include appropriated fund balance and outstanding encumbrances.

**Unassigned Fund Balance**

Funds in this category represent funds that are not classified in any of the other four categories. Typically, only the General Fund will contain unassigned fund balance.

The Board recognizes that Real Property Tax Law, Section 1318, limits the amount of unexpended surplus funds to no more than 4 percent of the next year’s budgeted appropriations. Under GASB Statement 54, the 4 percent limitation is interpreted to be applied to unrestricted fund balance (total of the committed, assigned, and unassigned classifications) minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education affirms its authority to establish restricted, committed, and assigned funds, by authorizing the purpose for which the funds will be used. However, the Board delegates the authority to assign amounts to be used for specific purposes to the chief business and financial officer (CBFO). The amount of the assignments shall be determined based upon the CBFO’s review of detailed supporting calculations, and such detail will be presented for approval by the Board.

In situations where both restricted and unrestricted resources are available for expenditure (within the five categories of fund balance), the District’s policy is to allow the CBFO to determine the order of the expenditure of funds, on an annual basis (first option is the GASB Statement 54 presumption if not specified; the second option grants maximum flexibility in managing the 4 percent limitation.

*Adoption Date: June 15, 2011*

*Reapproved date: May 22, 2019*