



WADING RIVER FIRE DISTRICT BOARD OF FIRE COMMISSIONERS

3.13 Fire District Fund Balance Policy Developed for GASB 54

I. **PURPOSE.** The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the District and is fiscally advantageous for both the District and the taxpayer. This policy will ensure that the District maintains adequate fund balances and reserves in order to:

- Provide sufficient cash flow for daily financial needs,
- Secure and maintain investment grade bond ratings (if necessary),
- Offset significant economic downturns or revenue shortfalls, and
- Provide funds for unforeseen expenditures related to emergencies.

II. **DEFINITIONS.** Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund. The following definitions will be used in reporting activity in governmental funds. The District may or may not report all fund types in any given reporting period based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Capital reserves funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the Board of Fire Commissioners. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally

(e.g., the board's commitment in connection with future construction projects).

- 4) **Assigned fund balance** – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Board of Fire Commissioners or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

Policy

The responsibility for designating funds to specific classifications shall be as follows:

Committed Fund Balance – The Board of Fire Commissioners is the District's highest level of decision- making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Assigned Fund Balance – The Board of Fire Commissioners is the District's highest level of decision- making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Minimum Unassigned Fund Balance

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% and not more than 20% of budgeted annual revenue. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance. Should the unassigned fund balance of the general fund ever exceed the maximum (20%) range, the District will consider such fund balance surpluses and, at the discretion of the Board, may be transferred to the reserve fund. The decision as to any amount to be allocated to the reserve fund would be based upon the reserve fund analysis, the needs of the District and the impact on the annual tax levy.

Adopted by the Wading River Fire District Board of Fire Commissioners on Monday, 09/14/20 .

Chairman James Meier)	
Vice Chairman Michael Harrigan)	
Commissioner John McManus)	AYES
Commissioner Kevin McQueeney)	
Commissioner Joe Moreno)	