

## FUND BALANCE POLICY

### 1211.1 PURPOSE

The Sanibel Fire and Rescue District ("The District") hereby establishes and will maintain its "Fund Balance", as defined herein, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The District's Fund Balance shall be composed of non-spendable, restricted, committed, assigned, and unassigned amounts as later defined. This Fund Balance Policy is adopted in order to maintain credit ratings, meet seasonal shortfalls and cash flow, comply with GASB Statement No. 54, and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfalls.

### 1211.2 DEFINITION

**Fund Balance** - Fund Balance is defined as the difference in assets and liabilities reported in a governmental fund.

**Non-Spendable Fund Balance** - Non-Spendable Fund Balance is defined as categories and amounts that are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as the long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

**Restricted Fund Balance** - Restricted Fund Balance is defined as categories and amounts of the Fund Balance that can be spent only for specific purposes as a result of constraints placed on the use of funds that are either: (a) externally imposed by resource providers such as creditors (by debt covenants), granters, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** - Committed Fund Balance is defined as categories and amounts of the Fund Balance that can be used only for specific purposes as constrained/determined by a formal action (resolution) of the Board of Commissioners as the highest level of the District's decision making authority. Fund Balance may be "committed" for purposes that include, but are not limited to: (a) major maintenance and repair projects, (b) meeting future obligations resulting from a natural disaster, (c) accumulating resources pursuant to stabilization arrangements, (d) establishing reserves for disaster, and/or (e) for setting aside amounts for specific projects.

**Assigned Fund Balance** - Assigned Fund Balance is defined as categories and amounts of the Fund Balance which are "intended" to be used for specific purposes that are neither restricted nor committed. Assigned Fund Balance may be created for a specific purpose that is narrower than the general purposes of the District and can include, but is not limited to: (a) replacement of existing equipment or apparatus, (b) purchase of new equipment or apparatus for the expansion of services, (c) preparing for the possibility of natural disasters, (d) planning for the future funding of Post- Employment Benefits, and (e) planning for the possibility of future revenue shortfalls.

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**Unassigned Fund Balance** - Unassigned Fund Balance is defined as categories and amounts of Fund Balance that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned Fund Balance may also include negative balances for any governmental fund if expenditures exceed amounts that are restricted, committed or assigned for those specific purposes.

**Unrestricted Fund Balance** - Unrestricted Fund Balance is defined as the total of Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

**Reservations of Fund Balance** - Reservations of Fund Balance is defined as reserves that are established by the Board of Commissioners as Committed Fund Balance Reserves, Assigned Fund Balance Reserves or Unassigned Fund Balance Reserves.

#### **1211.3 FUND BALANCE CATEGORIES FOR GENERAL FUND**

The Board of Commissioners hereby establishes the following categories of Fund Balances to be used as a part of the annual budget adoption process or to be used as a part of a budget amendment during the fiscal year. The level of action by the Board of Commissioners necessary to establish or modify a category of the Fund Balance will vary depending on whether the Fund Balance is committed, assigned, or unassigned and will be as described herein.

- (a) **Restricted Fund Balance** - there is no restricted Fund Balance in the general fund.
- (b) **Committed Fund Balance** - Committed Fund Balance categories and amounts can only be initially imposed/constrained, or subsequently modified or removed by the Board of Commissioners through the taking of the highest level of formal decision-making action that is available to the Board of Commissioners (Board resolution). The "commitment" of Fund Balances will be considered in conjunction with the annual budget adoption process or by budget amendment approved by resolution of the Board of Commissioners during the fiscal year.
- (c) **Assigned Fund Balance** - Assigned Fund Balance shall reflect the District's intended use of resources as set forth in the annual budget and any amendments thereto. Assigned Fund Balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it is assigned. The creation, modification or removal of Assigned Fund Balance categories or amounts shall require approval by the Board of Commissioners in the form of an adopted motion (a resolution of the Board of Commissioners is not required).
- (d) **Unassigned Fund Balance** - Unassigned Fund Balance is the residual classification for the general fund.
- (e) **Fund Balance Reserves** - The Board of Commissioners will establish categories of Fund Balance reserves as part of the annual budget adoption process or by budget amendment approved during the fiscal year. The level of action by the Board of Commissioners that is necessary to establish or modify categories or amounts of Fund

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Balance Reserves will vary depending on whether the Fund Balance Reserve category or amount is committed, assigned, or unassigned.

- (a) **Committed Fund Balance Reserves** - Committed Fund Balance reserves shall be made, modified or removed only by formal action of the Board of Commissioners (resolution); therefore, in order to move funds from a Committed Fund Balance Reserve category to another category or to an expenditure account, such as when funds are to be expended for their committed purpose, the Committed Fund Balance Reserve must be moved by the same formal action of the Board of Commissioners as when they were created (resolution). Committed Fund Balance categories and amounts will be established as a part of the annual budget process or by budget amendment during the fiscal year.
- (b) **Assigned Fund Balance Reserves** - Assigned Fund Balance Reserves shall be made, modified or removed by an adopted motion of the Board of Commissioners (a resolution is not required); therefore, in order to move funds from an Assigned Fund Balance Reserve category to another category or to an expenditure account, such as when Assigned Fund Balance Reserves are to be expended for their assigned purpose, the Assigned Fund Balance Reserves may be moved by an adopted motion of the Board of Commissioners. Assigned Fund Balance Reserves categories and amounts will be established as apart of the annual budget process or by budget amendment during the fiscal year.
- (c) **Unassigned Fund Balance Reserves** - Unassigned Fund Balance Reserves shall be those categories and amounts of budget reserves that are not Committed Fund Balance Reserves or Assigned Fund Balance Reserves. The categories and amounts of Unassigned Fund Balance Reserves will be established as a part of the annual budget process or by budget amendment during the fiscal year.

#### **1211.4 BUDGETING**

The actual amount of Unrestricted Fund Balance (total of Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance) available at the end of a fiscal year is not known until the completion of the annual financial audit which takes place after the end of the fiscal year being audited. An estimate of Unrestricted Fund Balance (also called Estimated Ending Fund Balance and/or Estimated Beginning Fund Balance) must be made during the annual budget adoption process which occurs prior to the end of the fiscal year on September 30th of each calendar year.

After the annual financial audit is completed for each fiscal year, the new fiscal year budget will be amended so that the actual Beginning Fund Balance matches the audited Ending Fund Balance from the previous fiscal year. This amendment can be made at any time during or up to sixty (60) days after the end of the fiscal year and it must be made by resolution.

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### **1211.5 ANNUAL REVIEW AND DETERMINATION OF FUND BALANCE POLICY**

Compliance with the provisions of this Policy shall be reviewed as a part of the annual budget adoption process, and the amounts of Restricted, Committed, Assigned, Non-Spendable, and Estimated Unrestricted (Ending/Beginning) Fund Balance shall be determined during this process.

This Policy will be reviewed annually as part of the annual financial audit and will be updated as necessary to comply with new auditing regulations.

### **1211.6 EFFECTIVE DATE**

This Policy shall take effect immediately upon adoption of Resolution No. 24-005 will be applied to the District's Fiscal Year 2023-2024 Budget.