



# Chino Valley Independent Fire District

## *Fund Balance Reporting Policy*

### May 11, 2011

#### 1. PURPOSE

This policy establishes the procedures for reporting unrestricted fund balance in the General fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Manager to prepare financial reports which accurately categorize fund balance as per Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

#### 2. POLICY

Fund balance is essentially the difference between assets and liabilities reported in the General fund. There are five separate components of fund balance, each of which identifies the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The first two components, listed in sections 2.1 and 2.2 below, are not addressed in this policy due to the nature of their restrictions. This policy is focused on financial reporting of unrestricted fund balance, or the three components lists in sections 2.3 through 2.5 below.

- 2.1. *Nonspendable Fund Balance* - inherently nonspendable. Examples include funds disbursed for prepaid items and deposits on file with other agencies,
- 2.2. *Restricted Fund Balance* - externally enforceable limitations on use, imposed by law or constraints by creditors, grantors or contributors. Examples might include grant funds received for the express purpose of purchasing specific supplies or equipment, or debt covenants imposed by creditors.
- 2.3. *Committed Fund Balance* - self imposed limitations on use.
- 2.4. *Assigned Fund Balance* - limitation resulting from intended use.
- 2.5. *Unassigned Fund Balance* - residual net resources.

### **3. COMMITTED FUND BALANCE**

The Board of Directors, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Board action to commit fund balance must occur within the fiscal reporting period; however, the amount or amounts can be determined subsequently.

### **4. ASSIGNED FUND BALANCE**

Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Fire Chief or his designee, for purposes of reporting these amounts in the annual financial statements. Examples of assigned fund balance may include but not be limited to:

- 4.1.** *Continuing Budget Appropriations* - fund balance levels must be sufficient to meet funding requirements for approved projects or other expenditures which must be carried forward into future fiscal years.
- 4.2.** *Debt Service* - established to provide for future debt service obligations, which may exist from time-to-time.
- 4.3.** *Budget Balancing Measures* - Funds set aside for the purposes of stabilizing District services during periods of operational budget deficits, and/or to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

Note: The District shall not assign an amount to a specific purpose, if the assignment would result in a deficit unassigned fund balance.

### **5. UNASSIGNED FUND BALANCE**

These are residual positive net resources of the General fund in excess of those portions of fund balance classified in one of the other four categories of fund balance.