



FUND BALANCE POLICY

LISLE-WOODRIDGE FIRE PROTECTION DISTRICT

1. **Policy:** It is the policy of the Lisle-Woodridge Fire Protection District (the “District”) to operate with sound financial management principles to provide a stable financial base for the District at all times in order to maintain sufficient balances to fund operations and protect against the need to reduce service levels or programs.
2. **Scope:** This fund balance policy is established for the governmental funds of the Lisle-Woodridge Fire Protection District as accounted for in the Comprehensive Annual Financial Report (CAFR) in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. **Objectives:** The primary objectives of this policy shall be to maintain fund balance sufficient to fund all cash flows of the District, and to provide financial reserves for acquiring and renovating facilities and for purchasing/leasing new apparatus.

4. **Definitions:** The following individual components constitute the fund balance for all of the District’s Governmental Funds:

Classification	Definition	Examples
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	<ul style="list-style-type: none"> • Inventories • Prepaid items • Long-term receivables • Permanent endowments
Restricted	Resources that are subject to constraints imposed by external parties or enabling legislation.	<ul style="list-style-type: none"> • State statute restrictions • Unspent bond proceeds • Grants earned, but not spent • Debt covenants • Taxes dedicated to a specific purpose • Revenues restricted by enabling legislation
Unrestricted:		
Committed	Amounts constrained for specific purposes by District’s Board of Trustees through formal action.	<ul style="list-style-type: none"> • Amounts Board of Trustees sets aside by ordinance or resolution
Assigned	Amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed.	<ul style="list-style-type: none"> • Board of Trustees delegates the authority to assign fund balance to the Finance Director
Unassigned	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned.	<ul style="list-style-type: none"> • Available and expendable for any General Fund purpose

5. **Committing Fund Balance:** In order to commit fund balance, the Board of Trustees, as the highest level of decision-making authority, must incorporate in an ordinance or resolution the commitment of funds for specific purposes and pass said ordinance or resolution before the fiscal year end. These funds must be fully expended for their committed purpose or a separate action by the Board of Trustees for the funds to become uncommitted.

6. **Assigning Fund Balance:** In order to assign fund balance, the Board of Trustees designates the Finance Director as the authority to assign fund balance. Any fund balance in a governmental fund other than the Corporate Fund that is not restricted or committed is, at a minimum, assumed to be assigned for the purpose of that fund.

7. **Order of Resource Use:** The District requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

8. **Operating Reserves:** It is a goal that a portion of the revenue in excess of expenditures as determined by the annual audit at fiscal year end, be set aside for maintaining reserves as follows –
 - 8.1. **Corporate Fund** – an unassigned fund balance will be maintained at fiscal year end sufficient to handle emergency needs, cash flow needs associated with the timing of property tax receipts, and unfavorable variances in the annual budget.
 - 8.1.1 It is the District’s goal to maintain an unassigned fund balance level in the Corporate Fund at fiscal year end sufficient to cover, at a minimum, 35% or between four (4) and five (5) months of operation determined as a percentage of the annual budgeted expenditures.
 - 8.1.2 Should annual Corporate Fund revenues exceed expenditures and encumbrances, a fiscal year-end operating surplus shall be reported. Any portion of the fiscal year-end surplus in excess of the above requirements will be considered for transfer in the following order:
 - 8.1.2.1. Replenish any other established fund balance targets or designations, so as to meet target levels.
 - 8.1.2.2. Transfer to the Firefighter’s Pension Fund to offset any Net Pension Obligation and/or to fund current estimates of future pension liabilities.
 - 8.1.2.3. Transfer to the Capital Improvement Fund for appropriation to Facilities Improvement or Fleet Replacement programs.
 - 8.1.3 If the Corporate Fund fiscal year end balance falls below 35%, a plan will be developed and implemented to restore the fund balance to its minimum within three years.

- 8.2. Special Revenue Funds – Special Revenue Funds account for the proceeds from specific revenue sources that are legally restricted for specific purposes. These funds will be monitored and the taxes levied to support them will be adjusted to ensure they operate within target range. It may take more than one levy cycle to ensure the funds are operating within the proper range.
 - 8.2.1 Tort Liability Fund - It is the District’s goal to maintain a fund balance level in the Tort Liability Fund at fiscal year end sufficient to cover, at a minimum, 35% or between four (4) and five (5) months of operation determined as a percentage of the annual budgeted expenditures.
 - 8.2.2 Ambulance Fund - It is the District’s goal to maintain a fund balance level in the Ambulance Fund at fiscal year end sufficient to cover, at a minimum, 35% or between four (4) and five (5) months of operation determined as a percentage of the annual budgeted expenditures.
 - 8.2.3 Audit, IMRF, Social Security/Medicare Funds – It is the District’s goal to maintain a fiscal year end fund balance of 25% or three (3) months of operation determined as a percentage of the annual budgeted expenditures.
 - 8.2.4 Foreign Fire Insurance Fund – There is no target established for this fund.
- 8.3. Capital Projects Fund – The District will strive to maintain a fiscal year end fund balance necessary to provide sufficient funds for the improvement of facilities and the replacement of apparatus and vehicles.
- 9. **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. Actual final classification of restricted, committed, assigned, non-spendable and unassigned fund balances shall be determined during the annual fiscal year-end process for presentation in the District’s Comprehensive Annual Financial Report (CAFR).
- 10. **Adoption/Amendment:** The District’s fund balance policy shall be adopted by resolution of the Board of Trustees. This policy shall take effect immediately upon adoption and will be applied beginning with the preparation of the District’s 2011 Comprehensive Annual Financial Report.