ENDING FUND BALANCE:

Introduction:

Sisters-Camp Sherman Fire District follows a fiscal year that begins on July 1 of each year and ends on June 30 of the following year. The primary source of revenue for the District is property taxes, which are assessed effective July 1, but are usually not received until around the middle of November. The District therefore must either operate on cash that is carried over from the previous year or borrow money to meet operating needs.

Sisters-Camp Sherman Fire District carries an ending fund balance (contingency) receipt of property tax revenues in mid-November. The working capital is referred to as “Ending Working Capital” from the previous budget year which becomes “Beginning Working Capital” in the following year.

Because the ending fund balance becomes a resource at the beginning of the succeeding year, it is important to ensure that the district maintains the working capital in its ending fund balance to meet cash-flow requirements in the months preceding the receipt of tax dollars.

Authority:

The Board of Directors designates the Fire Chief as the custodial officer of all District financial accounts. The custodial officer has the responsibility to ensure that the District can meet day-to-day demands and also to ensure that the district can access the resources necessary to meet cash flow requirements during the months prior to receiving property taxes. Among those responsibilities are

- Recommending Board action on cash-flow requirements,
- Taking the steps necessary to ensure that the District has the operating resources necessary to meet its cash-flow needs, and
- Developing contingency plans for those years when the district falls short of its cash flow needs.

In the absence of, or at the request of the Fire Chief, the Deputy Chief will have the authority and responsibility to manage the District’s financial accounts.

Policy:

It shall be the goal of the Board of Directors to maintain sufficient resources in its ending fund balance to meet cash flow needs in the succeeding year. For the purposes of this policy, ending fund balance shall mean the sum of the amount budgeted as “contingency” plus the amount budgeted as “transfer to reserve accounts”. The baseline amount for determining “sufficient resources” shall be calculated as follows:

1. Five-twelfths (5/12) of the amount budgeted in the personnel services line item; plus
2. One-fourth (1/4) of the amount budgeted in the Materials and Services line item; plus
3. One-fourth (1/4) of the amount budgeted in the Capital Outlay line item.

The Board's objective shall be to maintain sufficient funds in ending fund balance and to avoid using debt financing to obtain operating capital. The Board of Directors recognizes that the local and regional economic environment, changes to the tax structure, and changes in consumer demand for service will at times make it impossible to allocate sufficient funds to meet the baseline amount described above. While tax anticipation borrowing may be acceptable on a short-term basis, it does not meet the Board's policies over the long term.

Goals:

The goals of the ending fund balance (contingency) policy are established below:

1. To meet cash flow needs by providing working capital during succeeding years' budgets.
2. To reduce costs by limiting tax anticipation borrowing and by accruing interest revenue on the carryover funds.
3. To have a certain "emergency" buffer amount established for unexpected expenses or decreased revenues.