

FUND BALANCE POLICY*Effective Date: 06/11**Reviewed: 07/17***Page 1 of 3***Policy No: 1.11*

Policy

The Board of Trustees for the Ela Area Public Library District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 54. These Provisions establish fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The purpose of the Fund Balance Policy is threefold: to enable realistic long-term planning, to assist with effective development of annual budgets, and to promote clear communications with the general public.

Because it is essential for governments to maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates, the Board of Trustees has developed this Fund Balance Policy to establish the level of unassigned fund balance and restricted fund balance that should be maintained in the General Fund and some of the Restricted Funds.

Considerations in Establishing Goal Levels for Fund Balances:

The District shall consider a variety of factors when determining the level of fund balances including:

1. The predictability of revenues and the volatility of expenditures.
2. Exposure to significant one-time outlays.
3. Transferring of funds from the General Fund to other funds to maintain fund balance levels.
4. Liquidity
5. Commitments and assignments

Fund Balance Classifications:

- *Nonspendable fund balance* – amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted fund balance* – amounts constrained to specific purposes by their providers through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to

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be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates authority.
- *Unassigned fund balance* – available for any purpose; these amounts are reported only in the general fund.

Fund Balances:

Fund Balance is defined as follows:

The cash assets or equivalents of the Library less all current operational commitments and liabilities.

1. Restricted Fund Balance (IMRF, Social Security, Site and Building, Liability, Working Cash and Bond)

Restricted Fund Balance is defined as follows:

The fund balance cash assets or equivalents of the Library which are constrained to specific purposes by their providers as grantors, bondholders, through constitutional provisions, or by enabling legislation.

Goal Statement:

For a given fiscal year, the target fund balance amount for the IMRF, Social Security, Site and Building and Liability Fund shall be 40% of the fiscal year's operating expense for each fund.

2. Unassigned Fund Balance (General Fund)

Unassigned fund Balance is defined as follows:

The fund balance cash assets of the Library which may or may not be assigned to specific purposes.

- a. General Unassigned Fund Balance: The fund balance cash assets or equivalents of the Library which carry no defined future use.

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Goal Statement:

For a given fiscal year, the target amount for the General Unassigned Fund Balance shall be 40% of the fiscal year's operating expense in General Fund.

b. Assigned Fund Balance:

The fund balance cash assets or equivalents of the Library which have been assigned or committed to one or more future uses. The designated uses are identified by the Board of Trustees and subject to change by the Board of Trustees.

c. Assignor:

The Board of Trustees will approve if a portion of the unassigned fund balanced should be assigned.

3. Committed Fund Balance (Special Reserve Fund)

Committed Fund Balance is defined as follows:

The fund balance cash assets or equivalents of the Library that are committed to specific purposes by the Board of Trustees that cannot be used for any other purpose unless the Board of Trustees takes action to remove or change the constraint.

Spending Hierarchy:

The District will spend the most restricted dollars before less restricted in the following order:

1. Restricted
2. Committed
3. Assigned
4. Unassigned