

EXHIBIT 3

CLEVELAND PUBLIC LIBRARY

Board Meeting
June 19, 2012

RESOLUTION TO ESTABLISH FUND BALANCE POLICIES AS REQUIRED BY
GASB 54

WHEREAS, In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*, to address issues related to how fund balances are reported in governmental financial statements. The intent of GASB Statement No. 54 is to bring greater transparency and consistency to fund balance reporting in the government sector; and

WHEREAS, The Library implemented GASB Statement No. 54 for the fiscal year ending December 31, 2011. The new standard does not change the Library's fund balance totals; rather, it changes the categories and terminology used to describe the components of fund balance. GASB Statement No. 54 requires local governments to focus on the constraints imposed upon resources when reporting fund balances in governmental funds; now therefore be it

RESOLVED, That the Cleveland Public Library Board of Trustees hereby adopts the following policy:

Cleveland Public Library
Fund Balance Policy

Policy Overview

This policy establishes the procedures for reporting, within the annual financial statements, the fund balances of the Library's governmental funds in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This policy also formally delegates to the Chief Financial Officer the authority to *assign* fund balances for specific purposes for inclusion in the annual financial statements.

Definitions

In the past, the Library's fund balances have been classified into two separate components: reserved and unreserved. GASB Statement No. 54 defines five new classifications of fund balance that will be reported in the Library's governmental fund balance sheet beginning with the fiscal year ending December 31, 2011. These five new classifications are:

1. Nonspendable Fund Balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either a) not in spendable form, or b) amounts that are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash (for example, inventories and prepaid amounts). It also includes the long-term amount of interfund loans. The “legally or contractually required to be maintained intact” criterion includes, for example, the principal reported in a permanent fund.

2. Restricted Fund Balance: The restricted fund balance classification is used when constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Library to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Library can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

3. Committed Fund Balance: The committed fund balance classification includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the Library’s highest level of decision-making authority (i.e., resolution of the Board of Trustees). Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified constraint by taking the same type of action (resolution) it employed to previously commit those amounts.

In contrast to the restricted fund balance classification, committed fund balance constraints are imposed by the Board of Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The type of contractual obligations that would meet this criteria would be a contract awarded by resolution or through the bid process authorized by resolution of the Board of Trustees.

The action to commit (or un-commit) funds must occur prior to the fiscal year-end, to report such commitments in the balance sheet of the respective period, though the exact amount may be determined subsequent to year end.

4. Assigned Fund Balance: Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Trustees or a Library official delegated that authority by the Board of Trustees. Assignments of fund balance may occur subsequent to the fiscal

year end.

5. *Unassigned Fund Balance:* Unassigned fund balance is the residual classification for the general fund that includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report deficit balances resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Policy for Applying Restricted Resources

The Library will apply restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Policy for Assignment of Fund Balances

This policy delegates to the Chief Financial Officer the authority to assign unrestricted fund balance amounts where the Library's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.