

FUNd Accounting

Mayors, Council Members and Trustees



Objectives

- What is fund accounting?
- How does fund accounting work?
- What kinds of funds are there?
- How do you create a new fund?
- How to eliminate old funds?
- What are reserve funds?
- What is an unclaimed monies fund?
- What is the difference between transfers and advances?



What is Fund Accounting?

Fund accounting is the activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

This is accomplished through the use of funds.

What is a Fund?

A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and balances, which are segregated for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions, or limitations.



Fund Accounting

Segregates transactions related to certain government functions to aid financial management

Demonstrates legal compliance

Tax
Levies

Grants

ORC

Debt
Proceeds

What kinds of Funds are there?

- Governmental
- Proprietary
- Fiduciary

Governmental Funds

Those funds through which most governmental functions typically are financed. Reports on the sources, uses and balances of current financial resources.

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Permanent Funds

General Fund

- Operating fund of the government
- Used to account for all financial resources except those required to be accounted for in another fund due to them being restricted for purpose.
- The balance is available to the government for any purpose provided it is disbursed or transferred in accordance with Ohio law
- Primary source of revenues are income and property taxes

Special Revenue Funds

Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects

Special Revenue Funds

Special revenue funds for road improvement and repairs

- Road & Bridge
- Street Maintenance & Repair
- Gasoline (cents per gallon) Tax
- State Highway
- Permissive Motor Vehicle License Tax



Uses defined in ORC

Special Revenue Funds

Cemetery

- Revenues consist of property taxes, lot sales, opening & closing fees, intergovernmental revenue, interest

Voted Property/Income Tax Levy - Uses defined in the ballot language

- Fire operations
- Police operations

Grants - Uses defined in the grant agreement

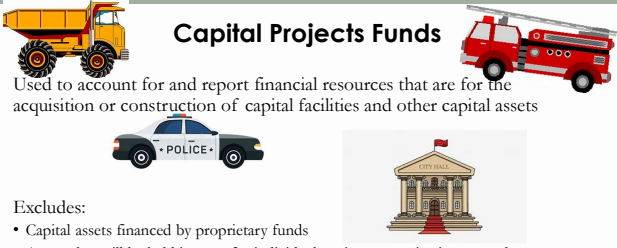
- SAFER FEMA Grant
- COPS Grant

Debt Service Funds

Used to account for the accumulation of resources for, and the payment of, debt principal and interest



Capital Projects Funds



Used to account for and report financial resources that are for the acquisition or construction of capital facilities and other capital assets

Excludes:

- Capital assets financed by proprietary funds
- Assets that will be held in trust for individuals, private organizations, or other governments.

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Capital Projects Funds

Revenues may include:

- Debt Proceeds
 - OPWC/OWDA/ODOT
 - Note/Bond Issuance
- Grants
 - OPWC/OWDA/ODOT
- Voted Tax Levy
- Transfers

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Permanent Funds

Used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs

– for the benefit of the government or its citizenry

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Proprietary Funds

Focuses on the determination of operating income, financial position and cash flows

- Enterprise Funds
- Internal Service Funds

Enterprise Funds

Used to account for any activity for which a fee is charged to **external** users for goods or services



Revenue can only be used for the costs relating to the "business"

Internal Service Funds




Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis



Self Insurance
Retrospective Workers' Compensation

Fiduciary Funds

Focuses on net position and changes in net position

- Pension (and other employee benefit) trust funds 
- Investment trust funds 
- Private-purpose trust funds 
- Custodial funds

Custodial Funds

- Mayor's Court
- Performance Deposits
- Building deposits
- Fire Trust/Loss/Insurance
- Payroll Withholdings
- Unclaimed Monies

May be reported differently on financial statements

Fund Balance Classifications

GASB Statement 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources in **governmental** funds.

Reflected on the Balance Sheet:

- OCBOA Cash and Modified Cash Basis Financial Statements
- GAAP Basis Financial Statements

Regulatory Cash Basis Financial Statements

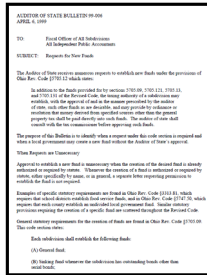
- Limited disclosure related to fund balance is included in notes

Fund Balance Classifications

- Non-Spendable – Cannot be spent because not in spendable form or legally or contractually required to be intact
- Restricted – Externally imposed constraints
- Committed – Internally imposed constraints by formal action of the government's highest decision making authority
- Assigned - Constraints where there is government intent to be used for specific purposes but are neither restricted or committed
- Unassigned – The residual classification for the general fund. Negative fund balances in other governmental funds are reported as negative unassigned fund balance

Creating Funds

- AOS Bulletin 1999-006
- If it is not established by law, either specifically, or in general, permission to establish a new fund comes from the Auditor of State's Office



AOS Permission is required when



- Management wants to capture additional financial information about a specific revenue source or activity
- The fund will be used to account for restricted gifts or bequests that will not be held in trust; or
- Management wants to impose internal restrictions not otherwise required by law
- The fund will provide information that can't be obtained with the addition of accounts within a fund (i.e. special cost centers)

Closing Old Funds – ORC Sections 5705.14-5705.16

- Work with Legal Counsel
- Petition the Tax Commissioner
- Done via a transfer

Reserve Funds – ORC Section 5705.13

- Budget Stabilization Fund (rainy day fund)
- Payment of claims
- payment of accumulated sick leave and vacation leave, and for payments in lieu of taking compensatory time off, upon the termination of employment or the retirement of officers and employees of the subdivision
- 27th Pay
- Capital Projects
 - Specific capital projects
 - 10 years

**Legal
Counsel**

If rescinded, usually dollars are returned to the contributing funds

Unclaimed Monies – ORC Section 9.39

Eliminates old outstanding checks on the bank reconciliation

Held in the unclaimed monies fund for five years
If not claimed, money reverts to the general fund

MAS Bulletin 91-11

Transfers

- Transfers are a **permanent** movement of money, no repayment is expected.
- Transfers require two pieces of legislation
 - Appropriation resolution
 - Legislation directing the transfer
- Generally, transfers are from the general fund. Work with Legal Counsel to determine if/when transfers from other funds are permissible (ORC 5705.14-5705.16)
- The transfer does not have to be done all at once
 - Money cannot be returned



Advances

- Advances are a **loan** of money. The general fund expects to be repaid.
- Advances must be approved by a formal resolution, must include:
 - A specific statement that the transaction is an advance of cash
 - An indication of the money (fund) from which it is expected that repayment will be made.



Deficit Funds?

Advance from the general fund?

NO

- Timing of receipts
 - Grants
 - Tax levies

Transfer from the general fund?

NO

- Cover costs of the fund

Call Local
Government
Services
800-345-2515

Questions?



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