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Ohio Auditor of State



Fund Accounting for Townships

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Course Objectives

- Answer the following questions:
 - What is Fund Accounting
 - How does Fund Accounting work?
 - What kinds of Funds are there?
 - How do you create a new Fund?




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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.



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Okay, So What's a Fund?

- A Fund is 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 purposes of carrying restrictions, or limitations.



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WHAT?!!!!



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How does Fund Accounting work?

- A proper cashbook is essential
 - Separate columns for receipts, disbursements, and Fund balances for each fund
 - Total columns for receipts, disbursements, and fund balances



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What kinds of Funds are there?

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds
- Page II-1 (Appendix II) of the Ohio Township Handbook has a list and definitions of fund types.



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Governmental Funds

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



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General Fund

- The operating fund of the government, used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the government for any purpose provided it is disbursed or transferred in accordance with Ohio law




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Special Revenue Funds

- Used to account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes
- Trust funds that allow the holder to spend the principal and interest earned on the principal are classified as a special revenue fund




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Debt Service Funds

- Used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest
- For further reference and examples of Debt Service Funds, see page II-87 through II-89 in Appendix II of the Ohio Township Handbook



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Capital Project Funds

- Used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds)



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Permanent Funds

- Used to account for the financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.



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Proprietary Funds

- Enterprise Funds
- Internal Service Funds



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Enterprise Funds

- Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.



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Internal Service Funds

- Account 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.



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Fiduciary Funds

- Used to report assets held in a trustee or agency capacity for others and cannot be used to support the government's own programs.
 - Pension Trust
 - Investment Trust
 - Private Purpose Trust
 - Agency



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Pension Trusts

- Used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contributions plans, other postemployment benefit plans, or other employee benefit plans.



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Investment Trusts

- Accounts for the financial resources of an external investment pool that the government sponsors.

– Very Rare.



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Private Purpose Trusts

- Used to report all trust arrangements, other than those properly reported in pension or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.



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Agency Funds

- Used to report resources held by the government in a purely custodial capacity (assets equal liabilities). Typically involve only receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.



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Name That Fund Type!!!





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How to Create a New Fund

- Look to AOS Bulletin 99-006 for guidance
- 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.




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AOS Permission

- Required under the following circumstances:
 - When management wants to capture additional financial information about a specific revenue source or activity
 - When the fund will be used to account for restricted gifts or bequests that will not be held in trust: or
 - When management wants to impose internal restrictions not otherwise required by law



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AOS Approval

- When the fund will provide information that can't be obtained with the addition of accounts within a fund, or
- When it is necessary to demonstrate compliance with legal or contractual restrictions
- The form and instructions for requesting AOS approval for a new fund can be found on pages II-81 through II-84 of the Ohio Township Handbook



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Local Government Services

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Columbus, Ohio 43215

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Dave Yost**

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APPENDIX

FUND ACCOUNTING FOR TOWNSHIPS

Uniform Accounting Network – Accounting & General Manual

TOWNSHIP CHART OF ACCOUNTS

TOWNSHIP FUND NUMBERS

Governmental Funds: General

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|-----------|-----------------|--|------------------------------|
| 1000 | General | Defined By User | 1000-701 | - |

Governmental Funds: Special Revenue

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|---|-----------------|--|------------------------------|
| 2011 | Motor Vehicle Licenses Tax | 330 | 2011-701 | - |
| 2021 | Gasoline Tax | 330 | 2021-701 | - |
| 2031 | Road and Bridge | 330 | 1000-701 | - |
| 2041-2069 | Cemetery | 410 | 1000-701 | - |
| 2071-2079 | Garbage Waste and Disposal District | 320 | 1000-701 | - |
| 2081-2109 | Police District | 210 | 1000-701 | - |
| 2111-2139 | Fire District | 220 | 1000-701 | - |
| 2141-2169 | Road District | 330 | 1000-701 | - |
| 2171-2179 | Park Levy | 610 | 1000-701 | - |
| 2181-2189 | Zoning | 130 | 1000-701 | - |
| 2191-2219 | Special Levy | Defined By User | 1000-701 | - |
| 2221 | Drug Law Enforcement | 210 | 1000-701 | - |
| 2231 | Permissive Motor Vehicle License Tax | 330 | 2231-701 | - |
| 2241 | Permissive Sales Tax (For hotel/motel excise tax for Convention and Visitors Bureau. Ohio Revised Code (ORC) Section 5739.09b.) | Defined By User | 1000-701 | - |
| 2251 | Federal Law Enforcement | 210 | 1000-701 | - |
| 2261 | Law Enforcement Trust | 210 | 1000-701 | - |
| 2271 | Enforcement and Education | 210 | 1000-701 | - |
| 2281-2289 | Fire and Rescue, Ambulance and Emergency Medical Services | 230 | 1000-701 | - |
| 2291-2339 | Underground Storage Tank | 430 | 1000-701 | - |

Uniform Accounting Network – Accounting & General Manual

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|-------------------------------|-----------------|--|------------------------------|
| 2401-2599 | Special Assessment | Defined By User | 1000-701 | - |
| 2901-2999 | Miscellaneous Special Revenue | Defined By User | 1000-701 | 29xx-701 |

Governmental Funds: Debt Service

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|----------------------------------|-----------------|--|------------------------------|
| 3101-3199 | General (Bond) (Note) Retirement | 810, 820, 830 | 1000-701 | 31xx-701 |
| 3201-3299 | Sinking | 810, 830 | 1000-701 | 32xx-701 |
| 3301-3399 | Special Assessment | 810, 820, 830 | 1000-701 | 33xx-701 |
| 3901-3999 | Miscellaneous Debt Service | 810, 820, 830 | 1000-701 | 39xx-701 |

Governmental Funds: Capital Projects

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|--|-----------------|--|------------------------------|
| 4101-4199 | Bond | 760 | 1000-701 | 41xx-701 |
| 4301-4399 | Permanent Improvement | 760 | 1000-701 | 43xx-701 |
| 4401-4499 | Public Works Commission Project – Issue II | 760 | 1000-701 | - |
| 4501-4599 | Special Assessment | 760 | 1000-701 | 45xx-701 |
| 4901-4949 | Miscellaneous Capital Projects | 760 | 1000-701 | 49xx-701 |

Governmental Funds: Permanent

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|-----------|-----------------|--|------------------------------|
| 4951-4999 | Permanent | Defined By User | 1000-701 | 49xx-701 |

Uniform Accounting Network – Accounting & General Manual

Proprietary Funds

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|------------------|-----------------|--|------------------------------|
| 5001-5999 | Enterprise | Defined By User | 1000-701 | 5xxx-701 |
| 6001-6999 | Internal Service | Defined By User | 1000-701 | 6xxx-701 |

Fiduciary Funds: *(Only if they are being held for another government.)*

| Fund Number | Fund Name | Program Default | System Posts Interest to This Interest Account | Conditional Interest Account |
|-------------|-------------------------|-----------------|--|------------------------------|
| 9001-9249 | Agency | Defined By User | 1000-701 | 9xxx-701 |
| 9501-9749 | Investment Trust | Defined By User | 1000-701 | 9xxx-701 |
| 9751-9999 | Private – Purpose Trust | Defined By User | 1000-701 | 9xxx-701 |

Conditional Interest Account

Some funds are required to receive all earned interest, and some funds are not allowed to receive any earned interest. Conditional interest funds can either receive their earned interest, or it can be allocated to the General fund. If a fund has a conditional interest account, then the fund may receive its own interest at the fund level. The fund’s conditional interest account must be an active revenue account, and the conditional interest account must be designated to receive the fund’s own interest under the Accounting/Maintenance/Funds area of the software. When posting interest receipts, the fund’s conditional interest account can either receive the earned interest, or it can be allocated to the General fund’s interest account.

SAMPLE ALPHANUMERIC CODES

Alphanumeric Funds

If a township elects to use the alphanumeric system of accounting codes, the funds of the township should be organized within the following fund groups and identified by the codes provided.

| <u>Major Fund Group</u> | <u>Fund Code</u> | <u>Individual Funds Within Major Fund Group</u> |
|--------------------------------|------------------|---|
| Governmental Fund Types | | |
| General Fund | 01 | General Fund |
| Special Revenue Funds | 02 | Motor Vehicle License Tax Fund |
| | 03 | Gasoline Tax Fund |
| | 04 | Road & Bridge Fund |
| | 05 | Cemetery Fund |
| | 06 A | Cemetery Bequest Fund A |
| | 06 B | Cemetery Bequest Fund B |
| | 06 C | Cemetery Bequest Fund C |
| | 06 D | Cemetery Bequest Fund D |
| | 06 E | Cemetery Bequest Fund E |
| | 06 F | Cemetery Bequest Fund F |
| | 06 G | Cemetery Bequest Fund G |
| | 07 A | Lighting Assessment A |
| | 07 B | Lighting Assessment B |
| | 07 C | Lighting Assessment C |
| | 07 D | Lighting Assessment D |
| | 07 E | Lighting Assessment E |
| | 07 F | Lighting Assessment F |
| | 07 G | Lighting Assessment G |
| | 08 | Garbage and Waste Disposal District |
| | 09 | Police District Fund |
| | 10 | Fire District Fund |
| | 11 | Road District Fund |
| | 12 | Park Levy Fund |
| | 13 | Zoning Fund |
| | 14 A | Miscellaneous Fund A |
| | 14 B | Miscellaneous Fund B |
| | 14 C | Miscellaneous Fund C |
| | 14 D | Miscellaneous Fund D |
| | 14 E | Miscellaneous Fund E |
| | 14 F | Miscellaneous Fund F |
| | 14 G | Miscellaneous Fund G |
| | 20 A | Special Levy Fund A |

SAMPLE ALPHANUMERIC CODES

Alphanumeric Funds

| | | | |
|------------------------|----|---|--|
| | 20 | B | Special Levy Fund B |
| | 20 | C | Special Levy Fund C |
| | 20 | D | Special Levy Fund D |
| | 20 | E | Special Levy Fund E |
| | 20 | F | Special Levy Fund F |
| | 20 | G | Special Levy Fund G |
| | 22 | | Drug Law Enforcement Fund |
| | 23 | | Permissive Motor Vehicle License Tax Fund |
| | 24 | | Permissive Sales Tax Fund |
| | 25 | | Federal Law Enforcement Fund |
| | 28 | | Ambulance and Emergency Medical Service Fund |
| | 32 | | Law Enforcement Trust Fund |
| | 33 | | Enforcement and Education Fund |
| | 34 | | Underground Storage Tank Fund |
| Debt Service Funds | 15 | | General (Bond)(Note) Retirement Fund |
| | 16 | | Special Assessment Bond Retirement Fund |
| | 29 | | Sinking Fund |
| Capital Projects Funds | 07 | A | Lighting Assessment A |
| | 07 | B | Lighting Assessment B |
| | 07 | C | Lighting Assessment C |
| | 07 | D | Lighting Assessment D |
| | 07 | E | Lighting Assessment E |
| | 07 | F | Lighting Assessment F |
| | 07 | G | Lighting Assessment G |
| | 18 | | Bond Fund |
| | 21 | A | Capital Equipment Fund A |
| | 21 | B | Capital Equipment Fund B |
| | 21 | C | Capital Equipment Fund C |
| | 21 | D | Capital Equipment Fund D |
| | 21 | E | Capital Equipment Fund E |
| | 21 | F | Capital Equipment Fund F |
| | 21 | G | Capital Equipment Fund G |
| | 26 | | Permanent Improvement Fund |
| | 30 | A | Public Works Commission Fund A |
| | 30 | B | Public Works Commission Fund B |
| | 30 | C | Public Works Commission Fund C |

SAMPLE ALPHANUMERIC CODES

Alphanumeric Funds

| | | |
|----|---|--------------------------------|
| 30 | D | Public Works Commission Fund D |
| 30 | E | Public Works Commission Fund E |
| 30 | F | Public Works Commission Fund F |
| 30 | G | Public Works Commission Fund G |

Permanent Funds

| | | |
|----|---|-------------------------|
| 06 | A | Cemetery Bequest Fund A |
| 06 | B | Cemetery Bequest Fund B |
| 06 | C | Cemetery Bequest Fund C |
| 06 | D | Cemetery Bequest Fund D |
| 06 | E | Cemetery Bequest Fund E |
| 06 | F | Cemetery Bequest Fund F |
| 06 | G | Cemetery Bequest Fund G |
| 35 | A | Permanent Fund A |
| 35 | B | Permanent Fund B |
| 35 | C | Permanent Fund C |
| 35 | D | Permanent Fund D |
| 35 | E | Permanent Fund E |
| 35 | F | Permanent Fund F |
| 35 | G | Permanent Fund G |

PROPRIETARY FUND TYPES

Enterprise Funds

| | | |
|----|---|-------------------|
| 37 | A | Enterprise Fund A |
| 37 | B | Enterprise Fund B |
| 37 | C | Enterprise Fund C |
| 37 | D | Enterprise Fund D |
| 37 | E | Enterprise Fund E |
| 37 | F | Enterprise Fund F |
| 37 | G | Enterprise Fund G |

Internal Service Funds

| | | |
|----|---|-------------------------|
| 38 | A | Internal Service Fund A |
| 38 | B | Internal Service Fund B |
| 38 | C | Internal Service Fund C |
| 38 | D | Internal Service Fund D |
| 38 | E | Internal Service Fund E |
| 38 | F | Internal Service Fund F |
| 38 | G | Internal Service Fund G |

SAMPLE ALPHANUMERIC CODES

Alphanumeric Funds

FIDUCIARY FUND TYPES

Private Purpose Trust Funds

| | | |
|----|---|------------------------------|
| 06 | A | Cemetery Bequest Fund A |
| 06 | B | Cemetery Bequest Fund B |
| 06 | C | Cemetery Bequest Fund C |
| 06 | D | Cemetery Bequest Fund D |
| 06 | E | Cemetery Bequest Fund E |
| 06 | F | Cemetery Bequest Fund F |
| 06 | G | Cemetery Bequest Fund G |
| 36 | A | Private Purpose Trust Fund A |
| 36 | B | Private Purpose Trust Fund B |
| 36 | C | Private Purpose Trust Fund C |
| 36 | D | Private Purpose Trust Fund D |
| 36 | E | Private Purpose Trust Fund E |
| 36 | F | Private Purpose Trust Fund F |
| 36 | G | Private Purpose Trust Fund G |

Agency Funds

| | | |
|----|---|---------------|
| 27 | A | Agency Fund A |
| 27 | B | Agency Fund B |
| 27 | C | Agency Fund C |
| 27 | D | Agency Fund D |
| 27 | E | Agency Fund E |
| 27 | F | Agency Fund F |
| 27 | G | Agency Fund G |

AUDITOR OF STATE BULLETIN 99-006
APRIL 6, 1999

TO: Fiscal Officer of All Subdivisions
All Independent Public Accountants

SUBJECT: Requests for New Funds

The Auditor of State receives numerous requests to establish new funds under the provisions of Ohio Rev. Code §5705.12 which states:

In addition to the funds provided for by sections 5705.09, 5705.121, 5705.13, and 5705.131 of the Revised Code, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds. The auditor of state shall consult with the tax commissioner before approving such funds.

The purpose of this Bulletin is to identify when a request under this code section is required and when a local government may create a new fund without the Auditor of State's approval.

When Requests are Unnecessary

Approval to establish a new fund is unnecessary when the creation of the desired fund is already authorized or required by statute. Whenever the creation of a fund is authorized or required by statute, either specifically by name, or in general, a separate letter requesting permission to establish the fund is not required.

Examples of specific statutory requirements are found in Ohio Rev. Code §3313.81, which requires that school districts establish food service funds, and in Ohio Rev. Code §5747.50, which requires that each county establish an undivided local government fund. Similar statutory provisions requiring the creation of a specific fund are scattered throughout the Revised Code.

General statutory requirements for the creation of funds are found in Ohio Rev. Code §5705.09. This code section states:

Each subdivision shall establish the following funds:

(A) General fund;

(B) Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;

(C) Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;

(D) A special fund for each special levy;

(E) A special bond fund for each bond issue;

(F) A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;

(G) A special fund for each public utility operated by a subdivision;

(H) A trust fund for any amount received by a subdivision in trust.

Based on this statute, it is unnecessary to continue to request permission from the Auditor of State to establish a new fund when the purpose of the fund will be to record and expend the proceeds of debt, to account for a new grant whose use is restricted to a particular purpose or to account for money received in trust.

When Requests are Necessary

It is necessary to continue to submit requests to the Auditor of State when the creation of the fund is not specifically authorized by statute or when the purpose of the fund is not identified in Ohio Rev. Code §5705.09 (A) - (H). Situations in which it would be appropriate to continue to submit requests include: 1) when management wishes to create a new fund in order to capture additional financial information about a specific source of revenue or a specific activity; 2) when the fund will be used to account for restricted gifts or bequests that will not be held in trust; and 3) when management wants to impose internal restrictions on the use of otherwise unrestricted resources

Management often asks to create a new fund to determine how much revenue a specific source generates or how money from a specific source is being spent. In circumstances where the desired financial information can be obtained by creating additional accounts within an existing fund, the creation of a separate fund is generally considered unnecessary. An exception to this policy is made for requests for the creation of proprietary funds.

Proprietary funds are intended to account for activities that are similar to businesses. The activity is at least partially financed by charges for services or goods. Rates are usually set by the legislative authority, and the desire is to maintain accounting records which can demonstrate the extent that charges cover the costs of providing the goods or services. This is accomplished by tracking all revenues and the related expenses of an activity within a single fund. Requests for the creation of a proprietary fund are usually granted.

Sending a request to establish a new fund is still appropriate when the fund will be used to

account for restricted gifts or bequests not held in trust. The creation of a trust fund is not necessary to account for restricted gifts or donations; this money may be accounted for in a special revenue fund or, if restricted to the acquisition of fixed assets, in a capital projects fund. A trust fund is recommended only when there is a formal trust agreement with the donor. Requests to account for restricted gifts and donations are routinely granted based on the need to demonstrate compliance with donor restrictions.

Letters frequently request permission for a new fund based on management's wish to place internal restrictions on the use of otherwise unrestricted resources. These types of requests are generally not approved. It is the policy of the Auditor of State to refuse requests when approval would result in giving readers of financial statements the false impression that the use of the resources in the fund is restricted. The General Assembly has begun authorizing the creation of funds using unrestricted resources in certain specific circumstances. For example, H.B. 426 allows subdivisions to create funds for the payment of compensated absences and for the acquisition of fixed assets. The Auditor of State does not feel it is appropriate to extend this ability into areas where the legislature has not acted.

When responding to requests to establish new funds, the Auditor of State applies two basic guidelines. Separate funds are justified 1) when they will provide management with additional relevant financial information which is not obtainable using the current fund structure; and 2) when necessary to demonstrate compliance with legal or contractual restrictions.

When the purpose of a fund created under the provisions of Ohio Rev. Code §5705.12 has been fulfilled, the unexpended balance may be transferred to the general fund or to the bond retirement fund, but only after the payment of all obligations incurred and payable from the fund. (See Ohio Rev. Code §5705.14) Management may not simply modify or alter the purpose of the fund; that, in effect, creates a new fund and would require a second approval from the Auditor of State.

To request the creation of a new fund, complete the attached form. Send the form and a copy of the resolution or ordinance of the legislative authority authorizing the fund to:

Auditor of State's Office
Local Government Services Division
88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

The request can be deemed approved if you do not receive a letter disapproving the request from the Auditor of State's local government services division within 30 days from the date of submission.

Questions concerning this bulletin should be addressed to the Local Government Services Division of the State Auditors Office at (800) 345-2519.

AUDITOR OF STATE
REQUEST FOR FUND APPROVAL

Entity: _____

Fiscal Officer: _____

Phone No.: _____

Request Date: _____

Fund Requested: _____

Purpose of Fund: _____

Sources of Revenues: _____

Anticipated Expenditures: _____
(Types)

NOTE: Please attach a copy of the resolution requesting approval to establish the fund.

5705.09 Establishment of funds.

Each subdivision shall establish the following funds:

- (A) General fund;
- (B) Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- (C) Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- (D) A special fund for each special levy;
- (E) A special bond fund for each bond issue;
- (F) A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- (G) A special fund for each public utility operated by a subdivision;
- (H) A trust fund for any amount received by a subdivision in trust.

Effective Date: 10-01-1953 .

5705.10 Use of revenues.

(A) All revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

(B) All revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund.

(C) All revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

(D) Except as otherwise provided by resolution adopted pursuant to section [3315.01](#) of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Except as otherwise provided by resolution adopted pursuant to section [3315.01](#) of the Revised Code or as otherwise provided by section [3315.40](#) of the Revised Code, all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

(E) All proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in section [133.01](#) of the Revised Code, except premium and accrued interest, shall be paid into a special fund for the purpose of such issue, and any interest and other income earned on money in such special fund may be used for the purposes for which the indebtedness was authorized or may be credited to the general fund or other fund or account as the taxing authority authorizes and used for the purposes of that fund or account. The premium and accrued interest received from such sale shall be paid into the sinking fund or the bond retirement fund of the subdivision.

(F) Except as provided in divisions (G) and (H) of this section, if a permanent improvement of the subdivision is sold, the amount received from the sale shall be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements; provided that the proceeds from the sale of a public utility shall be paid into the sinking fund or bond retirement fund to the extent necessary to provide for the retirement of the outstanding indebtedness incurred in the construction or acquisition of such utility. Proceeds from the sale of property other than a permanent improvement shall be paid into the fund from which such property was acquired or is maintained or, if there is no such fund, into the general fund.

(G) A township that has a population greater than fifteen thousand according to the most recent federal decennial census and that has declared one or more improvements in the township to be a public purpose under section [5709.73](#) of the Revised Code may pay proceeds from the sale of a permanent improvement of the township into its general fund if both of the following conditions are satisfied:

(1) The township fiscal officer determines that all foreseeable public infrastructure improvements, as defined in section [5709.40](#) of the Revised Code, to be made in the township in the ten years immediately following the date the permanent improvement is sold will have been financed through resolutions adopted under section [5709.73](#) of the Revised Code on or before

the date of the sale. The fiscal officer shall provide written certification of this determination for the township's records.

(2) The permanent improvement being sold was financed entirely from moneys in the township's general fund.

(H) If a board of education of a school district disposes of real property under section [3313.41](#), [3313.411](#), or [3313.413](#) of the Revised Code, the proceeds received on or after September 29, 2013, from the sale shall be used for either of the following purposes:

(1) The retirement of any debt that was incurred by the district with respect to that real property. Proceeds in excess of the funds necessary to retire that debt may be paid into the school district's capital and maintenance fund and used only to pay for the costs of nonoperating capital expenses related to technology infrastructure and equipment to be used for instruction and assessment.

(2) Payment into a special fund for the construction or acquisition of permanent improvements.

(I) Money paid into any fund shall be used only for the purposes for which such fund is established.

Amended by 131st General Assembly File No. TBD, HB 438, §1, eff. 4/6/2017.

Amended by 130th General Assembly File No. TBD, HB 483, §101.01, eff. 9/15/2014.

Amended by 130th General Assembly File No. 25, HB 59, §101.01, eff. 9/29/2013.

Effective Date: 12-22-1992; 09-21-2006

5705.12 Approval to establish special funds.

In addition to the funds provided for by sections [5705.09](#), 5705.1215705.13, and [5705.131](#) of the Revised Code, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds. The auditor of state shall consult with the tax commissioner before approving such funds.

Effective Date: 07-22-1998 .

5705.121 Other special funds.

A municipal corporation may establish in the manner provided by law a sanitary police pension fund, an urban redevelopment tax increment equivalent fund, or a cemetery fund. A township may establish by law a cemetery fund.

Effective Date: 07-22-1998 .

5705.13 Reserve balance accounts - special revenue fund - capital projects fund.

(A) A taxing authority of a subdivision, by resolution or ordinance, may establish reserve balance accounts to accumulate currently available resources for the following purposes:

(1) To stabilize subdivision budgets against cyclical changes in revenues and expenditures;

(2) Except as otherwise provided by this section, to provide for the payment of claims and deductibles under an individual or joint self-insurance program for the subdivision, if the subdivision is permitted by law to establish such a program;

(3) To provide for the payment of claims, assessments, and deductibles under a self-insurance program, individual retrospective ratings plan, group rating plan, group retrospective rating plan, medical only program, deductible plan, or large deductible plan for workers' compensation.

The ordinance or resolution establishing a reserve balance account shall state the purpose for which the account is established, the fund in which the account is to be established, and the total amount of money to be reserved in the account.

Not more than one reserve balance account may be established for each of the purposes permitted under divisions (A)(2) and (3) of this section. Money to the credit of a reserve balance account may be expended only for the purpose for which the account was established.

A reserve balance account established for the purpose described in division (A)(1) of this section may be established in the general fund or in one or more special funds for operating purposes of the subdivision. The amount of money to be reserved in such an account in any fiscal year shall not exceed five per cent of the revenue credited in the preceding fiscal year to the fund in which the account is established, or, in the case of a reserve balance account of a county or of a township, the greater of that amount or one-sixth of the expenditures during the preceding fiscal year from the fund in which the account is established. Subject to division (G) of section [5705.29](#) of the Revised Code, any reserve balance in an account established under division (A)(1) of this section shall not be considered part of the unencumbered balance or revenue of the subdivision under division (A) of section [5705.35](#) or division (A)(1) of section [5705.36](#) of the Revised Code.

At any time, a taxing authority of a subdivision, by resolution or ordinance, may reduce or eliminate the reserve balance in a reserve balance account established for the purpose described in division (A)(1) of this section.

A reserve balance account established for the purpose described in division (A)(2) or (3) of this section shall be established in the general fund of the subdivision or by the establishment of a separate internal service fund established to account for the operation of an individual or joint self-insurance program described in division (A)(2) of this section or a workers' compensation program or plan described in division (A)(3) of this section, and shall be based on sound actuarial principles. The total amount of money in a reserve balance account for self-insurance may be expressed in dollars or as the amount determined to represent an adequate reserve according to sound actuarial principles.

A taxing authority of a subdivision, by resolution or ordinance, may rescind a reserve balance account established under this division. If a reserve balance account is rescinded, money that has accumulated in the account shall be transferred to the fund or funds from which the money originally was transferred.

(B) A taxing authority of a subdivision, by resolution or ordinance, may establish a special revenue fund for the purpose of accumulating resources for the 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. The special revenue fund may also accumulate resources for payment of salaries during any fiscal year when the number of pay periods exceeds the usual and customary number of pay periods. Notwithstanding sections [5705.14](#), [5705.15](#), and [5705.16](#) of the Revised Code, the taxing authority, by resolution or ordinance, may transfer money to the special revenue fund from any other fund of the subdivision from which such payments may lawfully be made. The taxing authority, by resolution or ordinance, may rescind a special revenue fund established under this division. If a special revenue fund is rescinded, money that has accumulated in the fund shall be transferred to the fund or funds from which the money originally was transferred.

(C) A taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. For the purposes of this section, "fixed assets" includes motor vehicles. More than one capital projects fund may be established and may exist at any time. The ordinance or resolution shall identify the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution or ordinance, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund.

A taxing authority of a subdivision shall not accumulate money in a capital projects fund for more than ten years after the resolution or ordinance establishing the fund is adopted. If the subdivision has not entered into a contract for the acquisition, construction, or improvement of fixed assets for which money was accumulated in such a fund before the end of that ten-year period, the fiscal officer of the subdivision shall transfer all money in the fund to the fund or funds from which that money originally was transferred or the fund that originally was intended to receive the money.

A taxing authority of a subdivision, by resolution or ordinance, may rescind a capital projects fund. If a capital projects fund is rescinded, money that has accumulated in the fund shall be transferred to the fund or funds from which the money originally was transferred.

Notwithstanding sections [5705.14](#), [5705.15](#), and [5705.16](#) of the Revised Code, the taxing authority of a subdivision, by resolution or ordinance, may transfer money to the capital projects fund from any other fund of the subdivision that may lawfully be used for the purpose of acquiring, constructing, or improving the fixed assets identified in the resolution or ordinance.

Amended by 129th General Assembly File No. 64, HB 225, §1, eff. 3/22/2012.

Effective Date: 03-31-2003.

5705.131 Nonexpendable trust fund.

A taxing authority of a subdivision may establish a nonexpendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. The principal of such fund may be invested, and the investment earnings on the principal shall be credited to the fund. The principal of the fund, and any additions to principal arising from sources other than the reinvestment of investment earnings arising from the fund, shall not be considered part of the unencumbered balance or revenue of the subdivision under division (A) of section [5705.35](#) or division (A)(1) of section [5705.36](#) of the Revised Code. Only investment earnings arising from investment of the principal or investment of such additions to principal may be considered an unencumbered balance or revenue of the subdivision under that division.

Effective Date: 07-22-1998 .

5705.132 Reserve balance account for other purposes.

In addition to any reserve balance account established under section [5705.13](#) of the Revised Code, a board of township trustees, by resolution, may establish a reserve balance account to accumulate currently available resources for any purpose for which the board may lawfully expend money of the township other than for the purposes for which a reserve balance account may be established under section [5705.13](#) of the Revised Code. Money may be transferred to the reserve balance account from another fund or account of the township only if money in that fund or account may lawfully be expended for the purpose for which the reserve balance account is created. A reserve balance account created under this section may exist for not more than five fiscal years beginning with the first fiscal year in which money is credited to the account. The total amount of money to the credit of all reserve balance accounts established under this section at any time in any fiscal year shall not exceed five per cent of the total of the township's revenue from all sources for the preceding fiscal year and any unencumbered balances carried over to the current fiscal year from the preceding fiscal year. Money in a reserve balance account shall be expended only for the purpose for which the account is established. More than one reserve balance account may be established under this section.

The resolution establishing a reserve balance account shall state the specific purpose for which the account is established, the fund within which the account is established, the fund or account from which money shall be transferred to the account, and the number of years the account will exist. The resolution shall specify the maximum total amount of money that may be credited to the account during its existence and the maximum amount of money to be credited to the account each fiscal year the account exists. The board, by subsequent resolution, may change the amount to be credited and the source from which money is transferred, subject to the limitations of this section.

The board, by resolution, may rescind a reserve balance account established under this section before the expiration of the account. The board, by resolution, may extend the life of a reserve balance account, provided that the total number of years the fund exists shall not exceed five fiscal years beginning with the first fiscal year in which money is credited to the account.

Upon the expiration or rescission of a reserve balance account established under this section, any unexpended balance in the account shall be transferred to the fund or account from which money in the account was originally transferred. If money in the account originally was transferred from more than one fund or account, a pro rata share of the unexpended balance shall be transferred to each such fund or account proportionate to the amount originally transferred from that fund or account.

The balance to the credit of a reserve balance account shall not be considered part of the unencumbered balance or revenue of the township under division (A) of section [5705.35](#) or division (A)(1) of section [5705.36](#) of the Revised Code.

Effective Date: 09-21-2006 .