



**Dave Yost**  
Auditor of State



**Fund Accounting for  
New Mayors, Council  
Members, and  
Trustees**

Presented by:  
Local Government Services

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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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## Interpretation Please!!

- A fund is a way to segregate the monies of the entity.
- The monies need to be segregated so that they can be used for their specific purposes.



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## Why Fund Accounting?

- Fund accounting is a simple way to track revenues with purpose restrictions against the expenditures made for those purposes.
- Fund accounting makes it easier to identify which monies are available for specific purposes.



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## How Fund Accounting works?

- 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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## How Fund Accounting Works, a Governmental Example.

- Assume a Village maintains one checking account that is used for the General Fund, the Gas Tax fund, the Police fund, and a Water fund.
- How does the Village know how much of the money in the checking account belongs to each of these funds?



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## How Fund Accounting Works, a Real World Example

- Fred and Wilma are married. Fred brings home \$1,000 per month and Wilma brings home \$2,000 per month. In order to gain control over their finances, they have decided to track how they spend their money by assigning certain expenses to each person while still maintaining one checking account (Fund Accounting).



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## How Fund Accounting Works, a Real World Example (cont.)

<u>Account</u>	<u>Fund</u>	<u>Amount</u>
Fred's Pay	Fred	\$ 1,000
Wilma's Pay	Wilma	\$ 2,000
Rent	Wilma	\$ (500)
Fred's Car	Fred	\$ (300)
Gas Bill	Wilma	\$ (100)
Phone Bill	Wilma	\$ (50)
Cable Bill	Wilma	\$ (50)
Groceries	Fred	\$ (400)
Super Bowl Party	Fred	<u>\$(1,000)</u>
Total Left		\$ 600



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## How Fund Accounting Works, a Real World Example (cont.)

	<u>Fred's Fund</u>	<u>Wilma's Fund</u>	<u>Total</u>
Beginning Balance	\$ 0	\$ 0	\$ 0
Receipts	\$ 1,000	\$ 2,000	\$ 3,000
Disbursements	<u>\$(1,700)</u>	<u>\$(700)</u>	<u>\$(2,400)</u>
Ending Balance	\$ (700)	\$ 1,300	\$ 600



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## What types of Funds are there?

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds



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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



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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



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**Cash Summary by Fund**  
1/1/2015 to 12/31/2015

Fund #	Fund Name	Fund Balance 1/1/2015	Fund Balance Adjustments	Revenue (excluding transfers and advances in)	Transfers In	Advances In	Total Fund & Adjustments & Revenue	Expenditures (excluding transfers and advances out)	Transfers Out	Advances Out	Fund Balance 12/31/2015	Non-Pooled Balance	Pooled Balance
1000	General	-\$3,275.64	\$0.00	\$234,504.32	\$0.00	\$0.00	\$231,228.68	\$232,933.64	\$0.00	\$0.00	-\$1,704.96	\$0.00	-\$1,704.96
2011	Street Construction, Maint. and Repa	\$49,335.12	\$0.00	\$16,215.67	\$0.00	\$0.00	\$65,550.79	\$17,889.87	\$0.00	\$0.00	\$47,660.92	\$0.00	\$47,660.92
2021	State Highway	\$9,090.54	\$0.00	\$1,306.56	\$0.00	\$0.00	\$10,397.10	\$0.00	\$0.00	\$0.00	\$10,397.10	\$0.00	\$10,397.10
2101	Permissive Motor Vehicle License Te	\$23,595.63	\$0.00	\$5,646.39	\$0.00	\$0.00	\$29,242.02	\$5,099.17	\$0.00	\$0.00	\$24,142.85	\$0.00	\$24,142.85
2121	COPS Fast	\$526.62	\$0.00	\$0.00	\$0.00	\$0.00	\$526.62	\$0.00	\$0.00	\$0.00	\$526.62	\$0.00	\$526.62
2901	HEALTH-SPECIAL REVENUE	\$1,930.07	\$0.00	\$0.00	\$0.00	\$0.00	\$1,930.07	\$0.00	\$0.00	\$0.00	\$1,930.07	\$0.00	\$1,930.07
5101	Water Operating	\$150,961.98	\$0.00	\$205,600.95	\$0.00	\$0.00	\$356,562.93	\$219,200.52	\$0.00	\$0.00	\$137,362.41	\$0.00	\$137,362.41
5201	Sewer Operating	\$47,041.82	\$0.00	\$312,663.45	\$0.00	\$0.00	\$359,705.27	\$341,048.94	\$0.00	\$0.00	\$18,656.33	\$0.00	\$18,656.33
9901	Agency-MAGISTRATE COURT	\$11,524.32	\$0.00	\$0.00	\$0.00	\$0.00	\$11,524.32	\$0.00	\$0.00	\$0.00	\$11,524.32	\$0.00	\$11,524.32
Report Total:		\$290,730.46	\$0.00	\$775,937.34	\$0.00	\$0.00	\$1,066,667.80	\$816,172.14	\$0.00	\$0.00	\$250,495.66	\$0.00	\$250,495.66



# Dave Yost • Auditor of State

Bulletin 2011-004

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## Auditor of State Bulletin

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**Date Issued:** September 29, 2011

**TO:** All Fiscal Officers

**FROM:** Dave Yost, Ohio Auditor of State

**SUBJECT:** Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned. This bulletin references specific paragraphs from GASB 54.

The GASB included supplementary information related to GASB 54 in their 2010 - 2011 Comprehensive Implementation Guide. The Implementation Guide is organized in a question and answer format. This bulletin references specific questions from the Implementation Guide.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Fund reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. The change in fund balance presentation to the five classifications of fund balance in GASB 54 is not a restatement.

### **Fund Balance Classifications**

Following are the definitions of the five fund balance classifications (these definitions are taken directly from GASB 54):

**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) 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. (GASB 54 ¶6)

Restricted Fund Balance The restricted 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 (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 ¶8)

Committed Fund Balance The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)

Assigned Fund Balance Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

Unassigned Fund Balance Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

#### Nonspendable Fund Balance

The nonspendable definition addresses two components of nonspendable fund balance – (a) not in spendable form or (b) legally or contractually required to be maintained intact. Items are considered "not in spendable form" if they are not expected to be converted to cash; examples include inventories and prepaid amounts. Long-term loans and notes receivable, as well as property acquired for resale are also considered "not in spendable form." However, if once the receivables are collected or the assets are sold the proceeds are restricted, committed, or assigned, then those amounts should be included in the appropriate fund balance classification (restricted, committed, or assigned) rather than nonspendable fund balance. The principal reported in a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. (GASB 54 ¶6)

#### Restricted Fund Balance

The restricted fund balance definition addresses enabling legislation. GASB 54 defines enabling legislation as follows:

Enabling legislation authorizes the government 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 stated in the legislation. Legal enforceability means that a government 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. (GASB 54 ¶9)

In Ohio, municipalities have the ability to enact enabling legislation (i.e., impact fees) while most other local governments (counties, townships, school districts etc.) operate solely within State statute. If legislation is passed to generate revenues for a local government under the authority of State statute, it is not enabling legislation.

Restricted fund balance constraints are externally imposed, typically by way of grant agreements, State statute, and debt covenants. Federal and State grant agreements generally include language placing constraints on the resources, thus restricting the fund balance. Constraints placed on

resources collected under the authority of State statute are identified in the respective section of the Ohio Revised Code. Debt agreements typically stipulate how the debt proceeds may be spent and what resources are to be used for repayment. These constraints are sufficient to restrict fund balance. The charts on the attached pages will assist in identifying when fund balance is restricted.

Local match requirements are bound by the constraints in the grant agreement; thus, if the grant is restricted the local match will be also. (Z.54.8) The grant agreement or State statute will specify constraints placed on interest earned on restricted resources. If the interest can be used only for the same purposes as the restricted resources, as indicated in the grant agreement or State statute, the interest will also be restricted, otherwise the interest is assigned. (Z.54.9)

ORC Section 5705.10 (H), states: "Money paid into any fund shall be used only for the purposes for which such fund is established." Therefore, all fund inflows, once recorded in a fund, are to be used for the same purpose as the specific revenue source serving as the foundation of that fund, and fund balance may be limited to one classification, the same as the foundation revenue. Thus, once the foundation revenue of a special revenue fund has been indentified and classified as restricted (or committed), other inflows into the same fund are also restricted (or committed). If the foundation revenue ceases to be collected, the same constraints continue to exist. See the special revenue fund definition section of this bulletin.

#### Committed Fund Balance

Committed fund balance amounts are internally imposed by the governing body. Once an amount is committed, it cannot be used for any other purpose unless the government, by taking the same type of action (resolution or ordinance), removes or changes the constraint. The difference between restricted and committed fund balance is committed fund balance constraints are imposed by the local government, separate from the authorization to raise the underlying revenue, and compliance with constraints imposed by the local government is not considered to be legally enforceable. (GASB 54 ¶11) Restricted fund balance constraints are externally imposed or are enacted through enabling legislation and are legally enforceable.

Committed fund balance should 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 the committed criteria would be a contract awarded by resolution or through the bid process authorized by resolution of the governing board. Typically, this issue will be limited to the general fund because of its residual (unassigned) fund balance classification.

While an Ohio local government may impose constraints on certain resources and change those constraints prospectively by taking the same action that originally imposed the constraints, redirecting the existing resources (the cash balance of the fund) requires compliance with State statutes for the transfers of money, specifically ORC Sections 5705.14 - 16.

Certain "Charges for Services" and "Fees" have no external constraints; instead the constraints are internally generated by the government's highest level of decision-making authority. To commit the resource, the language in the ordinance/resolution creating the constraint should identify both the revenue source and the constraint. Examples include: charges for services related to swimming pools, parking lots, recreation centers, garbage collections, and transit services. See discussion of "Charges for Services" later in this bulletin.

### Assigned Fund Balance

In governmental funds other than the general fund, assigned fund balance is the default classification which represents the remaining amount that is not restricted or committed. The assigned fund balance definition addresses the government's intent. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. (GASB 54 ¶13)

The governing body's intent may be expressed by a motion, but not by formal action such as a resolution or ordinance. In other words, a formal legislative process is not needed to add, remove, or modify assigned amounts. In a School District, a board policy indicating intended use of certain fees or charges for services would be considered an assignment. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Some governments may not have both committed and assigned fund balances, as not all governments have multiple levels of decision-making authority. (GASB 54 ¶14)

When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. (GASB 54 ¶16 and Z.54.13) Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

### Unassigned Fund Balance

Unassigned fund balance is the residual classification for the general fund. In governmental funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from expenditures exceeding amounts that have been restricted, committed, or assigned. If a deficit exists, there should be no amounts reported in any other fund balance classifications.

### Encumbrances

Accounting for encumbrances will continue; however, reserved for encumbrances will no longer appear on the financial statements. Encumbered amounts will be included in the restricted, committed, and assigned fund balance classifications. (Z.54.27) Issuing a purchase order assigns the amount of the purchase order to a specific purpose; thus, the outstanding encumbrance amount is included in assigned fund balance, unless the purchase order relates to restricted or committed resources. (Z.54.28) If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. Encumbrances cannot further restrict or commit resources.

### Stabilization Arrangements

Some governments set aside money in a rainy-day fund, specifying when and how the dollars can be spent. The criteria for the use of the resources should be specific, and the resources should not be expected to be spent routinely. "In an emergency" or to offset "anticipated revenue shortfall" are not specific enough to meet the criteria for restricted or committed. Stabilization amounts should be reported in the general fund as restricted or committed if they meet the criteria for restricted or committed, based on the source of the constraint on their use. Stabilization arrangements that do not meet the criteria to be reported within the restricted or committed fund balance classifications should be reported as unassigned in the general fund.

In Ohio, a taxing authority of a subdivision, by resolution or ordinance, may establish reserve balance accounts to accumulate currently available resources to stabilize its budgets against cyclical changes in revenues and expenditures under ORC Section 5705.13. The criterion for using the budget stabilization is not specific enough to meet the committed criteria and it does not meet the restricted criteria as the budget stabilization is not mandated by State statute. Therefore, a budget stabilization/reserve account should be reported as unassigned in the general fund. While statute also gives the authority to have stabilization reserve accounts in other operating funds, the fund balance is reported as restricted, committed, or assigned and the reserve account does not change the fund balance classification.

#### Balance Sheet Presentation

On the face of the financial statements, amounts for the two components of nonspendable fund balance may be presented separately or in total. If the financial statements present the total amount, then the separate components should be disclosed in the notes. Specific purpose amounts for restricted, committed or assigned fund balance amounts may be presented on the financial statements or disclosed in the notes. (GASB 54 ¶22 and ¶25)

#### Required Note Disclosure

Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classification:

For committed fund balance: (1) the government's highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment. (GASB 54 ¶23)

For assigned fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given. (GASB 54 ¶23)

Governments should also disclose (1) whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and (2) whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. (GASB 54 ¶23)

Significant encumbrances should be disclosed in the notes to the financial statements as part of the construction and other significant commitments note. This disclosure should include amounts for each major fund with a separate total for all non-major funds. (GASB 54 ¶24)

Governments that establish stabilization arrangements, even if they don't meet the restricted or committed criteria, should disclose: (a) the authority for establishing stabilization arrangements (for example, by statute or ordinance), (b) the requirements for additions to the stabilization amount, (c) the conditions under which stabilization amounts may be spent, and (d) the stabilization balance, if not apparent on the face of the financial statements. (GASB 54 ¶26)

If a governing body has formally adopted a minimum fund balance policy, the government should describe in the notes to its financial statements the policy established by the government that sets forth the minimum amount. (GASB 54 ¶27)

## **Governmental Fund Type Definitions**

The definitions of the general, special revenue, capital projects, debt service, and permanent fund types are clarified in GASB 54. The new governmental fund type definitions are (these definitions are taken directly from GASB 54):

**General Fund** The general fund should be used to account for and report all financial resources not accounted for and reported in another fund. (GASB 54 ¶29)

**Special Revenue Funds** Special revenue funds are 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. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. (GASB 54 ¶30)

**Capital Projects Funds** Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. (GASB 54 ¶33)

**Debt Service Funds** Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. (GASB 54 ¶34)

**Permanent Funds** Permanent funds should be 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 reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments. (GASB 54 ¶35)

### **Special Revenue Funds**

The special revenue fund type definition addresses proceeds of specific restricted or committed revenue sources as the basis for a special revenue fund. Various revenues or resources can be reported in a special revenue fund; however, the fund is required to include substantial restricted or committed revenues as its foundation. Assigned revenues, transfers-in, or other financing sources (inflows) cannot be the foundation for establishing a special revenue fund. Substantial restricted or committed revenues means a material amount and it does not imply a quantitative range (more or less than some percentage of inflows).

When a special revenue fund is established to account for restricted or committed revenue, but the fund has a limited life expectancy and the inflows into the fund ultimately cease, the balance in that fund does not have to be reported as part of the general fund provided there **are no continuing inflows** (i.e., transfers) into the fund. The separate fund can continue to be reported until the restricted resources have been used for their specified purposes (Z.54.33). Governments should

discontinue reporting a special revenue fund and instead report the fund's remaining resources in the general fund, or another fund with a similar purpose that meets the criteria to be reported as a special revenue fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

The new definition for special revenue funds includes a requirement that a specific source of revenue at least be committed. A fund with committed resources may require Auditor of State approval under ORC Section 5705.12. Most Ohio local governments can only do what is authorized in State statute, so the ability to commit an otherwise unrestricted general fund revenue for some other specific purpose may not exist. Municipalities may, because of home rule, be able to commit, by ordinance, a specific source of revenue to a specific purpose.

#### Debt Service and Capital Projects Funds

Debt service and capital projects funds do not need a foundation revenue to exist and can have transfers as their sole inflow. If a capital projects fund has a transfer as its sole inflow and the governing body has identified a specific purpose by ordinance or resolution, then the fund balance is committed. However, if the governing body has not identified a purpose, the fund balance is assigned.

#### Required Note Disclosure

Governments should disclose in the notes to the financial statements the purpose for each major special revenue fund. This definition should identify the foundation revenues in each fund and the source of the restriction or commitment.

#### Change in Fund Classification

GASB 54 changes the definitions of governmental funds; therefore, some funds that are maintained for day-to-day accounting purposes may no longer meet the fund type criteria for reporting in the year-end external financial statements. These funds should be presented as part of the general fund or a qualifying special revenue fund in the year-end financial statements. The budgetary comparison information in the year-end financial statements should be the legally adopted budget for the general fund or major special revenue funds, without modification for the funds no longer meeting the special revenue criteria. Differences in fund structure between budgetary reporting and GAAP reporting are "perspective differences." (See GASB Codification 2400.113) This perspective difference should be explained in the reconciliation of budgetary information to generally accepted accounting principles information. (Z54.41) Changes in fund structure should be applied retroactively and will result in restating fund balance for all prior periods.

### **Specific Issues/Additional Information**

#### Proprietary Funds

The new GASB 54 fund balance classifications apply to governmental fund financial statements only. They do not apply to net assets in proprietary funds or to the government-wide statement of net assets.

#### Relationship of net assets to fund balance

Restricted fund balance on the governmental fund financial statements will generally be different from restricted net assets for governmental activities reported on the government-wide statement of net assets. There are three reasons for this difference. First, the principal amount of a permanent fund is classified as nonspendable fund balance in the governmental fund financial statements, but is included in restricted net assets in the government-wide statement of net assets.

Second, the fund financial statements are prepared on the modified accrual basis of accounting and the government-wide statement of net assets is prepared on the accrual basis of accounting. The differences between the two bases of accounting will generate differences in the two amounts. And finally, the internal service fund is not included on the governmental fund financial statements; however, on the government-wide statement of net assets, the internal service fund is generally included with governmental activities. (Z.54.10)

### Transfers

Transfers in are an inflow of resources to a fund, not a revenue source. A governing board can pass a resolution to annually transfer amounts from the general fund to a special revenue fund; however, when the transfer is the only inflow to be used for a specified purpose, it does not meet the criteria for restricted or committed revenues necessary to meet the definition of a special revenue fund. The separate fund can be reported as a special revenue fund even if the transfers-in exceed the foundation revenue for that fund. Following the constraint placed on fund resources by State law (5705.10(H), R.C.), the transferred resources would be reported the same as the restricted or committed revenues. Transfers from the general fund to any other governmental fund would be classified as part of assigned fund balance unless the governing board, by ordinance or resolution, identifies a specific purpose for the funds, in which case the resources would be reported as committed fund balance.

### Cemetery Funds

Municipalities: Sale of cemetery lots under ORC Section 759.13 are restricted, “No more shall be charged for lots than is necessary to reimburse the city for the expense of lands purchased or appropriated for cemetery purposes, and to keep in order and embellish the grounds.” If the charges for services received under ORC Section 759.13 are considered the foundation revenue of the cemetery fund, then it would be a special revenue fund with a restricted fund balance. If the foundation revenue under ORC Section 759.13 is no longer collected, reevaluate the fund.

Cemetery money coming in under ORC Section 759.12 and ORC Section 759.15 should be reported as a permanent fund or private purpose trust fund. ORC Section 759.12 states that the dollars received under this section is “... for the perpetual care of the lots designated, using only the interest or income of the money.” ORC Section 759.15 states that the city shall “...forever hold such money as a permanent fund (statutory use and does not match GASB definition), and pay to the director (director of public service) in semiannual payments as interest on the funds, a sum sufficient to provide perpetual care of the lots as agreed by the director.”

GASB 34 and 54 defines permanent funds as funds “...used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs—that is, for the benefit of the government or its citizenry.” Private purpose trust funds “...should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.” Investing a specific portion of the fee charged to everyone for the sale of lots and using the interest to cover on-going maintenance of a cemetery (mowing) is benefitting the government or its citizenry and would be a permanent fund. Allowing individuals the option to contribute with the principal and/or interest designated for placing flowers on specific grave sites is benefitting individuals and would be a private purpose trust fund.

Under GASB 54, the principal of a permanent fund is reported as nonspendable. On the statement of net assets, amounts that are required to be retained in perpetuity are to be classified as nonexpendable within the restricted net asset category. GASB 34, paragraph 35 states that

permanent fund principal amounts should be shown in two additional categories of restricted net assets—expendable and nonexpendable.

Donations received under ORC Section 759.14 could be a special revenue, capital projects, permanent or private purpose trust fund depending on the nature of the donation. ORC Section 759.14 states that the donation may be “...used for the enlargement, improvement, embellishment, or care of the cemetery grounds generally, or for any particular parts or lots therein, as the donor directs, or as the director determines if no such direction is given.” Embellishment or care of the grounds generally could be a special revenue fund if the GASB 54 restricted or committed criteria are met. Enlargement or improvement of the grounds generally would be a capital projects fund. Enlargement, improvement, embellishment or care of a particular lot directed by the donor would be a private purpose trust. A permanent fund would only be used if the principal cannot be spent and the earnings are used for government programs. (See permanent fund definition above.)

Townships: ORC Section 517.07 establishes the township’s ability to sell cemetery lots, “Upon application, the board of township trustees shall sell at a reasonable price the number of lots as public wants demand for burial purposes.” ORC Section 517.08 places the restriction on these dollars, “The proceeds arising from the sale of cemetery lots under ORC Section 517.07 shall be used in maintaining, improving, beautifying, and embellishing such grounds, ...” If the charges for services received under ORC Section 517.07 are considered the foundation revenue of the cemetery fund, then it is a special revenue fund with a restricted fund balance.

Dollars receipted into a Cemetery Fund under ORC Section 517.15 can be for a variety of purposes, as follows:

- (A) “Gifts, devises, or bequests received for the purpose of maintaining, improving, or beautifying township cemeteries;” These dollars would be presented in a special revenue fund with a restricted fund balance.
- (B) “Charges added to the price regularly charged for burial lots for the purpose of maintaining, improving, or beautifying township cemeteries;” These dollars may be presented in a permanent fund with a nonspendable fund balance.
- (C) “Contributions of money from the township general fund;” These dollars would most likely not be the foundation revenue of the fund. These dollars would be presented in a special revenue fund with a restricted fund balance.
- (D) “An individual agreement with the purchaser of a burial lot providing that a part of the purchase price is to be applied to the purpose of maintaining, improving, or beautifying any burial lot designated and named by the purchaser;” These dollars would be presented in a private purpose trust fund – not subject to GASB 54 fund balance classifications.
- (E) “Individual gift, devises, or bequests made for the maintenance, improvement, and beautification of any burial lot designated and named by the person making the gift, devise, or bequest.” These dollars would be presented in a private purpose trust fund – not subject to GASB 54 fund balance classifications.

State statute allows this activity to be in one fund; however, maintaining separate funds may simplify financial reporting issues.

### Municipal Income Tax

A municipal income tax enacted under ORC Section 718.01(C), results in various classifications of fund balance as follows:

- An income tax (up to one percent) is enacted without voter approval and no constraints are placed on the use of the revenue. This income tax revenue is to be included with the general fund and is part of the unassigned fund balance. There is no basis for a separate fund, even on a budgetary basis.
- An income tax is enacted with voter approval and no constraints are placed on the use of the revenue. This income tax revenue is included with the general fund and is part of the unassigned fund balance. Again, there is no basis for a separate fund.
- An income tax is enacted with or without voter approval and constraints on the use of the revenue are imposed by a separate ordinance. For GASB 54 purposes, this income tax revenue is included with the general fund if it is used for municipal operations. It could also be reported as a separate special revenue or as a capital projects fund depending on the use of the revenue. Regardless of how the fund is reported, the fund balance will be committed.
- An income tax (up to one percent) is enacted without voter approval and constraints on the use of the revenue are imposed through enabling legislation – original ordinance. For GASB 54 purposes, this income tax fund is reported as a separate special revenue or capital projects fund depending on the use of the revenue, and reports a restricted fund balance.
- An income tax is enacted with voter approval and constraints on the use of the revenue are imposed externally by the voters. For GASB 54 purposes, this revenue is reported as a separate special revenue or capital projects fund depending on the use of the revenue, and is classified as restricted fund balance.

### School District Income Tax

A school district income tax is enacted with voter approval and no constraints are placed on the use of the revenue. For GASB 54 purposes, this income tax revenue is included with the general fund and is part of unassigned fund balance. If however, the revenue is for capital improvements, this income tax revenue is included in the permanent improvements capital projects fund and is classified as restricted fund balance

### Charges for Services

When a fund has “Charges for Services” as its foundation revenue, each situation should be evaluated separately:

- Certain “Charges for Services” have external constraints and meet the definition of restricted fund balance. See the Restricted Fund Balance section of this bulletin.
- Certain “Charges for Services” have no external constraints; instead the constraints are internally generated by the government’s highest level of decision-making authority. To commit the resource, the language in the ordinance/resolution creating the constraint should identify both the revenue source and the constraint and indicate the revenue is to support the activity. Examples include: charges for services related to swimming pools, parking lots, recreation centers, garbage collections, and transit services.

- If the criteria for restricted and committed are not met, the revenue will be reported with the general fund and report an assigned or unassigned fund balance, as appropriate.
- If “Charges for Services” is not the foundation revenue, and the foundation revenue is restricted, the “Charges for Services” would also be restricted. See the Restricted Fund Balance section of this bulletin.

### Donations

Donations received by a local government can be classified two ways. First, donations received with constraints imposed by the contributor are nonspendable (corpus) or restricted. Second, donations can be given to a specific department or fund in which case there is an implied constraint imposed by the donor. When this is combined with a resolution/ordinance recognizing the implied consent on the use of the dollars, the fund balance is committed. Donations received without written directive of how it is to be used from the donor should be considered a general fund receipt and reported as unrestricted fund balance.

### OCBOA and Regulatory Financial Statements

Those local governments preparing OCBOA and regulatory statements should implement both the new fund balance classifications and the governmental fund type definitions. New templates will be available to facilitate this process. A failure to follow these classifications would usually preclude auditors from expressing an unqualified opinion on the statements.

### Unclaimed Monies Fund

For unclaimed monies, the difference between the amount of cash in the fund and the estimated liability for payments to claimants would be classified as nonspendable fund balance until the end of the five year holding period. Unclaimed funds are legally required (ORC Section 9.39) to be maintained for five years. For a cash basis entity, the entire cash balance would be reported as nonspendable.

### **School District Issues**

#### Property Tax Advances and Subsequent Years' Appropriations

When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses or appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned. (GASB 54 ¶16 and Z.54.13) For School Districts, the amount available as an advance against the August real property settlement (booked as a receivable/revenue at June 30) is part of fund balance. Therefore, when making this calculation, the estimated receipts should not include the amount available as an advance against the August real property settlement. Since the general fund is the only fund with a positive unassigned fund balance, this calculation is only needed for the general fund.

#### Allocation of Inside Millage

School Districts have the ability to allocate inside millage from the general fund to the permanent improvement fund. This reallocation process goes through a formal legislative process, public hearings, and the county budget commission. The allocated millage/revenues, such as those directed for permanent improvements, should be reported as committed fund balance as the same process is followed to return the inside millage to the general fund.

### Classroom Facility Maintenance Fund (034)

School districts are required to establish and maintain a Classroom Facility Maintenance Special Revenue Fund and have a voted half mill property tax levy to finance the maintenance of completed School Facility Projects for 23 years. As an alternative to the half mill levy, a school district may earmark a portion of an existing continuing permanent improvement property tax levy or the proceeds of an income tax levy that may be used for permanent improvements. By statute, these resources are transferred to the Classroom Facility Maintenance Fund. In order to report the Classroom Facility Maintenance Special Revenue Fund, the transfers-in, on a GAAP basis, should be reclassified to property or income tax revenues and the transfers-out should be eliminated by reducing property or income tax revenues in the originating fund. This allows the Classroom Facility Maintenance Fund to report a specific revenue source (the foundation revenue) meeting the criteria necessary to have a special revenue fund. The transfers should continue to be presented on the budget and actual financial statements.

### Set-Asides

School District set-asides established by ORC Sections 3315.17 and .18 represent restricted fund balance within the general fund. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law.

Unspent refunds or rebates from Bureau of Workers' Compensation received prior to April 10, 2001, (previously required by law to be deposited into a budget reserve) are limited to the following purposes:

- To offset a budget deficit;
- For school facility construction, renovation or repair;
- For textbooks or instructional materials, including science equipment or laboratories;
- For the purchase of school buses; or
- For professional development of teachers.

The last four items above would be reported as restricted fund balance because of the constraints placed on the use by State statute and should be reported within the general fund according to the purpose chosen by the board of education. The choice to offset a budget deficit parallels a budget stabilization arrangement which is reported as unassigned fund balance. This presentation differs from the guidance in GASB 54 which has constraints imposed by State statute (laws of another government) as restricted fund balance.

### **GASB 54 Fund Balance Classification Analysis Charts**

The following pages contain charts presenting the more common funds and foundation revenue/inflow for Cities/Villages, Schools Districts, Counties, Townships and Libraries.

The charts identify the "GASB 54 fund classification" and the "prior fund classification" to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The charts do not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

The chart may identify multiple foundation revenues/inflows for a single fund. Local governments should identify which resource or resources they will be using as their foundation revenue and classify fund balance as appropriate. For example on the county chart, the jail operations special revenue fund could have property taxes or charges for services as its foundation revenue. If property taxes are the foundation revenue, fund balance would be restricted; however, if charges for services are the foundation revenue, fund balance would be committed.

### **Questions**

If you have any questions regarding the information presented in the Bulletin, please contact Local Government Services at the Auditor of State's Office at (800) 345-2519.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost  
Ohio Auditor of State

## Cities/Villages

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General	Various sources	None	None	Unassigned
General	SR	Compensated Absences	Transfers +	ORC Section 5705.13(B), transferred from other funds	City's intent--pmt of sick/vacation/comp at termination	Committed
General	SR	Underground Storage Tanks	Transfers from other funds +	AOS Bulletin 94-04	Remediation deductible; no specific source, transfers	Committed
General	General	Unclaimed Monies Fund	Various unclaimed funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
General	General	General	Hotel/Motel Tax - 50% for municipality	ORC Section 5739.09(B)	None	Unassigned
SR	SR	Police Pension	3/10 mill Property Taxes	ORC Sections 5705.06(G) & 742.33(B)	Externally imposed by State Statute	Restricted
SR	SR	Fire Pension	3/10 mill Property Taxes	ORC Sections 5705.06(G) & 742.34(B)	Externally imposed by State Statute	Restricted
SR	SR	Special Levy	Property Taxes	ORC Section 5705.19	Externally imposed by voters	Restricted
SR	SR	Hotel/Motel Tax	Hotel/Motel Tax - 50% for municipality	ORC Section 5739.09(B)	Internally imposed by City Ordinance	Committed
SR	SR	Hotel/Motel Tax	Hotel/Motel Tax - 50% for convention and visitors' bureau	ORC Section 5739.09(B)	Externally imposed by State Statute	Restricted
SR + a	SR	Tax Increment	Increment Taxes	ORC Sections 5709.40 - 5709.43	Externally imposed by State Statute	Restricted
SR	SR	Service Assessments	Special Assessments	ORC Chapters 727 & 729	Externally imposed by State Statute	Restricted
SR + b	SR	CDBG	Intergovernmental-Grant Monies	Grant Award/Agreement	Externally imposed by Grantor	Restricted
SR	SR	CDBG Revolving Loan	Intergovernmental	Grant Award/Agreement	Externally imposed by Grantor +	Restricted +
SR	SR	Cops	Intergovernmental-Grant Monies	Grant Award/Agreement	Externally Imposed by Grantor	Restricted
SR	SR	FEMA	Intergovernmental	ORC Section 131.35	Externally imposed by State Statute/grant award	Restricted
SR	SR	HUD Housing	Intergovernmental-Grant Monies	Grant Award/Agreement	Externally imposed by Grantor	Restricted
SR	SR	Joint Economic Develop District	Intergovernmental - City's share of JEDD income tax collections	ORC Sections 715.72-715.83	Externally Imposed by State Statute	Restricted
SR	SR	Street Maintenance (SCMR)	Intergovernmental		Externally imposed by State Statute	Restricted
			- Gas Tax	ORC Section 5728.06 & ORC Chapter 5735		
			- Motor Vehicle License Fees	ORC Chapter 4503		
SR	SR	State Highway	Intergovernmental		Externally imposed by State Statute	Restricted
			- Gas Tax	ORC Section 5728.06 & ORC Chapter 5735		
			- Motor Vehicle License Fees	ORC Chapter 4503		
SR	SR	Permissive Motor Vehicle License	Intergov't - Permissive MVL	ORC Chapter 4504	Externally imposed by State Statute	Restricted
SR	SR	Drug Law Enforcement	Fines and Forfeitures	ORC Section 2925.03, AOS Bulletin 86-16	Externally imposed by State Statute	Restricted
SR	SR	Enforcement and Education	Fines and Forfeitures	AOS Bulletin 90-25	Externally imposed by State Statute	Restricted
SR	SR	Federal Equitable	Fines and Forfeitures	US Treasury & Justice Departments	Externally imposed by Federal Law	Restricted
SR	SR	Indigent Alcohol	Fines and Forfeitures	ORC Sections 4511.191(H)(1) & 2949.094(A)	Externally imposed by State Statute	Restricted
SR	SR	Law Enforcement Trust	Fines and Forfeitures	ORC Section 2981.13 (C)(1)	Externally imposed by State Statute	Restricted
SR	SR	Mandatory Drug Fines	Fines and Forfeitures	ORC Section 2925.03, AOS Bulletin 86-16	Externally imposed by State Statute	Restricted
SR + c	SR	Municipal Court Special Programs	Fines and Forfeitures	ORC Section 1901.26 (B)(1)	Externally imposed by State Statute	Restricted
SR	SR	Cemetery	Charges for Services-Sale of Lots	ORC Section 759.13	Externally imposed by State Statute	Restricted
SR + d	SR	City Donation Fund	Donations	External resource providers	Externally imposed by contributor	Restricted
			Donations	External resource providers	Implied by donor, internally imposed by ordinance	Committed
DS	DS	G.O. Bond Retirement	Property Taxes	ORC Sections 5705.19; 133.10 & 133.25	Externally imposed by State Statutes	Restricted
			Income Taxes	ORC Sections 5705.09; 133.10 & 718.01	Externally imposed by State Statutes	Restricted
			Transfers +	Transfers from General Fund	City intends to use for specific purpose	Assigned
DS	DS	Special Assessment Bond Retirement	Special Assessments	ORC Sections 133.17 & 6115.50	Externally imposed by State Statutes	Restricted
CP	CP	Capital Grants	Intergovernmental	Grant Award/Agreement	Externally imposed by Grantor	Restricted
CP	CP	Federal Stimulus	Intergovernmental	Grant Award Letter	Externally imposed by Grantor	Restricted
CP	CP	Issue II Improvements	Intergovernmental	OPWC Money	Externally imposed by grantor/OPWC	Restricted
CP	CP	Municipal Court Improvements	Fines and Forfeitures	ORC Section 1901.26 (B)(1)	Externally imposed by State Statute	Restricted
CP	CP	Capital Improvement Assessment Fund	Special Assessments	ORC Chapters 727 & 729	Externally imposed by State Statute	Restricted

## Cities/Villages

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Balance Classification Analysis						
GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
CP	CP	Construction/Improvement Fund	Specific source TBD by City	ORC Section 5705.13 (C) & City Ordinance	Internally imposed by City ordinance	Committed
			Transfers +	ORC Section 5705.13 (C) & City Ordinance	City has identified a specific purpose by ordinance	Committed
			Transfers +	ORC Section 5705.13 (C)	City has not identified a specific purpose	Assigned
CP	CP	Construction Fund	Initial Debt Proceeds +	ORC Sections 133.15, & .32	Externally imposed by debt covenants	Restricted
Perm	Perm	Cemetery Investment/Perpetual Care	Charges for Services	ORC Sections 759.12 & .15	Imposed by State Statute	Nonspendable
Perm + e	Perm	Endowment	Donations-Corpus can't be spent	ORC Section 5705.09 (F), Trust Law	Externally imposed by donor	Nonspendable
			Earnings on corpus	ORC Section 5705.09 (F), Trust Law	Externally imposed by donor	Restricted

## **Cities/Villages Explanatory Notes**

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The preceding chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds: however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

### **+ GASB 54 Fund Classification**

- a AOS Bulletin 2010-003 addresses the appropriate fund classification to account for Tax Increment Financing (TIF) and other funds that maybe necessary for external reporting. Regardless of fund classification, the fund balance related to TIF’s would be restricted.
- b Some of the grant funds that are presented as special revenue funds could also be capital projects funds based on the use of the award; however, the fund balance classification will still be restricted.
- c The municipal court computerization funds could be classified as special revenue or capital projects funds based on the use of the dollars; however, the fund balance classification will still be restricted.
- d Some of the donation funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will not change.
- e The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

### **+ Foundation Revenue/Inflow**

Transfers and debt proceeds represent an inflow not a revenue.

### **+ Type of Constraint**

Review grant agreement for constraints on use of interest payments and collection of receivable.

### **+ Fund Balance Classification**

The fund balance classification related to the loan receivable may be presented as restricted if the proceeds from the collection of the receivable are restricted.

## School Districts

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General Fund (001)	Various Sources	None	None	Unassigned
General + a	SR	Uniform School Supplies (009)	Tuition and Fees	ORC Section 3313.811	None, statute too broad	Unassigned
			Tuition and Fees	ORC Section 3313.811	Board Policy indicating intended use of revenues	Assigned
General	SR	Rotary Fund - Special Services (011)	Charges for Services	ORC Section 5705.12, AOS Permission Req'd	None	Unassigned
			Charges for Services	ORC Section 5705.12, AOS Permission Req'd	Board Policy indicating intended use of revenues	Assigned
General + a	SR	Adult Education (LSD, CSD & EVSD)	Tuition and Fees	ORC Section 5705.12, AOS Permission Req'd	None, No Board Policy	Unassigned
			Tuition and Fees	ORC Section 5705.12, AOS Permission Req'd	Board Policy indicating intended use of revenues	Assigned
General	SR	Emergency Levy Fund (016)	Property Taxes	ORC Section 5705.194	No restrictions in ballot language	Unassigned
General	SR	Public School Fund (018)	Sales	ORC Section 5705.12, AOS Permission Req'd	School Board approval	Assigned
General	SR	Underground Storage Tanks (031)	Transfers +	AOS Bulletin 94-04	Remediation deductible; no specific source, transfers	Committed
General	SR	Termination Benefits (035)	Transfers +	ORC Section 5705.13(B)	Termination payments; no specific source, transfers	Committed
SR + a	SR	Food Service (006)	Charges for Services, Intergov't	ORC Section 3313.81	Externally imposed by State Statute	Restricted
SR	SR	Special Trust (007)	Donations	External resource providers	Externally imposed by donor	Restricted
			Donations	External resource providers	Implied by donor, internally imposed by resolution	Committed
SR + a	SR	Adult Education (012)	Intergov't - JVS State Funding	ORC Sections 5705.12 & 3301.40, AOS Permission Req'd	Externally imposed by State Statute	Restricted
SR	SR	Emergency Levy Fund (016)	Property Taxes	ORC Section 5705.194	Externally imposed by voters, see ballot language for constraints	Restricted
SR + b	SR	Other Grants Funds (019)	Donations, Intergov't	External resource providers/grant agreement	Externally imposed by State Statute or the Grantor	Restricted
SR	SR	Ed Foundation Fund (029)	Donations - with conditions	ORC Section 3315.40	Externally imposed by Donor	Restricted
			Donations - without conditions	ORC Section 3315.40	Directed by Board resolution	Committed
SR	SR	Special Levy Fund (030)	Property Taxes	ORC Sections 5705.199 & .21	Externally imposed by Voters	Restricted
SR	SR	School Improvement Models (032)	Intergovernmental	Grantor	Externally imposed by the Grantor	Restricted
SR	SR	Classroom Facilities Maintenance (034)	Property Taxes	ORC Section 3318.06	Externally imposed by Voters	Restricted
SR	SR	District Managed Student Activity (300)	Extracurricular Activities	ORC Section 3315.062	Externally imposed by State Statute	Restricted
SR	SR	School Bus Driver Training Program (421)	Intergovernmental	Ohio Department of Highway Safety PL 89-654, CFDA 20.600	Externally imposed by Ohio Dept of Highway Safety	Restricted
SR	SR	Motorcycle Safety & Education (430)	Intergovernmental	ORC Section 4501.13	Externally imposed by State Statute	Restricted
SR	SR	All other State Grant Funds	Intergovernmental	State biennium budget bill, See USAS	Externally imposed by State General Assembly	Restricted
SR	SR	Federal Grant Funds	Intergovernmental	Catalog of Federal Domestic Assistance	Externally imposed by Federal Granting Agency	Restricted
DS	DS	Bond Retirement (002)	Property Taxes	ORC Sections 5705.09 & 133.18	Externally imposed by State Statute & Voter Approval	Restricted
CP	CP	Permanent Improvement (003)	Property Taxes	ORC Section 5705.21	Externally imposed by State Statute & Voter Approval	Restricted
			Property Taxes-diverted inside millage	ORC Chapter 5705	Internally imposed by Board of Education & Budget Commission Approval	Committed
			Income Tax	ORC Section 5748.02	Externally imposed by State Statute & Voter Approval	Restricted
			Sale of Permanent Improvement	ORC Section 5705.10F	Externally imposed by State Statute	Restricted
			Transfers +	Transfers from General, ORC Section 5705.12, AOS Permission Req'd	Board of Education has identified a specific purpose by resolution	Committed
			Transfers +	Transfers from General, ORC Section 5705.12, AOS Permission Req'd	Board of Education has not identified a specific purpose	Assigned
CP	CP	Building Fund (004)	Debt Proceeds +	ORC Section 133.32	Externally imposed by State Statute	Restricted
CP	CP	Classroom Facilities (010)	Intergovernmental	ORC Sections 3318.04, .080 & .15	Externally imposed by State Statute/OSFC/Voters	Restricted
CP	CP	Library Construction (017)	Debt Proceeds +	ORC Sections 3375.43 & .44	Externally imposed by State Statute/Voters	Restricted
CP	CP	Special Levy (Capital Projects) (033)	Property Taxes	ORC Sections 5705.21	Externally imposed by the Voters	Restricted
CP	CP	Capital Projects (070)	Specific Source TBD by School	ORC Section 5705.13 (C) & Board Resolution	Internally imposed by Board of Education	Committed
			Transfers +	ORC Section 5705.13 (C) & Board Resolution	Board of Education has identified a specific purpose by resolution	Committed
			Transfers +	ORC Section 5705.13 (C) & Board Resolution	Board of Education has not identified a specific purpose	Assigned
CP	CP	Capital Grants Fund (071)	Intergovernmental	Grant agreement	Externally imposed by State Statute	Restricted
CP	CP	Vocational Education Equipment (420)	Intergovernmental	HB 1, 128th GA appropriation line item 200-526	Externally imposed by State General Assembly	Restricted
CP	CP	School Net (450)	Intergovernmental	HB 1, 128th GA appropriation line item 228-539	Externally imposed by State General Assembly	Restricted

## School Districts

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Balance Classification Analysis						
GASB 54 Fund	Prior Fund	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
CP	CP	Telecommunity (453)	Intergovernmental	HB 1, 128th GA appropriation line item 228-630	Externally imposed by State General Assembly	Restricted
CP	CP	School Building Ass't Limited Fund (496)	Intergovernmental	Senate Bill No. 102	Externally imposed by Senate Bill 102	Restricted
CP	CP	CAP (498)	Intergovernmental	House Bill 810 (122 GA)	Externally imposed by House Bill 810	Restricted
CP	CP	Emergency School Repair (583)	Intergovernmental	Catalog of Federal Domestic Assistance #84.3542	Externally imposed by Federal Grant	Restricted
Perm + c	Perm	Special Trust (007)	Donations-Corpus can't be spent	External resource providers	Externally imposed by donor	Nonspendable
			Earnings on corpus	External resource providers	Externally imposed by donor	Restricted
Perm + c	Perm	Endowment (008)	Donations-Corpus can't be spent	External resource providers	Externally imposed by donor	Nonspendable
			Earnings on corpus	External resource providers	Externally imposed by donor	Restricted

## School Districts Explanatory Notes

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The preceding chart shows the “prior budgetary USAS fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

### + GASB 54 Fund Classification

- a Some of the funds with charges for services or tuition and fees revenue could be reported as enterprise funds and would not report fund balance.
- b Some of the donation funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will not change.
- c The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

### + Foundation Revenue/Inflow

Transfers and debt proceeds represent an inflow not a revenue.

### + Type of Constraint

Fund 018 has no legal restrictions, at best fund balance is assigned

## Counties

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General	Various, all unrestricted	None	None	Unassigned
General	SR	Certificate of Auto Title Administration	Fees retained by clerk of courts	ORC Section 325.33	State Statute - Residual Balance Unrestricted	Unassigned
General	SR	Equipment Recorders Supply	Charges for Services	ORC Section 317.321	State Statute - Residual Balance Unrestricted	Unassigned
General	SR	Public Defender	Charges for Services	ORC Sections 120.18 & 120.28	Reimbursement of costs	Unassigned
General	SR	Various	Charges for Services	No resolution establishing funding source	Resolution establishing intent of fund	Assigned
General	General	Unclaimed Monies	Unclaimed Funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
General	SR	Underground Storage Tanks	Transfers from other funds +	AOS Bulletin 94-04	Remediation deductible; no specific source, transfers	Committed
General	SR	Compensated Absences	Transfers +	ORC Section 5705.13 (B), Cash transferred from other funds	County's intent--pmt of sick/vacation/comp-time at termination	Committed
SR	SR	Mental Health Programs	Property Taxes	ORC Section 5705.221	Externally imposed by State Statute	Restricted
SR	SR	Jail Operating Levy	Property Taxes	ORC Section 5705.19 (MM)	Externally imposed by State Statute	Restricted
SR	SR	Emergency 911 Operating Fund	Property Taxes	ORC Section 5705.19 (BB)	Externally imposed by State Statute	Restricted
SR	SR	Mental Retardation	Property Taxes	ORC Section 5705.19 (L)	Externally imposed by State Statute	Restricted
SR	SR	Children Services Levy	Property Taxes	ORC Section 5705.24	Externally imposed by State Statute	Restricted
SR	SR	Senior Citizens Levy	Property Taxes	ORC Section 5705.19 (Y)	Externally imposed by State Statute	Restricted
SR	SR	County Home Levy	Property Taxes	ORC Section 5705.19 (K)	Externally imposed by State Statute	Restricted
SR	SR	Special Levy	Property Taxes	ORC Section 5705.19	Externally imposed by State Statute	Restricted
SR	SR	Criminal and Administrative Justice	Permissive Sales Tax	ORC Sections 5739.021 & 5741.021	Externally imposed by State Statute & Resolution	Restricted
SR	SR	Specific Purpose Permissive	Permissive Sales Tax	ORC Sections 5739.026 & 5741.021	Externally imposed by State Statute & Resolution	Restricted
SR	SR	Dog and Kennel	Charges for Services	ORC Sections 955.19 & .20	Externally imposed by State Statute	Restricted
SR	SR	Real Estate Assessment	Charges for Services	ORC Sections 325.31 & 319.54	Externally imposed by State Statute	Restricted
SR	SR	Geographic Information System (GIS)	Charges for Services	ORC Section 325.31	Externally imposed by State Statute	Restricted
SR	SR	Dispute Resolution Fees	Charges for Services	ORC Section 2101.163	Externally imposed by State Statute	Restricted
SR	SR	Delinquent Real/Assessment Collection	Charges for Services	ORC Section 321.261	Externally imposed by State Statute	Restricted
SR	SR	Indigent Guardianship	Charges for Services	ORC Section 2111.51	Externally imposed by State Statute	Restricted
SR	SR	Marriage License	Charges for Services	ORC Sections 3113.34, 2101.16 & 2303.201	Externally imposed by State Statute	Restricted
SR	SR	County Home	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Developmental Disabilities	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Children's Services	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Jail Operations	Charges for Services	Resolution establishing funding source	Internally imposed by county resolution	Committed
SR	SR	Motor Vehicle Gas Tax (MVGT)	Intergovernmental - Gas Tax	ORC Sections 5735.25, 27,28, 29, 292, 30 & 5728.06	Externally Imposed by State Statute	Restricted
SR + a	SR	Airport	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Beautification	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR + a	SR	CDBG:				
		CDBG	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		Community Home Improvement Program	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		CDBG Revolving Loan	Intergovernmental - Grants	Grant Award/Agreement	Externally imposed by Grantor +	Restricted +
SR	SR	Child Support Enforcement Agency	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Children Services Grants	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Community Corrections Act Program	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Continuing Prof. Training Sheriff	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Crime Victims Assistance Office	Intergovernmental - Grants	ORC Section 307.62 & Federal/State Grantors	Externally imposed by Statute & Grantor	Restricted
SR	SR	Developmental Disabilities Grants:				
		Preschool Grant	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		Title I	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		MR Lunch	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		Family Resources	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Domestic Violence Investigator	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Felony Delinquent Care & Cust.	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Juv Prob Serv Enhancement	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Juvenile Acct Incentive Block Grant	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted

## Counties

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund		Revenue Source			Fund Balance	
Classification	Prior Fund Classification	Fund Name	Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Classification
SR	SR	Litter Control	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Mediation Juvenile Program	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Mental Health	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Prisoner Incentive	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Public Assistance:				
		Human Services	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
		WIA	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR	SR	Revolving Loan	Intergovernmental - Grants	Grant Award	Externally imposed by Grantor	Restricted
SR	SR	Victim Witness	Intergovernmental - Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
SR + b	SR	Clerk of Courts Computer Fund	Fines and Forfeitures	ORC Section 2303.201(A)	Externally imposed by State Statute	Restricted
SR + b	SR	Conduct of Business	Fines and Forfeitures	ORC Section 2101.19	Externally imposed by State Statute	Restricted
SR + b	SR	County Probation Services	Fines and Forfeitures	ORC Section 321.44	Externally imposed by State Statute	Restricted
SR + b	SR	Court Computer Equipment	Fines and Forfeitures	ORC Section 2303.201(B)	Externally imposed by State Statute	Restricted
SR + b	SR	Court Computer Research	Fines and Forfeitures	ORC Section 1907.261	Externally imposed by State Statute	Restricted
SR + b	SR	Court Special Projects	Fines and Forfeitures	ORC Sections 1907.24(B)(1), 2303.201 (E)(1), & 4511.19(G)(5)(e)	Externally imposed by State Statute	Restricted
SR	SR	Drug Law Enforcement	Fines and Forfeitures	ORC Section 2925.03, Technical Bulletin 86-16	Externally imposed by State Statute	Restricted
SR	SR	Enforcement and Education	Fines and Forfeitures	Technical Bulletin 90-25	Externally imposed by State Statute	Restricted
SR	SR	Indigent Drivers Alcohol Treatment	Fines and Forfeitures	ORC Section 2949.094	Externally imposed by State Statute	Restricted
SR	SR	Law Enforcement Trust	Fines and Forfeitures	ORC Section 2981.13	Externally imposed by State Statute	Restricted
SR	SR	Juvenile Diversion	Fines and Forfeitures	ORC Section 5139.43	Externally imposed by State Statute	Restricted
SR	SR	Concealed Handgun Lic Exp	Fees, Licenses and Permits	ORC Section 311.42	Externally imposed by State Statute	Restricted
SR + c	SR	County Donation Fund	Donations	External resource providers	Externally imposed by contributor	Restricted
SR + c	SR	County Donation Fund	Donations	External resource providers	Implied by donor, internally imposed by resolution	Committed
DS	DS	Bond Retirement	Permissive Sales Tax	ORC Sections 5739.026 & 133.081	Externally imposed by State Statute & Resolution	Restricted
			Property Taxes	ORC Sections 5705.19; 133.10, .18, & .25	Externally imposed by State Statute or voters	Restricted
			Rental Revenue	ORC Section 133.151	Externally imposed by State Statute	Restricted
			Transfers +			Assigned
DS	DS	Special Assessment Bond Retirement	Special Assessments	ORC Sections 133.17 & 6115.50	Externally imposed by State Statutes	Restricted
CP	CP	Capital Improvements	Note Proceeds +	ORC Section 133.32	Externally imposed by Debt Covenants	Restricted
CP	CP	Capital Improvements	Grants	Federal/State Grantors	Externally imposed by Grantor	Restricted
CP	CP	Capital Improvements	Property Taxes	ORC Section 5705.19 (G)	Externally imposed by State Statute	Restricted
CP	CP	Capital Improvements	Permissive Sales Tax	ORC Section 5739.026	Externally imposed by State Statute	Restricted
CP	CP	Issue II Improvements	Intergovernmental	OPWC Money	Externally imposed by grantor/OPWC	Restricted
CP	CP	Capital Improvement Assessment Fund	Special Assessments	ORC Section 5705.09	Externally imposed by State Statute	Restricted
CP	CP	Construction	Specific Source TBD by County	ORC Section 5705.13 (C) & County Resolution	Internally imposed by county resolution	Committed
			Transfers +	ORC Section 5705.13 (C) & County Resolution	Commissioners have identified a specific purpose by resolution	Committed
			Transfers +	ORC Section 5705.13 (C) & County Resolution	Commissioners have not identified a specific purpose	Assigned
CP + b	CP	Court Computer Fund	Fines and Forfeitures	ORC Section 2303.201(B)	Externally imposed by State Statutes	Restricted
Perm + d	Perm	Endowment	Donations-Corpus can't be spent	External resource providers	Externally imposed by donor	Nonspendable
Perm + d	Perm	Endowment	Earnings on corpus	External resource providers	Externally imposed by donor	Restricted

## **Counties Explanatory Notes**

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The chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

### **+ GASB 54 Fund Classification**

- a Some of the grant funds which are presented as special revenue funds could also be capital projects funds based on the use of the award; however, the fund balance classification will not change.
- b Some of the court computerization funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will still be restricted.
- c Some of the donation funds could be capital projects funds based on the use of the dollars; however, the fund balance classification will still be restricted.
- d The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

### **+ Foundation Revenue/Inflow**

Transfers and debt proceeds represent an inflow not a revenue.

### **+ Type of Constraint**

Review grant agreement for constraints on use of interest payments and collection of receivable.

### **+ Fund Balance Classification**

The fund balance classification related to the loan receivable may be presented as restricted if the proceeds from the collection of the receivable are restricted.

## Townships

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General (1000)	Various sources	None	None	Unassigned
General	SR	Compensated Absences	Transfers +	ORC Section 5705.13(B) Cash transferred from other funds	Township's intent--payment of sick/vacation/comp-time at termination	Committed
General	SR	Underground Storage Tank ( 2291 - 2339)	Transfers +	AOS Bulletin 94-04	Remediation deductible; however, no specific source, transfers	Committed
General	General	Unclaimed Monies Fund	Various unclaimed funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
General	SR	Zoning	None	ORC Chapter 519	None	Unassigned
General	SR	Various	Charges for Services	No resolution establishing funding source	Resolution establishing intent of fund	Assigned
General	General	General	Hotel/Motel Tax - 50% for general fund	ORC Section 5739.09(B)	None	Unassigned
SR	SR	Motor Vehicle License Tax Fund (2011)	Motor Vehicle License Fees	ORC Chapter 4503	Externally imposed by State Statute	Restricted
SR	SR	Gasoline Tax Fund (2021)	Gas Tax	ORC Section 5728.06 & Chapter 5735	Externally imposed by State Statute	Restricted
SR	SR	Road and Bridge Fund (2031)	Property Taxes	ORC Section 5705.19 (G)	Externally Imposed by State Statute	Restricted
SR	SR	Road and Bridge Fund (2031)	Property Taxes--inside millage	ORC Section 5705.06 (F)	Internally Imposed by Trustees	Committed
SR	SR	Cemetery (2041 -2069)	Property Taxes	ORC Sections 517.03 & 5705.19 (T)	Externally Imposed by State Statute	Restricted
SR	SR	Cemetery (2041 -2069)	Charges for Services	ORC Section 517.15 A, C	Externally Imposed by State Statute	Restricted
SR	SR	Cemetery (2041 -2069)	Charges for Services	ORC Sections 517.07 & 517.08	Externally Imposed by State Statute	Restricted
SR	SR	Garbage and Waste Disposal District (2071 - 2079)	Property Taxes--inside millage	ORC Section 505.29,	Internally Imposed by Trustees	Committed
SR	SR	Garbage and Waste Disposal District (2071 - 2079)	Property Taxes	ORC Section 5705.19 (V)	Externally Imposed by State Statute	Restricted
SR	SR	Garbage and Waste Disposal District (2071 - 2079)	Charges for Services	ORC Section 505.29 - no separate fund req'd - Resolution establishing funding source	Internally imposed by township resolution	Committed
SR	SR	Police District (2081 -2109)	Property Taxes	ORC Sections 505.48, 505.51, & 5705.19 (J)	Externally Imposed by State Statute	Restricted
SR	SR	Police District (2081- 2109)	Charges for Services	ORC Section 505.431 - no separate fund req'd - Resolution establishing funding source	Internally imposed by township resolution	Committed
SR	SR	Fire District (2111-2139)	Taxes	ORC Sections 505.39 & 5705.19 (I)	Externally Imposed by State Statute	Restricted
SR	SR	Fire District (2111 - 2139)	Charges for Services	ORC Sections 505.371 & 505.375 - separate fund - rate set by fire district board	Externally imposed by State Statute	Restricted
SR	SR	Road District (2141 -2169)	Property Taxes	ORC Section 5573.211	Externally Imposed by State Statute	Restricted
SR	SR	Park Levy (2171 - 2179)	Property Taxes--inside millage	ORC Section 511.27	Internally Imposed by Trustees	Committed
SR	SR	Park Levy (2171 - 2179)	Property Taxes	ORC Section 5705.19 (H)	Externally Imposed by State Statute	Restricted
SR	SR	Special Levy (2191 -2219)	Property Taxes	ORC Sections 5705.19, 505.46 & .47	Externally imposed by voters	Restricted
SR	SR	Drug Law Enforcement (2221)	Fines and Forfeitures	ORC Section 2925.03, Technical Bulletin 86-16	Externally imposed by State Statute	Restricted
SR	SR	Permissive Motor Vehicle License (2231)	Intergovernmental		Externally imposed by State Statute	Restricted
			- Permissive MVL	ORC Chapter 4504	Externally imposed by State Statute	Restricted
SR	SR	Permissive Sales Tax (2241)	Hotel/Motel Tax - 50% for convention and visitors' bureau	ORC Section 5739.09(B)	Externally imposed by State Statute	Restricted
SR	SR	Federal Law Enforcement (2251)	Fines and Forfeitures	AOS Bulletin 88-18	Externally imposed by State Statute	Restricted
SR	SR	Law Enforcement Trust (2261)	Fines and Forfeitures	ORC Section 2981.13 (C)(1)	Externally imposed by State Statute	Restricted
SR	SR	Enforcement and Education (2271)	Fines and Forfeitures	AOS Bulletin 90-28	Externally imposed by State Statute	Restricted
SR	SR	Fire and Rescue, Ambulance and Emergency Medical Services (2281 - 2289)	Charges for Services	ORC Section 505.84 - separate fund - rate set by township trustees	Externally imposed by State Statute	Restricted
SR	SR	Service Assessments (2401 - 2599)	Special Assessments	ORC Section 515.11 - lighting	Externally imposed by State Statute	Restricted
SR	SR	Miscellaneous Special Revenue (2901 - 2999)	TBD by township	TBD by township	TBD by township	TBD by township
DS	DS	General Retirement Fund (2101 - 3199)	Property Taxes	ORC Sections 5705.19; 133.10 & 133.25	Externally imposed by State Statutes	Restricted
			Transfers +	Transfers from General Fund		Assigned
DS	DS	Special Assessment Bond Retirement (3301 -3399)	Special Assessments	ORC Sections 133.17 & 6115.50	Externally imposed by State Statutes	Restricted

## Townships

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Balance Classification Analysis						
GASB 54 Fund	Prior Fund	Fund Name	Revenue Source	Source of Constraint	Type of Constraint	Fund Balance
Classification	Classification	Fund Name	Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Classification
DS	DS	Miscellaneous Debt Service (3901 - 3999)	TBD by Township	TBD by township	TBD by township	TBD by township
CP	CP	Bond Fund (4101 - 4999)	Initial Debt Proceeds +	ORC Sections 133.15, .32, & 504.20	Externally imposed by debt covenants	Restricted
CP	CP	Permanent Improvement (4301 - 4399)	TBD by Township	TBD by township	TBD by township	TBD by township
CP	CP	Public Works Commission Project (4401 - 4499)	Intergovernmental	OPWC Money	Externally imposed by grantor/OPWC	Restricted
CP	CP	Capital Improvement Assessment Fund (4501 - 4599)	Special Assessments	ORC Sections 504.18, 515.16 & 521.06 - water and sewer	Externally imposed by State statute	Restricted
CP	CP	Miscellaneous Capital Projects (4901 - 4949)	TBD by township	TBD by township	TBD by township	TBD by township
Perm	Perm	Cemetery (2041 -2069)	Charges for Services	ORC Section 517.15 B - endowment	Externally imposed by State Statute	Nonspendable
Perm +	Perm	Permanent (4951 - 4999)	Donations-Corpus can't be spent	ORC Section 5705.09(F)	Externally imposed by donor	Nonspendable
			Earnings on corpus	ORC Section 5705.09(F)	Externally imposed by donor	Restricted

## **Townships Explanatory Notes**

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The chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

### **+ GASB 54 Fund Classification**

The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

### **+ Foundation Revenue/Inflow**

Transfers and debt proceeds represent an inflow not a revenue.

## Libraries

### GASB 54 Fund Balance Classification Analysis

GASB 54 Fund Balance Classification Analysis						
GASB 54 Fund Classification	Prior Fund Classification	Fund Name	Revenue Source Foundation Revenue (SR only)/ Inflow	Source of Constraint	Type of Constraint	Fund Balance Classification
General	General	General	Various sources	None	None	Unassigned
General	General	Unclaimed Monies Fund	Various unclaimed funds	ORC Section 9.39	Externally imposed by State Statute	Nonspendable
SR	SR	Miscellaneous Special Revenue	Intergovernmental - Grants	Federal/State Grantors	Externally Imposed by Grantor	Restricted
DS	DS	General Retirement Fund	TBD by Library	TBD by Library	TBD by Library	TBD by Library
CP	CP	Capital Projects	TBD by Library	TBD by Library	TBD by Library	TBD by Library
CP	CP	Building and Repair Fund	TBD by Library	TBD by Library	TBD by Library	TBD by Library
Perm +	Perm	Permanent	Donations-Corpus can't be spent	ORC Section 5705.09(F)	Externally imposed by donor	Nonspendable
Perm +	Perm	Permanent	Earnings on corpus	ORC Section 5705.09(F)	Externally imposed by donor	Restricted

## **Libraries Explanatory Notes**

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The chart shows the “prior fund classification” and the “GASB 54 fund classification” to illustrate situations necessitating the change in fund classification resulting from the implementation of GASB 54. If the two columns are the same, then no change in fund classification resulted.

The preceding chart does not include all possible grant funds; however, if a special revenue fund or capital projects fund has been properly established to account for a grant, the fund balance would be restricted based on the language in the grant agreement.

### **+ GASB 54 Fund Classification**

The use of a permanent fund requires an evaluation of each individual circumstance, and the chart is illustrating the GASB 54 fund balance classification for those situations when a permanent fund is appropriate.

### **+ Foundation Revenue/Inflow**

Transfers and debt proceeds represent an inflow not a revenue.

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# Betty Montgomery Auditor of State

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## Bulletin 2003-005

Date Issued: October 20, 2003

**TO:** All County Auditors, Commissioners & Prosecutors  
All City Auditors, Finance Directors, Council Members & Treasurers  
All Independent Public Accountants  
All School District Treasurers  
All Township Clerks & Trustees  
All Village Fiscal Officers, Council Members & Clerks

**SUBJECT:** Expenditure of Public Funds/Proper “Public Purpose”

As you may know, government entities may not make expenditures of public monies unless they are for a valid public purpose. This Bulletin addresses the requirements necessary to ensure that an entity’s expenditure of public funds is for a proper public purpose.

Ohio Attorney General Opinion 82-006, which is attached for reference, addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. As stated in McClure, “[g]enerally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants ....” Id. at 325. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds “... must be made in accordance with the procedural formalities governing the exercise of legislative power. **Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.**” 1982 Op. Atty. Gen. No. 82-006 (emphasis added). With due deference to local control generally, the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Thus, to avoid an audit finding, the Auditor of State's Office will require that expenditures of public funds for coffee, meals, refreshments, or other amenities have prior authorization by the appropriate legislative authority. If such prior authorization has been given, the Auditor of State's Office will not question the expenditure in the course of an audit unless there is a clear indication that the legislative determination is arbitrary and incorrect. **Please note, however, the use of public funds to purchase alcohol will be considered arbitrary and incorrect and will be cited by the Auditor of State's Office.**

Also note, for offices that do not have a legislative approval process for these types of expenditures, these principles still apply.

Questions concerning this bulletin should be address to the Legal Division of the State Auditor's Office at (800) 282-0370.

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery  
Ohio Auditor of State

**OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF OHIO**

**OPINION No. 82-006**

**1982 Ohio AG LEXIS 99**

**March 1, 1982**

**Syllabus:**

1. Coffee, meals, refreshments and other amenities are fringe benefits which may properly be provided by units of local government to their employees as a form of compensation, if authorized by the officer or body having the power to fix the compensation of such employees.
2. Municipal funds may be expended to purchase coffee, means, refreshments or other amenities for municipal officers, employees or other persons, if the legislative body of the municipality has determined that such expenditures are necessary to further a public purpose and if its determination is not manifestly arbitrary or unreasonable.
3. The governing body of a political subdivision other than a municipality may expend public funds to purchase coffee, meals, refreshments and other amenities for its officers or employees or other persons if it determines that such expenditures are necessary to perform a function or to exercise a power expressly conferred upon it by statute or necessarily implied therefrom and if its determination is not manifestly arbitrary or unreasonable.
4. Since the decision to expend public funds to purchase coffee, meals, refreshments or other amenities is a legislative decision, [\*2] it must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.

**Request by: William J. Brown, Attorney General**

**Opinion:  
The Honorable Thomas E. Ferguson  
Auditor of State  
88 East Broad Street, 5th Floor  
Columbus, Ohio 43215**

I have before me your request to clarify two opinions of this office which address the expenditure of public funds by local political subdivisions for the purchase of meals, refreshments, and other amenities for public officers and employees. Your specific questions are as follows:

1. Is the analysis set forth in 1981 Op. Att’y Gen. No. 81-052 applicable to units of local government other than boards of education, thus enabling them to provide coffee, meals, refreshments, and other amenities to their employees as fringe benefits?
2. Does the analysis set forth in 1975 Op. Att’y Gen. No. 75-008 correctly require that under no circumstances may public moneys be expended by a political subdivision for meals, refreshments or other amenities for officers and employees of the political subdivision or third parties, in the local area?
3. If the answer to the preceding question is in the negative, what criteria should be applied by the Bureau [\*3] of Inspection and Supervision of Public Offices in determining, as required by R.C. 117.10, whether “public money has been illegally expended” as a result of such expenditures?

You have indicated that your first question arises as a result of paragraph three of the syllabus of 1981 Op. Att’y Gen. No. 81-052, which states: “A board of education, pursuant to its general power to compensate its teaching employees, may expend public funds to provide its teaching employees with free lunches at the school cafeteria or with cash payments for early retirement or for longevity of tenure with the employing school district.” Your specific question is, therefore, whether employees of the various public employers throughout the state may be given fringe benefits, such as coffee, meals, and refreshments, as part of their compensation.

My conclusion in Op. No. 81-052 that a board of education could expend public funds to provide its teaching employees with certain amenities or benefits rested in large part on the Ohio Supreme Court’s decision in *Ebert v. Stark County Board of Mental Retardation*, 63 Ohio St. 2d 31, 406 N.E.2d 1098 (1980). As I noted in Op. No. 81-052, the Ebert court [\*4] spoke in general, unlimited terms and the rationale in Ebert, accordingly, “necessarily extends to any creature of statute and establishes the proposition that the power to employ includes the power to fix any fringe benefit — absent constricting statutory authority.” n1 Op. No. 81-0552 at 2-202.

**n1** I recently noted, however, one exception to this general rule. In 1981 Op. Att’y Gen. No. 81-056 I opined that Ebert does not extend to state agencies since the General Assembly has not given individual state agencies the power to determine the compensation payable to their employees.

Of course, because a municipality is not a creature of statute, the analysis in Ebert does not apply to the fixing of compensation by a municipal corporation for its employees. Because compensation is a matter of substantive local self-government, a municipal ordinance concerning compensation of municipal employees would supersede any statutory provision in conflict with the ordinance. See *Northern Ohio Patrolmen’s Benevolent Association v. City of Parma*, 61 Ohio St. 2d 375, 402 N.E.2d 519 (1980). The rationale set forth in Op.

No. 81-052 does not, therefore, apply to municipalities [\*5] as a restriction on their authority to compensate municipal employees.

In order to answer your first question, it is necessary to determine whether meals, refreshments and other amenities n2 (including coffee) are fringe benefits which may properly be provided to employees of local government units as “compensation,” provided, of course, that there are no constricting statutory provisions. As I noted in 1977 Op. Att’y Gen. No. 77-090, there is no precise statutory or common law definition of the term “fringe benefit” as it relates to public employees. I indicated therein, however, that a fringe benefit is commonly understood to mean something that is provided at the expense of the employer and is intended to directly benefit the employee so as to induce him to continue his current employment. *Madden v. Bower*, 20 Ohio St. 2d 135, 254 N.E.2d 357 (1969). I am unable to be any more precise at this time. I do not, however, believe this imprecision is problematic with respect to your inquiry, since I am confident that there is little room for doubt in concluding that the illustrative amenities set forth in your request are properly viewed as fringe benefits when provided by an [\*6] employer as an inducement to his employees to continue their current employment. See, e.g., 1981 Op. Att’y Gen. No. 81-082 (dental and eye care insurance as a fringe benefit); 1981 Op. Att’y Gen. No. 81-052 (free lunches and cash payments for early retirement or for longevity of tenure as fringe benefits).

n2 After receiving your request, I contacted your office to seek clarification of what might be encompassed by the term “other amenities.” It is my understanding that this term was intended as a reference to such non-food items as flowers for sick employees or relatives of employees, token retirement gifts, or meritorious service awards.

In response to your first inquiry, it is, therefore, my opinion that coffee, meals, refreshments and other amenities are fringe benefits which may properly be provided by units of local government to their employees as a form of compensation, provided that there is no overriding statutory restriction to the contrary. Of course, in order for such benefits to be properly provided, they must be properly authorized by the local officer or body having the power to fix the compensation for such employees, and should be uniformly granted [\*7] to all similarly situated employees. See *Berenguer v. Dunlavy*, 352 F. Supp. 444 (D. Delaware 1972), vacated as moot, 414 U.S. 895 (1973); Op. No. 81-082.

Your second question seeks clarification of the circumstances under which a political subdivision may expend public moneys for meals, refreshments and other amenities for its officers, employees or third parties. Since I have already discussed in response to your first question the legal basis for providing such amenities to employees as a form of compensation, I shall assume for the purposes of this inquiry that these amenities are not intended to be provided to the employees of the political subdivision as a form of compensation.

You specifically seek clarification of Op. No. 75-008, where I concluded that a board of education may not expend public funds for lunches or dinners for persons attending a local meeting of such board. Only two factual assumptions were evident in that opinion. First, the meals were being provided to members of the board of education, who are public officers. Second, the meetings in question took place in the home district and did not involve travel away from headquarters. Assuming [\*8] no additional facts, I still am of the opinion that the provision of meals in such situation would not constitute a valid public purpose. This is not the same as saying, however, that under no circumstances may public moneys be expended by a political subdivision for meals, refreshments or other amenities, in the local area.

You have asked what criteria should, then, be applied in determining, as required by R.C. 117.10, whether “public money has been illegally expended” as a result of such expenditures. The relevant inquiry is whether the expenditure in question constitutes a “public purpose.” Unfortunately, the problem of deciding what constitutes a public purpose has always been difficult. The courts have attempted no absolute judicial definition of a public purpose but have left each case to be determined by its own peculiar circumstances. The Ohio Supreme Court has, however, offered the following general guidelines to be applied in determining whether a particular expenditure constitutes a public purpose. *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320, 98 N.E.2d 835 (1951). First, the test is whether the expenditure is required for the general good of all the [\*9] inhabitants. “Generally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants...” *Id.* at 325, 98 N.E.2d at 838. Second, if the primary objective is to further a public purpose, it is immaterial that, incidentally, private ends may be advanced. Third, the determination of what constitutes a public purpose is primarily a legislative function, and a legislative determination of a public purpose will not be disturbed except where such determination is palpable and manifestly arbitrary and incorrect. Asked to consider whether a municipal corporation could expend its funds to pay the cost of membership in an association of municipal finance officers, the McClure court summarized the proper inquiry as follows:

“There is no universal test for distinguishing between a purpose which is public or municipal and, therefore, a proper object of municipal expenditure and one which is private and, therefore, an improper object to which to devote public money. Each case must be decided in the light of existing conditions, with respect to the objects sought to be accomplished, [\*10] the degree and manner in which that object affects the public welfare, and the nature and character of the thing to be done; but the court will give weight to a legislative determination of what is a municipal purpose, as well as widespread opinion and general practice which regard as city purposes some things which may not be such by absolute necessity, or on a narrow interpretation of constitutional provisions. \* \* \* It has been laid down as a general rule that the question whether the performance of an act or the accomplishment of a

specific purpose constitutes a ‘public purpose’ for which municipal funds may be lawfully disbursed rests in the judgment of the municipal authorities, and the courts will not assume to substitute their judgment for that of the authorities unless the latter’s exercise of judgment or discretion is shown to have been unquestionably abused.”

McClure, 155 Ohio St. at 325-26, 98 N.E.2d at 838 (quoting 64 C.J.S. 334, 335, § 1835b). Thus, the provision of meals, refreshments or other amenities, although invariably conferring a private benefit, may be a permissible expenditure of public funds, if the legislative authority has determined that the expenditure [\*11] is necessary to further a public purpose. Confronted with a situation in which such a legislative determination has been made, you may not find that public money has been illegally expended, within the meaning of R.C. 117.10, unless you have reason to believe that such determination is “palpable and manifestly arbitrary and incorrect.” McClure, 155 Ohio St. at 325, 98 N.E.2d at 838 (quoting 37 Am. Jur. 734-35, § 120). On the other hand, if you have reason to believe that the legislative body has abused its discretion in determining that a public purpose has been served by the expenditures in question, then it is your duty to make a finding in accordance with R.C. 117.10 so that a court may review the matter.

Reference is made throughout the foregoing analysis to the question conferred upon “legislative bodies” to determine what constitutes a public purpose. This terminology is understandable because the public purpose cases have traditionally been concerned with the power of municipalities to undertake certain functions. I understand your present inquiry to be broader, however, and to include counties, townships, school districts and other political subdivisions. It is, [\*12] therefore, necessary to determine whether the term “legislative bodies” can encompass the governing bodies in political subdivisions other than municipalities.

In its strictest sense the term “legislative bodies” refers to the traditional bodies empowered to make laws, such as Congress, state legislatures and municipal councils. Courts have recognized, however, that the governing bodies of other political subdivisions are at times called upon to exercise legislative powers or functions. For example, in *Stein v. Erie County Commissioners*, 16 Ohio Misc. 155, 241 N.E.2d 300 (C.P. Erie County 1968), the court held that, when creating a regional airport authority under the provisions of R.C. Chapter 308, the county commissioners were acting in a legislative capacity. Similarly, in *Morgan County Commission v. Powell*, 292 Ala. 300, 305, 293 So.2d 830, 834 (1974), the court held that, “[i]n the aspect of appropriating money from the county treasury, a county governing body must be deemed as exercising a legislative power.” Similarly, the adoption of zoning ordinances and maps is traditionally regarded as a “legislative act.” See, e.g., *County of Pasco v. J. Dico, Inc.*, [\*13] 343 So.2d 83 (Fla. App. 1977); *Board of Supervisors v. Lerner*, 221 Va. 30, 267 S.E.2d 100 (1980). One court has found a board of education to be a “legislative body.” *Andeel v. Woods*, 174 Kan. 556,

258 P.2d 285 (1953). In *Allstate Insurance Co. v. Matropolitan Sewerage Commission*, 80 Wis.2d 10, 258 N.E.2d 148 (1977), the court held that the decisions of a matropolitan sewerage commission with respect to planning and designing sewer systems were “legislative acts” for which the commission was immune from tort liability. As these cases suggest, legislative power can mean something broader than the usual power to enact laws. A governmental body may be deemed to exercise a legislative function when it promulgates policies, standards, regulations or rules of general application and prospective operation and when the body’s decision is appropriately based on considerations similar to those a legislature could have invoked. *Board of Supervisors v. Department of Revenue*, 263 N.W.2d 227, 239 (Iowa 1978).

Relying on this broader definition of what constitutes a legislative function, I find no reason to restrict the public purpose analysis, illustrated by *McClure*, [\*14] to municipalities only. It is my opinion that a decision properly made by the appropriate governing body of a county, township, school district or other political subdivision to expend public funds to provide coffee, meals, refreshments or other amenities is to be subjected to the same analysis. This does not mean, however, that other political subdivisions are on exactly the same footing a municipalities. Political subdivisions other than municipalities are creatures of statute and have only such powers as are expressly granted or necessarily implied. See, e.g., *State ex rel. Shriver v. Board of Commissioners*, 148 Ohio St. 277, 74 N.E.2d 248 (1947) (board of county commissioners, as creature of statute, has only powers expressly conferred by statute). Consequently, such political subdivisions may make “legislative” decisions only with respect to matters in which they have been authorized to act by the General Assembly. The provision of meals, refreshments and other amenities by such political subdivisions is permissible, therefore, only if the governing body has reasonably determined that the provision of such amenities is necessary to the performance of a function [\*15] or duty or to the exercise of a power expressly conferred by statute or necessarily implied therefrom. See 1930 Op. Att’y Gen. No. 2170, vol. II, p. 1241.

Additionally, since the decision to expend public funds for meals, refreshments or other amenities for persons other than employees is in a sense a legislative decision, it must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. See *Department of Revenue*, 263 N.W.2d at 239. See, e.g., *McClure*, supra.

In specific response to your questions, it is, therefore, my opinion, and you are advised, that:

1. Coffee, meals, refreshments and other amenities are fringe benefits which may properly be provided by units of local government to their employees as a form of compensation, if authorized by the officer or body having the power to fix the compensation of such employees.

2. Municipal funds may be expended to purchase coffee, meals, refreshments or other amenities for municipal officers, employees or other persons, if the legislative [\*16] body of the municipality has determined that such expenditures are necessary to further a public purpose and if its determination is not manifestly arbitrary or unreasonable.
3. The governing body of a political subdivision other than a municipality may expend public funds to purchase coffee, meals, refreshments and other amenities for its officers or employees or other persons if it determines that such expenditures are necessary to perform a function or to exercise a power expressly conferred upon it by statute or necessarily implied therefrom and if its determination is not manifestly arbitrary or unreasonable.
4. Since the decision to expend public funds to purchase coffee, meals, refreshments or other amenities is a legislative decision, it must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.

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# Betty Montgomery Auditor of State

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## Bulletin 2004-002

**Date Issued:** February 25, 2004

**TO:** All County Auditors, Commissioners & Prosecutors  
All Independent Public Accountants

**FROM:** Betty Montgomery  
Ohio Auditor of State

**SUBJECT:** Expenditure of Public Funds for a Proper Public Purpose

This Bulletin is issued as a clarification to Auditor of State Bulletin 2003-005. Specifically, our Office has received numerous inquires from county officials regarding the intended meaning of the term “legislative authority” as used in Bulletin 2003-005. The Bulletin stated in pertinent part, “Thus, to avoid an audit finding, the Auditor of State will require that expenditures of public funds for coffee, meals, refreshments, or other amenities have prior authorization by the appropriate legislative authority.” There appears to be a great deal of confusion surrounding the meaning of “appropriate legislative authority.” It is our hope that this Bulletin will serve to address this concern.

Auditor of State Bulletin 2003-005 referred to 1982 Ohio Attorney General Opinion No. 82-006, which was intended to address the expenditure of funds by local political subdivisions for the purchase of meals, refreshments and other amenities (flowers, token retirement gifts, or meritorious service awards). Specifically, a prior Auditor of State sought clarification whether such expenditures are supported by a “public purpose.” The Ohio Attorney General indicated in Opinion 82-006 that because the determination of what constitutes a proper public purpose is primarily a legislative function, such decisions “... must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.”

In addition, Attorney General Op. No. 82-006 addressed how several terms are to be viewed, including the terms “legislative bodies” and “legislative power.” The Attorney General opined that:

In its strictest sense the term "legislative bodies" refers to the traditional bodies empowered to make laws, such as Congress, state legislatures and municipal councils. Courts have recognized ... that the governing bodies of other political subdivisions are at times called upon to exercise legislative powers or functions... legislative power can mean something broader than the usual

power to enact laws. A governmental body may be deemed to exercise a legislative function when it promulgates policies, standards, regulations or rules of general application and prospective operation and when the body's decision is appropriately based on considerations similar to those a legislature could have invoked....

More recently, Ohio Attorney General Opinion No. 2003-029 addressed the issue of whether particular county departments may approve their own travel policies. This opinion was issued in response to a request by the Athens County prosecutor on behalf of the county auditor. The Attorney General concluded that that county auditor does not have the authority to establish a travel policy for offices other than his or her own. The Attorney General stated, "Rather, each county officer, board, or department may establish a travel policy for the agency's officers and employees. A board or appropriate office or department head has the discretion, subject to R.C. 325.20, to set the specific terms of the policy, including the amount of expenses that may be incurred, and the nature of the items that may be reimbursed." And furthermore, "Any travel policy must, of course, comply with the limitation that public funds may be spent only for a public purpose." Atty. Gen. Op. No. 2003-029.

In accordance with the above Attorney General Opinions, an independently elected official has the power to establish his or her own travel policy. Expenditures made pursuant to that policy, and made otherwise in accordance with law, are at the discretion of the independently elected official.

We find it proper to extend this reasoning in general to the types of expenditures (meals, refreshments and other amenities) contemplated by AOS Bulletin 2003-005. However, these officials (county prosecutors, judges, auditors, sheriffs, engineers, coroners, clerks of county courts, treasurer, recorder) should have written policies that are in place **prior** to making expenditures to justify that the expenditures are for a proper public purpose. The effective date of the policy and any amendments to the policy should be clearly indicated.

With regard to departments and agencies, for which the Board of County Commissioners is the proper authority to establish policies and approve expenditures, these entities should obtain the prior approval of the county commissioners through a resolution demonstrating a proper public purpose before making the types of expenditures contemplated by AOS Bulletin 2003-005. We also consider that each county should determine the manner in which approval for entities under the control of the county commissioners is to be made. For example, a county may decide that a general resolution for all such entities is appropriate, or that the policy of each county entity, department or agency under its control must be approved individually. This may also include the adoption of a resolution which permits an entire category or categories of future expenditures for amenities.

We will audit in accordance with the written policies that are established by each of the independently elected county officials and by the board of county commissioners for itself and the entities under its control. However, policies should be writing and in effect **prior** to the making of an expenditure. The effective date of the original policy and the date of any amendment of the policy should be clearly indicated.

As always, we encourage you to consult with your county prosecutor for guidance on any specific concerns that you may have involving the matter of expenditures for a proper public purpose.

Questions concerning this bulletin should be addressed to the Legal Division of the State Auditor's Office at (800) 282-0370.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery  
Ohio Auditor of State

**SAMPLE NUMERIC CODES**  
**Numeric Fund Codes**

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**GOVERNMENTAL FUNDS**

<u>Fund Number</u>	<u>Fund Name</u>	<u>Program Default</u>
1000	General	defined by user
	<b>SPECIAL REVENUE</b>	
2011	Motor Vehicle License Tax	330
2021	Gasoline Tax	330
2031	Road and Bridge	330
2041-2069	Cemetery	410
2071-2079	Garbage and Waste Disposal District	320
2081-2109	Police District	210
2111-2139	Fire District	220
2141-2169	Road District	330
2171-2179	Park Levy	610
2181-2189	Zoning	130
2191-2219	Special Levy	defined by user
2221	Drug Law Enforcement	210
2231	Permissive Motor Vehicle License Tax	330
2241	Permissive Sales Tax	defined by user
2251	Federal Law Enforcement	210
2261	Law Enforcement Trust	210
2271	Enforcement and Education	210
2281-2289	Fire and Rescue, Ambulance and Emergency Medical Services	230
2291-2339	Underground Storage Tank	430
2401-2599	Special Assessment	defined by user
2901-2999	Miscellaneous Special Revenue	defined by user

**SAMPLE NUMERIC CODES**  
**Numeric Fund Codes**

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<u>Fund Number</u>	<u>Fund Name</u>	<u>Program Default</u>
<b>DEBT SERVICE</b>		
3101-3199	General (Bond)(Note) Retirement	810, 820, 830
3201-3299	Sinking	810, 830
3301-3399	Special Assessment	810, 820, 830
3901-3999	Miscellaneous Debt Service	810, 820, 830
<b>CAPITAL PROJECTS</b>		
4101-4199	Bond	760
4301-4399	Permanent Improvement	760
4401-4499	Public Works Commission Project - Issue 2	760
4501-4599	Special Assessment	760
4901-4949	Miscellaneous Capital Projects	760
<b>PERMANENT FUNDS</b>		
4951-4999	Permanent	defined by user
<b>PROPRIETARY FUNDS</b>		
5001-5999	Enterprise	defined by user
6001-6999	Internal Service	defined by user
<b>FIDUCIARY FUNDS</b>		
<b>(only if being held for another government)</b>		
9001-9249	Agency	defined by user
9501-9749	Investment Trust	defined by user
9751-9999	Private-Purpose Trust	defined by user

# Village Officer's Handbook

## APPENDIX A - 2

### UNIFORM ACCOUNTING NETWORK

#### Village Funds - Accounting Codes

Fund Number	Fund Name	Program Default
<b>GOVERNMENTAL FUNDS</b>		
<b>GENERAL FUND</b>		
1000	General	User assigned
1000-XXXX	Income Tax	User assigned
<b>SPECIAL REVENUE</b>		
2011-2019	Street Construction, Maintenance, and Repair	6xx
2021-2029	State Highway	6xx
2031-2039	Cemetery	240
2041-2049	Parks and Recreation	3xx
2051-2059	Federal Grant	User assigned
2061-2069	State Grant	User assigned
2071-2079	Income Tax	User assigned
2081-2089	Drug Law Enforcement	110
2091-2099	Law Enforcement Trust	110
2101-2109	Permissive Motor Vehicle License Tax	6xx
2111-2119	Permissive Sales Tax (For hotel/motel excise tax for Convention and Visitors Bureau. Ohio Revised Code Section 5739.09(B))	User assigned
2121-2129	COPS Fast	110
2131-2139	Police Disability and Pension	110
2141-2149	Fire Disability and Pension	120
2271-2289	Enforcement and Education	110
2291-2299	Underground Storage Tank	190
2401-2499	Special Assessment	User assigned
2901-2999	Other Special Revenue	User assigned
<b>DEBT SERVICE</b>		
3101-3199	General Obligation Bond Retirement	850
3201-3299	Sinking	850
3301-3399	Special Assessment Debt Service	850
3401-3499	Note Retirement	850
3901-3999	Other Debt Service	850

# Village Officer's Handbook

## APPENDIX A - 2

### UNIFORM ACCOUNTING NETWORK

#### Village Funds - Accounting Codes

Fund Number	Fund Name	Program Default
<b>CAPITAL PROJECTS</b>		
4101-4199	Bond Construction	800
4201-4299	Grant Construction	800
4501-4599	Special Assessment Construction	800
4901-4949	Other Capital Projects	800
<b>PERMANENT</b>		
4951-4999	Permanent	User assigned
<b>PROPRIETARY FUNDS</b>		
<b>ENTERPRISE</b>		
5101-5199	Water Operating	530 series
5201-5299	Sewer Operating	540 series
5301-5399	Electric Operating	510 series
5401-5499	Parking	150, 650
5501-5599	Swimming Pool	340
5601-5699	Other Enterprise Operating	User assigned
5701-5709	Enterprise Improvement	800
5721-5739	Enterprise Debt Service	850
5741-5759	Enterprise Debt Service Reserve	850
5761-5779	Enterprise Reserve	User assigned
5781-5799	Enterprise Deposit	User assigned
5901-5919	Other Enterprise	User assigned
<b>INTERNAL SERVICE</b>		
6101-6199	Revolving	User assigned
6901-6999	Other Internal Service	User assigned

# Village Officer's Handbook

## APPENDIX A - 2

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### UNIFORM ACCOUNTING NETWORK

#### Village Funds - Accounting Codes

<b>Fund Number</b>	<b>Fund Name</b>	<b>Program Default</b>
<b>FIDUCIARY FUNDS</b>		
<b>AGENCY (only if being held for another government)</b>		
9101-9199	Unclaimed Monies	User assigned
9201-9209	Income Tax	User assigned
9901-9924	Other Agency	User assigned
<b>TRUST (only if being held for another government)</b>		
9951-9974	Investment Trust	User assigned
9976-9999	Private Purpose Trust	User assigned

## **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

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.