

New Fiscal Officer Training

Presented by:
Cindy McCafferty and Jim Puthoff

Fund Accounting



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.
- Funds - a fund segregates the monies of the Entity according to legal purpose restrictions.

Why Fund Accounting?

- Fund accounting is the way governments 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.



How Funds Work?

The image shows a grid representing a cashbook or ledger. It has 22 rows and 5 columns. The columns are labeled 1, 2, 3, 4, and 5 at the top. The rows are numbered 1 through 22 on the left side. The grid is composed of green lines. At the bottom of the grid, there is a small black box with white text that reads: "This Photo by Unknown Author is licensed under CC BY-NC-ND".

- Entities often have one checking account that is used for all funds.
- How does the Entity know how much of the checking account balance is allocated to each fund?
 - A proper cashbook or cash journal (see Appendix A)



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Fund Type and Funds

- Governmental Funds
 - General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Capital Projects Funds
 - Permanent Funds
- Proprietary Funds
 - Enterprise Funds
 - Internal Service Funds
- Fiduciary Funds
 - Pension Trust
 - Investment Trust
 - Private Purpose Trust
 - Custodial



Governmental Fund Types

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.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are **restricted** or **committed** to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - Used to account for financial resources that are **restricted, committed, or assigned** to expenditure for principal and interest.

Capital Projects Funds - Used to account for financial resources that are **restricted, committed, or assigned** to expenditure for the acquisition or construction of capital facilities and/or other capital assets.

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.

Proprietary Fund Types

Enterprise Funds - Used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Used to 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.



Fiduciary Fund Types

Pension Trust Fund

Investment Trust Fund

Private Purpose Trust Fund - 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.

Custodial Fund - The Entity collects money on behalf of another entity and then remits the money to them.

- No own source revenue

How to Create a New Fund?

- Look to AOS Bulletin 99-006 for guidance (see Appendix B)
- If it is not established by law, (ORC 5705.09 - referred to in Appendix B) or ORC 5705.13 either specifically, or in general, permission to establish a new fund comes from the Auditor of State's Office.



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Chart of Accounts



Why a Chart of Accounts?

- A chart of accounts has been established as a way to standardize reporting requirements of local governments.
- The chart of accounts should be used by all entities to maintain uniform accounting practices.
- Appendix C is sample Chart of Accounts for Villages and Townships from UAN used as a guidance.



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Numeric Account Code - Revenue

- Sample 1000 - 110
- Fund code = 1000
- Receipt code = 110

Sample Revenue Codes for Villages

- Revenue Types
 - 100s – Property and Other Local Taxes
 - 200s – State Shared Taxes and Permits(Intergovernmental)
 - 300s – Special Assessments
 - 400s – Intergovernmental Revenues
 - 500s – Charges for Services
 - 611-619 – Fines, Forfeitures, and Settlements
 - 621-690 – Licenses, and Permits
 - 700s – Earnings on Investments
 - 800s – Miscellaneous
 - 900s – Other Financing Sources

Sample Revenue Codes for Townships

- Revenue Types
 - 100s – Property and Other Local Taxes
 - 200s – Charges for Services
 - 300s – Licenses, Permits, and Fees
 - 400s – Fines, Forfeitures, and Settlements
 - 500s – Intergovernmental
 - 600s – Special Assessments
 - 700s – Earnings on Investments
 - 800s – Miscellaneous
 - 900s – Other Financing Sources

Numeric Account Code - Expenditure

- Sample 1000 - 110 - 399
- Fund code = 1000
- Program code = 110
- Object code = 399

Sample Program Codes for Villages

- Program Codes (functions):
 - 100s – Security of Persons and Property
 - 200s – Public Health Services
 - 300s – Leisure Time Activities
 - 400s – Community Environment
 - 500s – Basic Utility Services
 - 600s – Transportation
 - 700s – General Government
 - 800 – Capital Outlay
 - 850 – Debt Service
 - 900s – Other Financing Uses

Sample Program Codes for Township

- Program Codes (functions):
 - 100s – General Government
 - 200s – Public Safety
 - 300s – Public Works
 - 400s – Health
 - 500s – Human Services
 - 600s – Conservation - Recreation
 - 710 – Other
 - 730 – Intergovernmental
 - 760 – Capital Outlay
 - 810-890 – Debt Service
 - 900s – Other Financing Uses

Sample Object Codes for Villages

- Object Codes:
 - 100s – Personal Services
 - 200s – Employee Fringe Benefits
 - 300s – Contractual Services
 - 400s – Supplies and Materials
 - 500s – Capital Outlay
 - 600s – Miscellaneous
 - 700s – Debt Service
 - 900s – Other Financing Uses

Sample Object Codes for Townships

- Object Codes:
 - 100s – Personal Services
 - 200s – Employee Fringe Benefits
 - 300s – Contractual Services
 - 400s – Supplies and Materials
 - 500s – Miscellaneous
 - 700s – Capital Outlay
 - 800s – Debt Service
 - 900s – Other Financing Uses

Basic Accounting



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Budgetary – General Budgetary Terms

- Estimated revenues - the amount of revenue expected to be received in total, by fund, or by source during the year.
- Estimated resources = current year revenues plus carryover balance.
- Appropriations - the amounts approved for expenditure by Council in accordance with fund/program/object restrictions.
- Fund Balance:
 - Encumbered Fund Balance - the portion of fund balance obligated to expenditure for purposes specified by purchase orders.
 - Unencumbered Fund Balance - the portion of fund balance that is available for expenditure.

Budgetary Documents

- Tax Budget or Alternative Method
- Official Certificate of Estimated Resources
- Certificate of Total Amount From All Sources Available for Expenditures, and Balances
- Amended Official Certificate of Estimated Resources
- Appropriation Ordinance

Tax Budget Important Dates

- Adopted by council on or before July 15th of each year for the next year
- One hearing before adoption with 10 days advanced notice and copy available for inspection
- Must be submitted to county auditor by July 20th



Tax Budget

- The purpose is to reflect the need for existing or increased tax rates and to obtain an apportionment from the county undivided local government fund.
- Serves as a source for setting the limitations of appropriations for the next year
- Also serves as a planning tool for entities.
(see Appendix D)



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Alternative Method

- Section 5705.281 of the O.R.C. allows the county budget commission to waive the requirement to file a tax budget.
- The county budget commission must adopt an alternative method or formula basis for the apportionment of the county undivided local government funds.
- Information required by budget commission must be provided by the date specified by budget commission.

Official Certificate of Estimated Resources

- The entity should receive the official certificate of estimated resources from the county budget commission by September 1st.
- The date may be extended by the tax commissioner.
- Review the official certificate as soon as it is received from the budget commission.
- If the entity disagrees with the actions of the budget commission, the entity may appeal to the board of tax appeals within 30 days of receipt of the official certificate of estimated resources.
- If the entity agrees with the actions of the budget commission, they should by resolution, authorize the necessary tax levies and certify them to the county auditor by October 1st.

Official Certificate of Estimated Resources

- Once the official certificate of estimated resources has been received from the county auditor, estimated revenues can be recorded in the accounting system.
- Generally, the amount filed with the county auditor is in total by fund; however, the amounts recorded in the accounting system will be by revenue source.
- Revenues are generally identified on the certificate of estimated resources by taxes and other sources.

Certificate of Total Amount From All Sources Available for Expenditures, and Balances

- On or about January 1, the entity is to certify to the county auditor, the actual unencumbered fund balance and estimated revenue for each fund
- Complete and file with the county auditor as soon after December 31 as possible
(see Appendix F)



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Amended Official Certificate of Estimated Resources

- Will be returned to the Entity by the budget commission after the Entity has filed the certificate of the total amount from all sources available for expenditures, and balances
- May be amended during the year if the budget commission agrees with the increases and/or decreases
(see Appendix G)



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Amended Official Certificate of Estimated Resources



- For each new amended certificate, revenue recorded in the accounting system must be updated to match the revenue totals in the amended certificate.

Appropriation Ordinance

- Section 5705.38 of the O.R.C. states that the Entity must adopt an appropriation measure on or about the first day of each year.
- A temporary appropriation measure may be passed to meet this requirement for the period January 1 through March 31.
- The permanent annual appropriation measure must be passed by April 1 for the period January 1 through December 31.
- The appropriation measure may be amended throughout the year by a resolution adopted by governing board (Council or Trustees).

Appropriation Ordinance

- The Entity must have appropriations adopted to legally spend money.
- Appropriations passed by governing board must be filed with the county auditor.
- Total appropriations for each fund should never exceed the total column on the most recent amended certificate of estimated resources for each fund.
- The legal level of control should be set for each office, program, and division, and within each, the amount appropriated for personal services and other expenses.

Delegation of Authority to Set Appropriations

- The appropriation process is a function of the legislative authority of the local government.
- The legislative authority of a local government may not delegate the appropriation authority.
- Other officials of the local government may be given the authority to allocate or reallocate funds within a legally adopted appropriation.

Appropriations

- Appropriations, at the legal level, may only be changed by the legislative authority.
- Appropriations, below the legal level, may be changed by the fiscal officer - this will not require legislative action.

Appropriations - Legal Level

1000-110-100:

- 101 - Salaries Full-time
- 102 - Salaries Part-time

1000-110-200:

- 201 - OPERS
- 202 - Social Security

1000-110-300:

- 301 - Utilities
- 302 – Insurance

1000-110-400:

- 401 - Office Supplies
- 402 - Operating Supplies

1000-710-300

- 301 - Utilities
- 302 - Insurance

Appropriations

- Appropriations need to be recorded in the accounting system before any expenditure can be made.
- Should all available resources be appropriated?
- When should you do supplemental appropriations?
 - Remember to file with County Auditor



Frequent Budgetary Error

- Property taxes and income taxes should be posted at gross, not net.
- The property tax revenue (before the property tax collection fees) should be recorded in total.
- The property tax collection fees should be posted separately as expenditures.
- The property tax allocation (homestead and rollback) should be posted as intergovernmental revenue.

Receipts

- Money should be deposited on the business day next following the day of receipt for amounts in excess of \$1,000.
- Money should be deposited on the business day next following the day of receipt for amounts **less than \$1,000**, unless council has adopted a policy not to exceed 3 business days

Receipts



- The receipt or pay-in should include:
 - Receipt number
 - Total amount received
 - Date
 - Payor
 - Reason for receipt
 - Fund to which revenue is to be credited
 - Receipt code
 - Clerk's signature

Encumbrances

- Encumbrances are **commitments** for the expenditure of monies and are recorded as the equivalent of expenditures on the budgetary basis.
- When an amount is encumbered, it reserves that portion of the applicable appropriation and maintains legal compliance.
- Encumbrances are purchase orders.
 - Certification of availability of funds prior to the obligation of funds

Purchase Orders

- Section 5705.41 of the O.R.C. states that the clerk must certify that “the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriation fund free from any previous encumbrance”.
- Section 5705.41 also states that “every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon”.



Blanket Purchase Orders

- Authorized under Section 5705.41 of the O.R.C.
- Used when the vendor, price, or quantity is open ended and not known
- No dollar limitations
- Only one outstanding at a time per appropriation account
- No time limitation except that does not extend beyond the end of the fiscal year
- Should be labeled as a blanket purchase order
- Must be signed and dated by the clerk

Super Blanket Purchase Orders

- Also found in Section 5705.41 of the O.R.C.
- No dollar limitations
- Authorized to be outstanding for any period up to the end of the fiscal year (cannot extend beyond fiscal year end)
- More than one certificate is permitted to be outstanding at a time
- Must identify a specific line-item appropriation in a specific fund
- The certification may be for single or multiple vendors

Super Blanket Purchase Orders

- Permitted purposes of the certification include:
 - The services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the subdivision
 - Fuel oil, gasoline, food items, roadway materials, and utilities
 - Any purchase exempt from competitive bidding under O.R.C. Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense
- Must be signed by the clerk

Then and Now Certificates

- Used when prior approval for purchase was not obtained
- Two conditions:
 - Clerk certifies that at the time the order was made there were appropriations to cover the payment, and,
 - Currently there are appropriations to cover the payment
- *Less* than \$3,000, clerk may authorize
- *Exceeds* \$3,000, must be done only with council approval
- Must be done within 30 days of the legislative authority's receipt of the certificate

Expenditures

- Payment of Invoices
 - When goods are received, what was received should be compared with the purchase order and the packing slip.
 - When an invoice is received it should be compared to what was received.
 - A check is prepared and sent to the vendor.



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Transfers

- *Permanent* reallocation of cash from one fund to another
- Allowable transfers are listed in Sections 5705.14 through 5705.16 of the O.R.C.
- Other than certain exceptions, only the general fund may transfer monies to another fund (transfer can only be made from less restrictive funds to more restrictive funds)
 - Exceptions relate to funds no longer needed for the purpose they were created
 - Some exceptions require action by the Tax Commissioner

Documenting the Transfer

- Pass an ordinance/resolution authorizing the transfer
- Minute Record (if the existing appropriations need to be modified)
- Certification (certify that the funds are available to transfer)

Advances

- *Temporary* reallocation of cash from one fund to another
- Requirements of Advances:
 - Statutory authority (must be statutory authority to use the money in the fund advancing the cash for the same purpose as the fund receiving the cash)
 - Less restricted fund to a more restricted fund
 - Reimbursement restrictions (the reimbursement must not violate any restrictions on the money being used to make the reimbursement)
 - Approved by a formal resolution passed by council

Advances

- Resolution for an advance
 - Must include a CLEAR statement that the transaction is an advance of cash, and
 - An indication of the money that is to be used to repay the advance
- Should include
 - The amount of the advance
 - The name of the fund advancing the money
 - The name of the fund receiving the money
 - An estimated repayment date

Budgetary Effects of Advances

- Advances do not directly affect budgetary
- They can have an impact if it is not repaid within the year:
 - At year end, you will need to adjust the unencumbered cash balances of the funds involved:
 - Increase the unencumbered cash balance of the fund that loaned the money, and
 - Decrease the unencumbered cash balance of the fund that received the money
- Advances that are not repaid by year end can be changed to transfers if the intent of repayment no longer exists and council approves change.

Interest Allocation

- As a general rule, interest must be paid into the general fund, with exceptions:
 - Interest earned on funds the law prescribes for a particular purpose, such as monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or fuel used for propelling such vehicles
 - Accrued interest on the sale of bonds shall go to a bond retirement fund

Investment Policy

- Section 135.14 of the O.R.C. requires the clerk to have a written investment policy on file with the Auditor of State.
- Must be approved by council/board
- All brokers, dealers, and financial institutions by giving advice, making investment recommendations, or initiating transactions with the Entity must also sign the investment policy, acknowledging their understanding and receipt of the policy.
- If an investment policy is not on file with the Auditor of State, Village/Library is limited to investing only in interim deposits (includes saving accounts and nonnegotiable certificate of deposit), as defined in Section 135.01 of the O.R.C., and in STAR Ohio.

Investment Policy

- The investment policy requirement and the restrictions for failure to file an investment policy do not apply to a Entity whose average annual portfolio is \$100,000 or less.
- The clerk and/or council/board must certify this fact to the Auditor of State.
- The clerk and/or council/board must comply and remain in compliance with the provisions of Sections 135.01 and 135.21 of the O.R.C. (which define terms used in the Uniform Depository Act, and direct apportionment of investment earnings among funds, respectively).

Bank Reconciliation

- It is **ESSENTIAL** that you reconcile the Village books to the bank statements every month.
- Review your bank statement
- Compare deposits on the bank statements to the receipts posted on the books.
- Compare the checks that cleared the bank to those recorded on the books.



Bank Reconciliation

- What if you don't reconcile?
 - Check your math
 - Narrow down where the error can be
 - Deposits per the bank statements plus this month's deposits in transit minus last month's deposits in transit should equal deposits per books
 - Cleared checks per the bank statements plus this month's outstanding checks minus last month's outstanding checks should equal disbursements per books
 - Remember that the bank isn't always right either

Fiscal Integrity Act

- Outlines conditions for and process of removal of office.
- Approved March 2015
- Newly elected or appointed fiscal officers
 - 6 hours before term of office or within one year
 - An additional 18 hours before end of first term
- Subsequent to first term
 - 12 hours each term including 2 hours of ethics training



Fiscal Integrity Act

Continuing Education Requirements

- Auditor of State Training Portal
 - All qualifying training hours must be recorded on the AOS training portal.
 - To qualify a course - Center for Audit Excellence Training Section
 - 90 days to record into the AOS training portal

Cash Basis Annual Financial Report

Filing Requirements:

- All villages/libraries must file financial reports at year end.
 - OCBOA or
 - Regulatory
- The report must be filed within 60 days of year end.
- Hinkle Annual Financial Reporting System
- Financial statements must reflect the requirements of GASB Statement No. 54.

Questions



Cindy McCafferty
Chief Project Manager
Northwest Region

Jim Puthoff
Assistant Chief Project Manager
Northwest Region