
Betty Montgomery Auditor of State

Bulletin 2006-006

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TO: School District Treasurers
ESC Treasurers
Community School Finance Officers
Independent Public Accountants

FROM: Betty Montgomery
Ohio Auditor of State

SUBJECT: Fund Reclassifications for School Districts

The Auditor of State, the Ohio Department of Education, and the State Software Development Team are coordinating the transition in State Software from the old fund classifications used prior to GASB Statement No. 34 to the new fund classifications used in the new reporting model. The intent is to make the day-to-day financial information maintained by school districts as comparable as possible to the classifications used to prepare your year-end financial statements filed with the Auditor of State. These reclassifications will not affect fiscal year 2006; they will first be effective for fiscal year 2007.

As you make the transition from fiscal year 2006 to fiscal year 2007, you will be asked to classify funds using the new classifications. The purpose of this Bulletin is to provide the guidance you will need to make these changes.

The following table compares fund types under the old classifications to the classifications provided for in the guidelines for the new reporting model in GASB Statement No. 34.

Fund Changes

Old Classifications	New Classifications
Governmental Funds	
General Fund	General Fund
Special Revenue Funds	Special Revenue Funds
Debt Service Funds	Debt Service Funds
Capital Projects Funds	Capital Projects Funds
<i>No Corresponding Fund Type</i>	Permanent Funds
Proprietary Funds	
Enterprise Funds	Enterprise Funds
Internal Service Funds	Internal Service Funds
Fiduciary Funds	
Pension Trust Funds	Pension Trust Funds ¹
Agency Funds	Agency Funds
Expendable Trust Funds	<i>Fund Type Eliminated</i>
Nonexpendable Trust Funds	<i>Fund Type Eliminated</i>
<i>No Corresponding Fund Type</i>	Private Purpose Trust Funds
<i>No Corresponding Fund Type</i>	Investment Trust Funds

Definitions of New Fund Classifications

Permanent funds – the Permanent fund classification is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the school district’s programs.

Private Purpose Trust Funds – Private Purpose Trust funds are used to account for trust arrangements under which the principal and income from the trust benefit individuals, private organizations, or other governments.

Fiduciary Fund Changes

As evidenced in the table, most of the changes take place in the fiduciary fund category. Expendable and nonexpendable trust funds have been eliminated as fund types and a new fiduciary fund type, Private Purpose Trust, has been created. Private Purpose Trust funds are used to account for contributions which are limited to benefiting individuals, other organizations, or other governments. Any expendable or nonexpendable trust fund which is used for the benefit of individuals, other organizations, or other governments will be classified as a Private Purpose Trust fund. As an example, the new Private Purpose Trust fund category will include a fund whose purpose is to provide college scholarships to selected graduating seniors since this is not considered a program of the school district.

Under the old classifications, fiduciary funds could also include financial activity that benefits or supports the school district’s own programs. The new guidelines restrict the use of fiduciary funds to reporting financial activity that relates to individuals, other

¹ Governments whose employees are covered by a state-wide pension system (STRS, SERS etc.) do not have pension trust funds.

organizations, or other governments; activities which support the school district's own programs may no longer be reported in a fiduciary fund. Any activity which is considered a part of the school district's own programs and which is currently classified as an expendable or nonexpendable trust fund will have to be reclassified as part of the governmental fund category.

Funds which account for the school district's own programs and from which the original contribution could be spent (previously classified as expendable trust funds) will be reclassified as Special Revenue funds. Funds which account for the school district's own programs and from which the original contribution could not be spent (previously classified as nonexpendable trust funds) will be reclassified as Permanent funds, a new governmental fund classification created to account just for these types of contributions.

Agency funds are not affected by the reclassification; therefore, only those school districts that currently have a fund classified as expendable or nonexpendable trust will be affected by the reclassification and the time needed to implement the reclassifications should be minimal.

The Transition

All fiscal year 2006 reporting will remain the same. After fiscal year 2006 is closed out, the system will begin using the new fund classifications based on the classifications contained in the most recent USAS manual. This means that most reclassifications will happen automatically. There is, however, one fund where your input will be necessary and that is fund 007, the Special Trust Fund. This is because the Special Trust Fund may contain money that benefits the school district's own programs as well as money that benefits individuals, private organizations or other governments. The Special Trust Fund may also contain both expendable contributions and nonexpendable contributions. That means that the activity in this fund may end up being classified in three different places under the new guidelines: Special Revenue, Permanent and Private Purpose Trust. Fortunately these activities in the Special Trust Fund are segregated using separate special cost centers. Since the cash account maintenance screen (cashscn) will allow you to make a reclassification for each special cost center within a fund, appropriately classifying each activity within the Special Trust Fund will be possible.

Other Reclassifications

School districts have not previously been able to alter the classification of funds for cash basis reports. The system automatically defaulted to using the classifications presented in the USAS manual. With the fiscal year 2007 modifications to State Software, this ability now exists. For example, if you have a grant fund that you are able to use for either current operations or for the acquisition of capital assets, the software classified the fund based on the USAS manual classification, regardless of how your district elected to actually use the grant dollars. Now, if the system classifies the fund as Special Revenue but you are spending the money for capital assets and want to properly classify the fund as a Capital Projects fund, you may do so.

Questions

If you have any questions regarding the information presented in this Bulletin, please contact the AOS Local Government Services Section at (800) 345-2519. Please direct any accounting and auditing questions to the AOS Accounting and Auditing Support Group 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