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Fund Accounting for Townships

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Course Objectives

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



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What is Fund Accounting?

- Fund accounting is the activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.
- This is accomplished through the use of Funds.



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Okay, So What's a Fund?

- A Fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and balances, which are segregated for the purposes of carrying restrictions, or limitations.



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WHAT?!!!!



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How does Fund Accounting work?

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



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What kinds of Funds are there?

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds



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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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