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Fund Accounting

Presented by:
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Course Objectives

Answer the following questions:

- What is Fund Accounting?
- Why use Fund Accounting?
- How does Fund Accounting work?
- Different types of Funds
- Why and 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 is 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 residual balances, which are segregated for the purposes of carrying on specific activities in accordance with specific regulations, restrictions, or limitations.



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Interpretation Please!!

A fund segregates the monies of the Village according to legal or purpose restrictions.



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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.



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How Funds Work

- Villages generally have one checking account that is used for all funds.
- How does the Village know how much of the checking account balance is allocated to each fund?



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How Funds Work

- A proper cashbook or cash journal is essential (see Appendix A)
 - Separate columns for receipts, disbursements, and fund balances for each fund
 - Total columns for receipts, disbursements, and fund balances



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There are 3 different fund types:

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds



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Governmental Funds

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects 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 that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.



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Debt Service Funds

Used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.



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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.



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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

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

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.



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Fiduciary Funds

Used to report assets held in a trustee 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 Trust

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



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Investment Trust

Used to account for the financial resources of an external investment pool that the government sponsors.

- Somewhat Rare



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Private Purpose Trust

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

Purely custodial in nature.

The Village collects money on behalf of another entity and then remits the money to them.



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Why Create New Funds

- You have a new source of money that is legally or contractually required to be recorded separately from the other funds or is restricted by an outside resource provider.



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Why Create New Funds

- Example: The Village receives a donation, in which the donator specifies for what purpose the money can be spent. The fund type will be determined by the purpose of the expenditure.



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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) 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 has to capture additional financial information about a specific revenue source or activity;
or
 - When the fund will be used to account for restricted gifts or bequests that will not be held in trust.



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AOS Approval

New and separate funds are justified:

- When the fund will provide information that can't be obtained with the addition of accounts within an already existing fund, or
- When it is necessary to demonstrate compliance with legal or contractual restrictions.



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