

# Prerequisite Accounting Governmental Fund Accounting 102

**UNAN**  
UNIFORM  
**ACCOUNTING**  
NETWORK



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## Table of Contents

<b>Chapter 1: Uniform Chart of Accounts .....</b>	<b>2</b>
Fund types .....	2
What funds may retain earned interest? .....	7
Establishing a New Fund.....	7
Revenue Accounts .....	8
Appropriation Accounts.....	9
Conclusion .....	12
<b>Chapter 2: Budget Basics .....</b>	<b>13</b>
Resources Available for Appropriation.....	14
Appropriations.....	19
Conclusion .....	21
<b>Chapter 3: Cash Management.....</b>	<b>22</b>
Cash Flow.....	22
The Deposit and Investment of Public Money .....	24
Investment type: Pooled or Non-Pooled.....	26
Conclusion .....	29
<b>Chapter 4: Transactions .....</b>	<b>30</b>
Introduction to the Revenue Ledger .....	31
Introduction to the Appropriation Ledger.....	32
Encumbrance .....	33
Interest Receipts.....	43
Memo Receipts.....	47
Monthly Wrap Up .....	52
Monthly Reports.....	55
Conclusion .....	56

## CHAPTER 1: UNIFORM CHART OF ACCOUNTS

Please note that UAN Support personnel are not permitted to guide fiscal officers in the selection of funds or fund types for particular purposes. You must contact the Auditor of State's Local Government Services (LGS) division for official guidance at 1-800-345-2519.

### FUND TYPES

In Fund Accounting 101, we learned that there are three categories of funds in the Uniform Chart of Accounts – Governmental, Proprietary, and Fiduciary – and within each of these categories are several fund types. We will now discuss these fund types, which may vary significantly for townships, villages, and libraries.

#### GOVERNMENTAL FUND TYPES

Governmental Funds account for the typical public operations of a government entity. Other than the General Fund, the purpose of each governmental fund type is determined by the restricted revenue sources authorized by voted levies or board adopted legislation.

##### General Fund

The general fund is usually an entity's most significant operating fund. Almost all entities have a general fund, and many small libraries and special districts have no other funds. This is the only unrestricted fund type, and it accounts for all transactions not posted to restricted funds. Its revenues come from many sources and its expenditures cover multiple functions of the entity.

##### Special Revenue Funds

Special revenue funds are established in accordance with the Ohio Revised Code and are required to include substantially restricted or committed revenues as their foundation. The revenues are restricted to particular expenditure purposes by law, contract, or agreement.

Below are a few common special revenue fund examples.

**Townships:** Many townships have more than one fund that can be used to maintain roads and bridges

**Gasoline Tax Fund:** Receives distributions for gasoline tax from the state. Money in this fund is used only for construction, maintenance, and repair of roads, culverts, and bridges.

**Road and Bridge Fund:** Voted special revenue which can also be spent on construction and maintenance of township roads and bridges.

Both the gasoline tax fund and the road and bridge fund are used for the construction and maintenance of the township's roads and bridges. The money is used for the same purpose, but the authority that created the funds and their sources of revenue requires maintaining separate funds.

**Villages:** Some villages have more than one fund that can be used to maintain roads and bridges. However, unlike the township example above, some of the funds are more restricted than others.

**Street Construction Maintenance and Repair Fund:** Receives distributions for license tax and gasoline tax from the county and state. Money in this fund is used for construction, maintenance, and repair of streets and alleys.

**State Highway Improvement Fund:** Villages with a state highway running through corporation limits will also have a State Highway Improvement Fund. This fund receives a 7.5% share of the county and state tax distributions to the Street Construction Maintenance and Repair Fund. The State Highway Improvement Fund can **only** be used for maintenance, improvements, wages, and operations for the state highway.

**Levies:** Levies for operations such as a cemetery, fire department, public park, etc. are considered special revenue funds. The language of the levy authorizes the use of the money generated by the levy. The language of the levy is specific to each entity; therefore, you may find that a levy at your entity cannot be spent in the same way as a neighboring entity's similar levy. You must always look to **your own entity's** levy language to determine how the money can be spent.

Because special revenue funds vary between entities based on local legislation, further discussion of special revenue funds would not be helpful here. You must review your local legislation to determine why a particular fund was created, where its revenue is derived and the restrictions on its expenditures.

## Debt Service Funds

Debt Service Funds are only used for repayment of certain general obligation long-term debt principal and interest, which is usually incurred for capital projects. Debt principal and interest payments are paid from a debt service fund (**see exception below**), regardless of which fund received the proceeds from the sale of the notes. When money is borrowed for a capital project,

the receipt and expenditure of loan money are posted to a Capital Project Fund. A debt service fund may have its own source of revenue or the fund may receive revenue as a transfer in from the general fund or other funds that are authorized by law to contribute to the debt repayment.

**A Debt Service Fund is only used to repay the debt.**

**Exception:** Unless there is a specific requirement (contractual agreement or legislation), the debt **may** be paid from unrestricted monies that are segregated from restricted monies. The paying fund's authorized expenditure purpose must include the payment of a debt. For example, if a levy contains language that allows for the payment of a debt, then the entity could pay the debt directly from the levy fund rather than establish a separate debt service fund if the debt agreement does not require a separate fund. The levy language and the debt agreements determine if a debt service fund is required.

## Capital Project Funds

Capital Project Funds account for construction or purchase of major long-lived fixed assets. Resources for construction or purchase of an asset often come from loans or grants. A capital project fund exists only until the completion of the project.

If the project is financed by or for the purpose of an Enterprise, Internal Service, or Nonexpendable Trust Fund, a governmental category capital project fund should not be used. Instead, a more specific fund within those types would be established, such as an Enterprise Capital Project fund within the Enterprise fund type.

## Permanent Funds

Permanent Funds account for donated resources with restricted purposes that support **the entity's programs** – that is, for the benefit of the entity or its citizenry – and may **not** be used for the benefit of specific private individuals or organizations. Permanent funds must include a non-spendable balance. If your fund does not have a non-spendable balance then the Permanent fund type cannot be used.

Permanent Funds and Private Purpose Trust Funds are frequently misused; they are not interchangeable. The purpose of the expenditure of money determines which fund type is appropriate. Permanent Funds are not to be used for money benefitting specific private individuals or organizations.

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## PROPRIETARY FUND TYPES

Proprietary Funds account for activities similar to those of a business. They are always restricted. The activities are financed by charges for services or goods. Rates for these services or goods are usually set by the legislative authority.

## Enterprise Funds

Enterprise Funds are used to recover the cost of providing a service to residents. The primary revenue source is charges for services. Rates are set by the legislative board to cover the cost of providing the service.

### Examples

**Water Fund:** The board may charge and collect rents and other charges for the use of services of a water supply facility operated by the entity.

**Sewer Fund:** The board may charge and collect rents and other charges for the use of services of a sewer collection and processing facility operated by the entity.

**Waste Collection Fund:** Township and village legislative boards may provide for the collection and disposition of garbage and may establish, maintain, and regulate plants for disposal. They may also enter into written contracts with the county or other municipal authorities or with independent contractors for such services. All service charges shall be kept in a separate fund designated as the Waste Collection Fund. The fund is used for payment of the costs of the garbage collection and disposal system.

**Enterprise Deposit Fund:** Most often used by a village that operates utilities. New customers are charged a deposit which must be kept in a fund separate from the utility operations. When a customer terminates service, their deposit is applied to their final bill and the balance refunded to the customer. The balance of the enterprise deposit fund should always be reconciled by customer names and deposit amounts within the utility billing customer records.

Within the Enterprise category, there are also Enterprise Debt Service, Enterprise Debt Service Reserve, Enterprise Capital Project, Enterprise Reserve, and Enterprise Deposit Funds. When enterprise operations require a debt or capital project fund, they use enterprise fund types.

## Internal Service Funds

Internal Service Funds are established to account for the provision of goods and services by one entity department to other departments on a cost reimbursement basis. Common examples of internal services include information technology, maintenance (equipment and vehicles) and engineering costs. To use an internal service fund the entity must develop a pricing system for any services that will flow in and out of an internal service fund.

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## FIDUCIARY FUND TYPES

Fiduciary Funds account for assets held in a trustee or agent capacity, and any revenue received is paid out to individuals, private organizations, or other governments. These funds are generally not budgeted; meaning they are not included on the Amended Official Certificate of Estimated

Resources and do not require board adopted appropriations. Money is received and spent directly to and from accounts and no purchase order is required. The Agency fund types are most often not budgeted.

A fiduciary trust fund is recommended only when there is a formal trust agreement with the donor. Trust funds may be expendable or non-expendable depending upon the agreement.

## Agency Funds

### Examples

**Mayor's Court Fund:** Fines and court costs are collected by the mayor's court during the month. At the end of each month, 100% of the money collected is distributed to government agencies including the local entity. The Mayor's Court total monthly activity must be posted in an Agency fund. The Mayor's Court Agency fund is **not required to be budgeted**.

**Unclaimed Monies Fund:** Used by entities to hold monies that the entity owes to an individual, private organization, or other governmental entity that has not been claimed within a time set forth in the Ohio Revised Code. Entities should make a reasonable good-faith effort to contact the owner of the unclaimed funds. The unclaimed monies are non-spendable and should only be expended by the Unclaimed money fund and received into the General Fund after the time set forth in the Ohio Revised Code. When a person comes forward to claim their money, it is expended by the Unclaimed Monies fund and receipted to the General Fund for payment to the claimant.

## Trust Funds

**Investment Trust (very rare):** Accounts for financial resources of an external investment pool that is sponsored by the government. The entity collects money from a third party and co-mingles it with the entity's money for investment, to yield higher interest revenue, then a portion of the interest earned is returned to the third party.

**Private Purpose Trust:** Used to report trust arrangements under which the revenue benefits specific individuals, private organizations, or other government entities. The holding government **derives no benefit** from the money held in trust. These funds may include a non-spendable balance but it is not required.

### Example

**Cemetery Bequest Fund:** Donations received with the principal or interest designated for the care of, or the placing flowers on, specific grave sites, benefitting individuals rather

than the cemetery as a whole. The fund may or may not have a non-spendable balance depending on the terms of the donation.

#### WHAT FUNDS MAY RETAIN EARNED INTEREST?

The fund list in the Uniform Chart of Accounts clearly indicates which funds *are* permitted to keep their interest, which are *not* permitted to keep their interest, and which *may* keep their interest under certain contractual conditions. The **law** governs interest distribution for most fund types.

A conditional interest fund signifies that the specific contracts or agreements that are the foundation of the fund (often capital projects or debt retirement) indicate whether the proceeds are required, permitted, or not permitted to retain the interest earned. Conditional interest funds should be established with the proper understanding of where the interest should post, and if permitted to keep the interest, an interest revenue code is added to the fund. When adding a new fund that falls into the category of conditional interest, the legislation authorizing the new fund should specifically state whether the interest shall be retained or posted to the general fund.

There are only two possibilities for interest receipts. If a fund is allowed by law or is a type that allows conditional circumstances to retain its earned interest, interest is distributed to the fund. If a fund is **not** permitted by law to retain its earned interest, the General fund must receive the distribution. There are no exceptions.

Now that you understand the structure of funds and how some are categorized and restricted, it should be clear why money is divided into funds. You should also have a better understanding of how to properly categorize new funds as new projects and circumstances require.

#### ESTABLISHING A NEW FUND

When an entity needs to establish a new fund **authorized under ORC 5709.09 or ORC 5705.13 (131 and 132)**, the governing board must adopt legislation to establish that new fund. The legislation must state the new fund's name, number, and purpose. The Uniform Chart of Accounts contains many pre-set fund names and numbers for these authorized funds.

When an entity wants to establish a new fund that is **not authorized by statute** or when **the purpose of the fund is not identified in ORC 5705.09 A-H**, it is then necessary to adopt legislation requesting approval to establish the fund, and send a copy to the Auditor of State's Office with the "*Auditor of State Request for Fund Approval*" form. The Auditor of State applies two basic guidelines when responding to such requests. A new fund is justified when:



- 1) It will provide additional relevant financial information not obtainable using the current fund structure; and
- 2) It is necessary to demonstrate compliance with legal or contractual restrictions.

The request can be deemed approved if the entity does 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. A copy of the legislation, Request for Fund Approval form and the "Notification of Approval" should be maintained for auditing purposes.

A new fund that has been approved should be assigned the correct fund number from the Uniform Chart of Accounts. When funds are established without the proper authority outlined above, the next audit will typically require removal of the fund.

## REVENUE ACCOUNTS

In Fund Accounting 101 we learned that revenue accounts:

- Vary by entity type in the Uniform Chart of Accounts: townships, villages, and libraries.
- Are used to properly classify receipts for annual financial reporting.
- Begin with a fund number and have a three-digit revenue code.
- Must be selected **from the correct revenue type**.
- All receipts are posted to revenue accounts.

Now that you understand these basic principles, we will review a few common areas of confusion about posting receipts to revenue accounts.

- 1) Revenue accounts are not vendor-specific. When a fund receives a single type of revenue from different vendors, the revenue of both are posted to the same revenue account even if it comes from multiple sources:

**Example:** Two cable companies pay Cable Franchise fees; the receipts are posted to the same revenue account. The *revenue* is categorized, not the source.

- 2) Different revenue may use the same revenue account. Sometimes a revenue code is used for more than one type of revenue. The Uniform Chart of Accounts description should also be reviewed to see what items post to each account.

**Example:** A cemetery charges fees for opening/closing a grave and re-sodding a grave. These are different fees but are posted to the same revenue account. The sale of a cemetery lot would not be posted to the fees account.

**Example:** A village swimming pool charges fees for daily admissions, swimming lessons, and pool parties. These are different fees but are posted to the same revenue account. Pool

concession revenue uses a different revenue account and would not be posted to the fees account.

- 3) Different funds may have the same revenue code: When different funds receive the same type of revenue, each fund must have its own revenue account.

**Example:** All funds that receive real estate tax distributions need the revenue account for general property real estate tax and property tax allocation. Likewise, all funds that are permitted by law to receive interest must have an interest revenue account.

- 4) Receipts can be allocated to multiple revenue accounts: When money is received from one customer or source but it includes multiple types of revenue, a single receipt is posted with the money allocated to multiple revenue accounts.

**Example:** The County Auditor sent a check that includes the local government distribution and cigarette tax distributions. One receipt from the county auditor is posted for the full amount received, with the local government amount allocated to its proper revenue account and the cigarette tax allocated to its proper revenue account.

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## NEW SOURCE OF REVENUE

When you receive money that does not belong to any of your current revenue accounts, you must determine the correct revenue account to add to your fund(s). If you cannot determine the correct revenue account by reviewing the Uniform Chart of Accounts, you should contact the Auditor of State's Local Government Services (LGS) for assistance at 1-800-345-2519. After the new revenue account is added, you will be able to post the receipt.

## APPROPRIATION ACCOUNTS

In Fund Accounting 101 we learned that:

- Appropriation program and object codes vary by entity type.
- Appropriation program and object codes are used to properly classify expenditures for annual financial reporting.
- Appropriation accounts are made up of a fund number, three-digit program code, and three-digit object code.
- Program codes represent a service area provided by the entity.
- Object codes represent the purpose of expenditures.
- Appropriation program and object codes must be selected from the correct types.
- All payments must be allocated to one or more appropriation accounts.

## SUMMARY VS DETAIL OBJECT CODES

Appropriation object codes have three levels: Summary, Sub-Summary, and Detail. Each entity determines the level of object codes they want to utilize within each object group. Detail codes may be useful for cash management and budgeting of fixed costs. The annual financial reports consolidate amounts up to the highest summary code level.

**Example:** The charts below show a sample of the Uniform Chart of Accounts object codes within the 300 summary range (Purchased / Contractual Services) for the sub-summary code Utilities. Each entity may select the level they wish to budget within this object type. The Utility group is a good example of summary and detail accounts because all entity types pay utilities. Some entities choose to budget all utilities to the one Utilities sub-summary code. Other entities choose to use the detail accounts, electricity, water and sewer, natural gas.

Township Sample		
Object Codes	Description	Object Level
300	Purchased Services	Summary
350	Utilities	Sub-Summary
351	Electricity	Detail
352	Water and Sewer	Detail
353	Natural Gas	Detail

Village Sample		
Object Codes	Description	Object Level
300	Contractual Services	Summary
310	Utilities	Sub-Summary
311	Electricity	Detail
312	Water and Sewer	Detail
313	Natural Gas	Detail

Library Sample		
Object Codes	Description	Object Level
300	Purchased & Contracted Services	Summary
360	Utilities	Sub-Summary
361	Electricity	Detail
362	Water and Sewer	Detail
363	Natural Gas	Detail

Never mix Summary, Sub-Summary and Detail codes within the same object group. For example, if you use the sub-summary Utilities object code for certain utility expenses, do not also use the detail Electricity object code just for electricity expenses.

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## DIRECT AND NON-DIRECT OBJECT CODES

Appropriation object codes also have two expenditure types, Direct and Non-Direct. The Uniform Chart of Accounts defines the Direct or Non-Direct status of each object code, the status is established and cannot be changed.

- **Direct** accounts do not require purchase orders. Therefore, expenditures may be posted **directly** against their appropriation budgets. Direct accounts are primarily wage-related. For example, salary object codes and employer share of Medicare and retirement codes are direct codes. There are very few direct codes that are not payroll related.
- **Non-Direct** accounts require purchase orders to encumber the budget before purchases are made. Purchase orders encumber the budget then expenditures are posted against the purchase orders.

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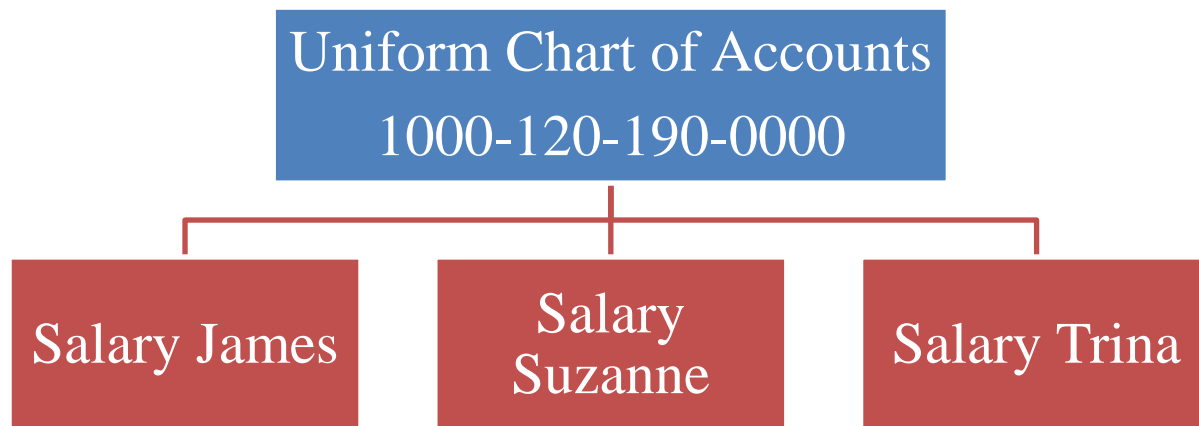
## CONVERTING YOUR OLD CHART OF ACCOUNTS TO THE UNIFORM CHART OF ACCOUNTS

New clients preparing to convert to the UAN software must convert their old fund, revenue, and appropriation accounts to the Uniform Chart of Accounts. This can be difficult if the old chart of accounts was not structured to flow into the annual financial report.

The fiscal officer should first select the proper fund and program then add the required object codes to the list creating their appropriation accounts. This process would be repeated until all appropriation accounts have been added.

This often means that the old chart of accounts does not convert to identical accounts in the Uniform Chart of Accounts. Many times multiple old accounts are combined and converted to one appropriation account in UAN because they belong to the same account and a greater level of detail is not required.

For example, the fiscal officer has three employees that work in the same position, in the same department, and are all paid from the same fund. In their old chart of accounts, each employee has a different appropriation account. When the fiscal officer reviews the Uniform Chart of Accounts there is only one salary account that should be activated for the program. What should they do to convert the three accounts to one account?



The three old system accounts become one appropriation account in the UAN Software. You use vendor reports and payroll reports to review payments to one vendor or employee, not individual appropriation accounts.

In UAN, the appropriation budget amounts of the three accounts are combined and entered as the appropriation budget of the new account.

Remember that appropriation accounts are for the purpose of classifying expenditures in the proper place on the annual financial report.

Do not use cost centers to try to create the same chart of accounts as your old system. Convert to accurate accounts so your annual financial report is accurate.

## CONCLUSION

In this chapter we learned about:

- Fund types and rules for establishing a new fund.
- Hints for posting receipts to the correct revenue accounts.
- Appropriation object codes have a Summary, Sub-Summary and Detail level.
- Appropriation object codes establish the Direct or Non-Direct nature of an appropriation account.

## CHAPTER 2: BUDGET BASICS

An operating budget is often in place when new fiscal officers are sworn into office. They must learn how to operate within the budget and make modifications as required.

The word “budget” is often used to refer to the financial plan for the upcoming year. However, once the new year begins, the two separate components of the plan are implemented and maintained separately the rest of the fiscal year.

- The first component is the resources available for appropriation certified by the county auditor or county budget commission on the **Official Certificate of Estimated Resources**, then updated on the **Amended Official Certificate of Estimated Resources**. These documents limit the amount the governing board is permitted to appropriate by fund. You cannot appropriate (plan to spend) more than the resources available.
- The second component is the appropriations. Appropriations are adopted by the governing board in the form of legislation and are the uppermost level of authority to spend.

Although these two components are part of the operating budget, they **must** be viewed and maintained separately. New fiscal officers find it difficult to understand the operating budget because they do not consider the two components as separate parts of a whole.

**Special note for townships:** The rate of compensation of the township trustees and the fiscal officer is determined by the “budget” of the township. The word budget in this context refers to the resources available for appropriation.

In our family example in Fund Accounting 101, the family had to start with their current cash balance and then estimate their annual revenue to arrive at the resources available. Then they were able to plan how to spend or save their estimated resources. A major difference between our family example and a government entity is that the family can change their plan throughout the year without seeking permission.

Our government example had to start with their carryover fund cash balance and then estimate their annual revenue by fund to arrive at their resources available. Once they determined the resources available, they were able to plan how to spend the estimated resources. In Fund Accounting 101 we left with the understanding that at the beginning of the new year, the two components of the budget must be implemented. In Fund Accounting 102 we will discuss in greater detail the two components of the operating budget and their purpose.

- A government entity **must** have formal certification of their estimated resources.
- The governing board **must** adopt appropriations in the form of legislation. The board **may** appropriate up to but cannot exceed the certified resources available.

Throughout the year, the fiscal officer has to maintain these two components; resources available and appropriations. The components require different actions for changes to take place. We will now discuss the two components separately.

## RESOURCES AVAILABLE FOR APPROPRIATION

The certification of estimated resources is a cyclical process that begins with the filing of a tax budget for the upcoming year with the county auditor\*. The county auditor/budget commission certifies back to the fiscal officer the **Official Certificate of Estimated Resources** (aka Official Certificate). The Official Certificate sets the limits by fund that the board may adopt for appropriations in the new year and is often the limit used when planning Temporary Appropriations to take effect January 1.

*\*Counties that no longer require the filing of a tax budget have slightly different procedures for the Official Certificate. Contact your county auditor to find out the procedures you must follow.*

The Official Certificate remains in effect until actual year end cash balances, adjustments and revenue estimates are certified to the county auditor/budget commission. The county auditor/budget commission certifies back to the fiscal officer the first Amended Official Certificate of Estimated Resources (aka amended certificate). This becomes the new maximum amount the board may appropriate by fund.

The sole purpose of the certification of estimated resources is to limit the amount of appropriations the board may adopt by fund.

## CERTIFICATE OF THE TOTAL AMOUNT FROM ALL SOURCES AVAILABLE FOR EXPENDITURES, AND BALANCES

At the beginning of each year, after financial records for the prior year have been closed, the fiscal officer certifies to the county auditor/budget commission the end of year cash balance, adjusting factors, and estimated revenue for each fund on the form **Certificate of the Total Amount from All Sources Available for Expenditures, and Balances**. The importance of the accuracy of the information provided in this document cannot be overstated. The county auditor/budget commission uses this information to certify resources available.

In the UAN software, this form is named Year End Balances Certificate. The UAN software generates all of the year end fund cash balances and any adjustments that should be reported to the county auditor/budget commission. Many times when UAN support personnel are working with a fiscal officer regarding difficulties entering appropriations, the root of the problem is incorrect figures were certified to the county at the beginning of the year.

If the prior year was closed with unpaid employee withholdings, carryover encumbrances, or unpaid inter-fund advances, the new year resources available for appropriations are reduced. These adjusting factors should be **accurately** reported to the county.

Below is a sample of the **Certificate of the Total Amount from All Sources Available for Expenditures, and Balances**. Each column is explained so that you can verify your current year was certified accurately.

On the first page, the funds are grouped and totaled by fund types as discussed in Fund Accounting 101. Beginning on page two, funds are listed individually under their fund type. The total for each fund type is brought forward to page one.

CERTIFICATE OF THE TOTAL AMOUNT FROM ALL SOURCES AVAILABLE FOR EXPENDITURES, AND BALANCES

Office of \_\_\_\_\_  
County, Ohio, \_\_\_\_\_, 20\_\_

To the County Auditor of said County:  
The following is the total amount from all available for expenditures from each fund set up in the tax budget, with the balances that exist at the end of the fiscal year, December 31st, 20\_\_

FUND TYPE/CLASSIFICATIONS	(1) Cash Balance as of 12/31	(2) Reserved for Encumbrance as of 12/31	Reserved for Non-Spendable Balance as of 12/31	(2) Reserve Balance Accounts (5705.13(A)(1) & 5705.132)	Advances Not Repaid	(3) Carryover Balances Available for Appropriations	(4) Total Amount from all Sources Available for Expenditures	(5) Total Amount Available plus Balances
		(a)	(b)	(c)	(d)			
GOVERNMENTAL FUND TYPE								
General Fund	\$	\$	\$	\$	\$	\$	\$	\$
Special Revenue Funds	\$	\$	\$	\$	\$	\$	\$	\$
Debt Service Funds	\$	\$	\$	\$	\$	\$	\$	\$
Capital Projects Funds	\$	\$	\$	\$	\$	\$	\$	\$
Permanent Funds	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL GOVERNMENTAL FUND TYPE	\$	\$	\$	\$	\$	\$	\$	\$
PROPRIETARY FUND TYPE								
Enterprise Funds	\$	\$	\$	\$	\$	\$	\$	\$
Internal Service Funds	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL PROPRIETARY FUND TYPE	\$	\$	\$	\$	\$	\$	\$	\$
FIDUCIARY FUND TYPE								
Agency Funds	\$	\$	\$	\$	\$	\$	\$	\$
Investment Trust Funds	\$	\$	\$	\$	\$	\$	\$	\$
Private - Purpose Trust Funds	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL FIDUCIARY FUND TYPE	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL ALL FUNDS:	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL ALL FUNDS	\$	\$	\$	\$	\$	\$	\$	\$

1. Cash balance of each fund as of December 31. This amount is not adjusted by outstanding checks or deposits at year end. It is the total cash balance according to the Cash Journal cash and fund balances.
2. The columns in this group represent various adjustments to the cash balance to arrive at the resources available for appropriations in the new year.
  - a. **Reserved for Encumbrances as of 12/31:** This column contains the amount of all purchase orders and unpaid employee share withholdings that were carried over to the new year for payment. These items were encumbered on prior year appropriations and will not need to be appropriated again in the new year. **Carryover encumbrances reduce a fund's resources available.**
  - b. **Reserved for Non-Spendable balance as of 12/31:** Only funds with a non-spendable balance will have an entry in this column. Permanent funds must have



a non-spendable balance and Private purpose trusts may have a non-spendable balance. **Non-spendable amounts reduce a fund's resources available.**

- c. **Reserve Balance Accounts:** The amount of money in a reserve balance account established under the Ohio Revised Code. **Reserve balance accounts reduce a fund's resources available.**
  - d. **Advances not repaid:** An advance is a loan of money between allowable funds. Advances must be repaid within twelve months. A fund that received an advance in a prior year but did not repay the advance before year end must enter the amount of unpaid balance as a negative number, **reducing resources available.** The fund that is to receive the advance repayment must have the amount that will be repaid entered as a positive amount, **increasing resources available.**
3. **Carryover Balances Available for Appropriations:** Each fund balance in Column 1 must be adjusted by the amounts listed in columns 2a through 2d, to arrive at the carryover balance available for appropriations. This amount is also referred to as the unencumbered beginning of year fund balance.
  4. **Total Amount from All Sources Available for Expenditures:** This is the estimated annual revenue. If revenue estimates from the tax budget need to be updated due to rate changes or other events, the new revenue estimates are entered and an explanation is included in the cover letter. You must follow your county's procedures for changing revenue estimates from the tax budget.
  5. **Total Amount Available plus Balances:** The Carryover Balances Available for Appropriation (#3) plus the Total Amount from All Sources Available for Expenditures (#4) is the total estimated resources each fund will have available to appropriate.

The UAN software automatically completes the columns of this form in sections 1, 2, and 3 from actual prior year data. If revenue budget amounts have been entered in the new year, the software automatically completes the entire form, further establishing the accuracy of all the information certified to the county auditor/budget commission.

After the completed form is submitted to the county auditor/budget commission, they will consider any changes from the tax budget in your revenue estimates. They may not certify the revenue estimates (Column 4) that you request.

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#### AMENDED OFFICIAL CERTIFICATE OF ESTIMATED RESOURCES

The county auditor/budget commission reviews the *Certificate of the Total Amount from All Sources Available for Expenditures, and Balances* filed by the fiscal officer, and then issues the first **Amended Official Certificate of Estimated Resources**. This is known as the amended

certificate because it amends the Official Certificate of Estimated Resources that was issued after the filing of the annual tax budget for the previous year. Remember:

- The official certificate is based on estimated year end balances and estimated revenue from the tax budget. The official certificate is in effect until amended by the certification of actual fund balances and carryover encumbrances and adjustments.
- The *amended* certificate is based on the exact year end balances, properly adjusted by carryover encumbrances and other adjusting items, and contains the estimated new year revenue.

The purpose of the amended certificate is to certify more accurate resources available than certified on the official certificate, and it authorizes the new maximum amount of appropriations by fund that your governing board **may** adopt in legislation. A sample amended certificate is shown below. Note again the funds are grouped by type on the first page. The funds are listed individually under their fund type on subsequent pages. The total for each fund type is brought forward to page one.

**Amended Official Certificate of Estimated Resources  
(Rev. Code, Sec. 5705.36)**

The following is the amended official certificate of estimated resources for the fiscal year beginning January 1st, \_\_\_\_\_, as revised by the Budget Commission of said County, which shall govern the total of appropriations made at any time during such fiscal year:

Fund Types	(1) Unencumbered Balance 1/1/	***** (2) ***** Taxes	Other Sources	(3) Total Resources Available for Appropriation
<b>Governmental Fund Types</b>				
General	\$159,791.56	\$128,000.00	\$58,500.00	\$346,291.56
Special Revenue	\$106,027.74	\$375,000.00	\$141,200.00	\$622,227.74
Debt Service	\$1,523.29		\$100.00	\$1,623.29
Capital Projects				
Permanent	\$12,532.55		\$400.00	\$12,932.55
<b>Proprietary Fund Types</b>				
Enterprise				
Internal Service				
<b>Fiduciary Fund Types</b>				
Agency				
Trust				
<b>Total</b>	<b>\$279,875.14</b>	<b>\$503,000.00</b>	<b>\$201,200.00</b>	<b>\$983,075.14</b>

1. **Unencumbered Balance:** The Carryover Balances Available for Appropriation from the ***Certificate of the Total Amount from All Sources Available for Expenditures, and Balances***. The county auditor/budget commission should accept the fiscal officer's certification of fund balance, encumbrances and other adjusting factors.
2. The county auditor/budget commission separates the estimated revenue by fund into two columns: Taxes and Other Sources. These two columns added together should\* match the estimated revenue from the ***Certificate of the Total Amount from All Sources Available for Expenditures, and Balances***.

\*The county auditor/budget commission may increase or decrease estimated revenue certified by the fiscal officer. You must always compare the combined total of the Taxes and Other Sources columns to your revenue budget totals by fund to ensure they match. If the county auditor/budget commission made changes, you must verify the reason for the difference and adjust your revenue budgets to match the amended certificate. The Ohio Revised Code authorizes the county auditor/budget commission to make these adjustments.

Estimated annual revenue is allocated to each fund's revenue accounts and entered as revenue budgets on the Revenue Ledger. The Revenue Ledger will be covered later.

3. The final column, Total Resources Available for Appropriation, is the sum of the adjusted fund balance plus Taxes and Other sources.

Now that you understand the purpose of the amended certificate and what the numbers mean, you also need to understand two important things:

1. This document is one component of the operating budget and **only certifies** resources available for appropriation. It does **not authorize** expenditures.
2. The certification of resources available for appropriation **does not actually put cash in your bank account**. It is only the **certified estimate** of resources available to appropriate. You will not have access to this money immediately. You need to monitor the fund cash balance, receipts, and expenditures throughout the year. Spending must be regulated within the cash flow of each fund. You will need to keep your governing board updated on the financial state of each fund so they can make informed decisions.

A fund might receive revenue on a daily, monthly, semi-annual, or annual basis. You should compare your revenue estimates to actual receipts throughout the year to make sure estimates are becoming reality. This is especially important if you were not the fiscal officer who prepared the estimates. Later we will cover cash management and how to plan expenditures within the cash flow of a fund.

## APPROPRIATIONS

Appropriations are the second component of the operating budget and are the entity's annual spending plan. Appropriations are adopted by the governing board in the form of legislation and authorize the uppermost level of spending. The maximum amount of appropriation by fund is limited to the total resources available on the Official Certificate or Amended Official Certificate of Estimated Resources, whichever is in effect at the time appropriations are adopted.

Review the different types of appropriations:

1. **Temporary Appropriations:** Generally adopted prior to year end for the upcoming year. Temporary appropriations take effect January 1 and expire automatically on March 31 or when Permanent Appropriations are adopted, whichever comes first. Ohio Revised Code requires appropriations to be in place to authorize the operations of a government entity. What does this mean in simple terms? Review an example to illustrate the need for temporary appropriations:
  - a. In our sample government, employees will receive holiday pay for January 1 and are working regular hours each day beginning January 2. Electricity, telephone, and other utilities are operating. There were funerals at the cemetery on January 3 and January 8. Fire and emergency runs take place. Employees are filling up vehicle gas tanks and buying parts and supplies. The fiscal officer ordered paper and toner online on January 3 and the items were delivered and will be invoiced at a later time. All of these activities require appropriations to be in place.
  - b. The first board meeting in the new year takes place on January 10. The fiscal officer has certified fund balances and revenue to the county auditor but has not received the Amended Official Certificate of Estimated Resources. At the board meeting, there are outstanding invoices and payroll checks to be approved for payment. This will be the first opportunity for appropriation legislation to be adopted in the new year, but without the amended certificate, the board should not yet adopt permanent appropriations.

The normal operations outlined in scenario **a** require appropriations to be in place to **authorize the activity that will result in payments** at a later date. Temporary appropriations will allow them to operate legally until the permanent appropriations are adopted.

In scenario **b** above we see that the board is waiting for the amended certificate before adopting permanent appropriations. The temporary appropriations allow them to carry out the normal operations with the proper authority in place.

Temporary appropriations authorize these normal operations prior to the adoption of permanent appropriations. They are temporary in nature and are for a limited amount;

just enough to carry the entity from January 1 until permanent appropriations are adopted for the full year. All appropriations are limited by the Certificate of Estimated Resources (official or amended) in place at the time of their adoption

2. **Permanent Appropriations:** Adopted near the beginning of each year usually **after** receipt of the Amended Official Certificate of Estimated Resources. Permanent appropriations **must** be adopted prior to April 1. **Permanent Appropriations apply to the entire year** and must be at least as much as the temporary appropriations.

In other words, permanent appropriations do not *supplement* temporary appropriations, they *replace* temporary appropriations entirely. If temporary appropriations were in place before permanent appropriations were adopted, the full year’s permanent amounts should **not** be reduced by the temporary amounts when entering them in the appropriation ledger. Instead, the current temporary amounts are debited and then the full permanent amounts are credited immediately after.

3. **Supplemental Appropriations:** Adopted as needed and either **increase** or **decrease** current appropriations. Usually, when “new money” is certified on an amended certificate, supplemental appropriations are adopted to authorize additional spending.

Supplemental appropriations are not required every time an amended certificate is issued; they are only adopted by the board if needed to authorize additional spending. If the board did not appropriate 100% of resources available in permanent appropriations, they may adopt supplemental appropriation legislation up to the resources available at any time during the year.

4. **Reallocation of Appropriations:** Reallocation is the movement of current appropriations between appropriation accounts within a fund. Reallocation does **not** increase or decrease the total fund appropriation. See the sample chart below.

Appropriation Account	Current Unencumbered Appropriations	Reallocated Amount	New Unencumbered Balance
1000-110-410	\$3,500.00	-\$1,500.00	\$2,000.00
1000-110-420	\$25.00	+\$1,500.00	\$1,525.00
<b>Total</b>	<b>\$3,525.00</b>	<b>0.00</b>	<b>\$3,525.00</b>

We require more appropriations on account 1000-110-420 and do not need all the unencumbered appropriations on account 1000-110-410. We reallocate \$1,500.00 from 1000-110-410, to 1000-110-420. This does not change the total fund appropriations; it reallocates the current appropriations between accounts within the fund.

Reallocation outside of the fiscal officer's legal level of control requires board adopted legislation. Reallocation within the legal level of control does *not* require legislation. *Refer to the legal level of control section in Fund Accounting 103 for more information.*

After appropriation legislation is adopted, the fiscal officer enters the appropriation budget amounts at the fund appropriation account level. In UAN these are entered as appropriation budgets and the software places the amounts on the appropriation ledger. The appropriation ledger will be discussed later.

The adoption of appropriation legislation **does not place money in your bank account.** Appropriations are the uppermost level of the authority to spend. Appropriations by fund are limited by the amended certificate but **spending** must be regulated within the cash flow of the fund. Review the later section on Cash Flow to understand how to regulate spending.

## CONCLUSION

In this chapter we learned:

- The current year operating budget has two components:
  1. The Official and Amended Official Certificate of Estimated Resources establishes the maximum amount the board may appropriate by fund.
  2. Appropriations are adopted by the board in the form of legislation and authorize the uppermost level of spending.
- The operating budget components do not reflect the fund cash balances.

## CHAPTER 3: CASH MANAGEMENT

The management of cash is just as important as the management of the budget components. As we emphasized in Fund Accounting 101, cash and budget are different parts of governmental fund accounting **and they are managed differently**.

Cash is all of the money in the checking accounts and investments that will reconcile to the bank statements each month. The budget is the operating plan that consists of two components: resources available and appropriations. Now we will discuss what you need to know about cash management.

### CASH FLOW

It is important to understand how fund cash balances work with the budget components. The two components of the budget do not indicate how much money is actually available to spend at any given time. You must learn how to monitor actual cash alongside the budget.

For example, a fund that receives only semi-annual tax levy distributions must operate and make payments all twelve months of the year. Expenses such as electricity, telephone, wages, fuel, and other fixed costs must be paid each month. Inspection and training expenses must be arranged within their required deadlines and when the cash is available. There must be cash in the fund at year end to carry over and continue operations in the new year until the first half taxes are received. Spending must be regulated during the year or cash may be depleted before the next tax distribution is received.

To illustrate this point, take another look at a family example. The family established a Vacation Fund on January 1 and they add \$334 to the vacation fund each month. If they follow their plan, the cash balance of the fund will be \$4,008.00 at year end as shown in the chart below (**this first-year sample is not in the video**):

VACATION FUND CASH FLOW 1 <sup>st</sup> Year												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
RECEIPTS	334	334	334	334	334	334	334	334	334	334	334	334
BALANCE	334	668	1,002	1,336	1,670	2,004	2,338	2,672	3,006	3,340	3,674	4,008

An amended certificate for the vacation fund it would look like this:

Fund	Unencumbered Balance 1/1/	Taxes	Other Sources	Total Resources Available
Vacation Fund	\$0.00	\$0.00	\$4,008.00	\$4,008.00

The vacation fund began the year with a \$0 balance and the certified “Other Sources” revenue is \$4,008.00 (\$334.00 x 12 months). \$4,008.00 is the total resources available for the year.

If the family wanted to take a vacation costing \$7,000.00 in this first year of saving, they would have to change their savings plan! The family cannot take the vacation this year with the current revenue; they will only have \$4,008.00 after the final revenue is received in December.

The family decides to start the vacation fund in January of this year and take the vacation next year for an estimated cost of \$7,000.00. **This sample is shown in the video.** See below the second year amended certificate:

Fund	Unencumbered Balance 1/1/	Taxes	Other Sources	Total Resources Available
Vacation Fund	\$4,008.00	\$0.00	\$4,008.00	\$8,016.00

The amended certificate for the second year shows that **sometime during the year** the family could take a \$7,000 vacation paid by the vacation fund. The amended certificate does not reflect monthly cash balance; it only certifies estimated resources for the entire year. When can they actually go on vacation?

The family uses the cash flow chart below to determine when they will have enough money in the vacation fund to take a vacation. In the second year, the vacation fund’s beginning cash balance is \$4,008.00 and \$334.00 is added to the fund each month. By reviewing the cash flow chart, the family can see that they can take their vacation after the September receipt when the \$7,000.00 goal is reached.

VACATION FUND CASH FLOW 2 <sup>nd</sup> Year												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
RECEIPTS	334	334	334	334	334	334	334	334	<b>334</b>	334	334	334
BALANCE	4,342	4,676	5,010	5,344	5,678	6,012	6,346	6,680	<b>7,014</b>	7,348	7,682	8,016

Once the family knows when the money will be available, they can plan the date of their vacation. Hotel reservations, airplane tickets, and car rental will require payment in advance of the September vacation date and these expenditures must be planned within the cash flow. See below how our family plans that spending within the cash flow.



VACATION FUND CASH FLOW 2 <sup>ND</sup> YEAR												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
RECEIPTS	334	334	334	334	334	334	334	334	334	334	334	334
EXPENDITURES	0	0	0	-1,500	-1,900	0	-650	0	-2,950			
BALANCE	4,342	4,676	5,010	3,844	2,278	2,612	2,296	2,630	14	348	682	1,016

- In April the family reserves their hotel room at a cost of \$1,500 which decreases the cash balance of the fund to \$3,844.
- In May the family purchases the airplane tickets at a cost of \$1,900 which decreases the cash balance of the fund to \$2,278.
- In July the rental car is reserved and paid in advance at a cost of \$650 which decreases the cash balance of the fund to \$2,296.
- In September the family takes the balance of \$2,950 with them in traveler's checks and cash for food and entertainment expenses.

By September the vacation cost of \$7,000 was fully expended leaving a \$14 balance to start saving for the next vacation. The fund balance starts increasing with each monthly deposit. At year end, there will be \$1,016 in the vacation fund.

Note that the hotel, airplane tickets, and rental car could not all be paid in April; there was not enough cash available. This illustrates how the family planned the payment of the expenses as their cash supported the expenditures. They needed to decide when they had enough cash to pay for different aspects of their vacation and carefully determine the order of the purchases based on their vacation plans.

You will need to understand the cash flow of revenue and expenditures in your funds and work with your department heads (trustees, mayor, director, council members, fire chief, police chief, village administrator, etc.) so they understand that appropriations may be available when the board adopts them, but cash is only available when it is in the bank and reflected by the fund balance. Work with your department heads so they understand when the funds that support their operations receive money and what fixed costs must be paid each month. In the UAN software, the Cash Flow Detail by Fund and Cash Flow summary by Fund reports can be very useful.

## THE DEPOSIT AND INVESTMENT OF PUBLIC MONEY

Government entities are regulated in the deposit of money. Ohio Revised Code §135 sets forth the regulations and procedures for the deposit of public money.

This training will review important points contained in Ohio Revised Code §135, but do not use this training as a complete resource; we are only touching on some major points. You must study the law, meet with your legal advisor, and help your governing board understand the amount and designation of money available for investment specific to your entity.

There are three designations of deposits:

- **Active Deposits**: Money needed for immediate use by the entity. Must be deposited in limited types of accounts in order to be easily available.
- **Interim Deposits**: Money not needed by the entity immediately, but needed before the end of the five-year designation of depositories.
- **Inactive Deposits**: Money not needed by the entity before the end of the five-year designation of depositories.

Review applicable sections of Ohio Revised Code for specific allowable accounts and the maximum allowable maturity date of an investment for each designation.

This seems very easy to understand but is rarely understood or followed!

The legislative board is further limited in the type of investment accounts they may use unless there is a written investment policy adopted by the board and on file with the Auditor of State. The investment policy must be followed when making new investments.

Always review your investment policy and seek an opinion from your entity's legal advisor on any investment you are considering.

If the entity has investments the fiscal officer is required to complete investment training with the Treasurer of State's office each year. In some instances, with limited and particular types of investments, the fiscal officer may not be required to have the additional investment training, but **must** file each year with the Treasurer of State an "Annual Notice of Exemption from Continuing Education Requirements". This must be submitted annually and must be produced for each fiscal year when audited. You should be able to find the form on the Ohio Treasurer's website. If you cannot find the form, contact the Ohio Treasurer's office for assistance.

The money of a government entity must be held in institutions that are eligible to be public depositories. There is a mandatory process to award the deposit of public money. When the deposit of public money is awarded, the entity must have a Memorandum in Agreement for Deposit of Public Funds with a designated expiration date not to exceed five years for each depository (bank) the entity uses. StarOhio is an exception.

A depository must provide proof of security for the repayment of public deposits. This is to protect the public money against insolvency. If your deposit at the institution is more than the FDIC (Federal Deposit Insurance Corporation) insurance, the institution must pledge an amount sufficient to cover the balance of your account.

It is important for entities to properly approve depository agreements and for the fiscal officer to ensure that all public money of the entity is secured. No public depository is to receive and

have at any one time a greater amount of public money than that specified in the application of the depository.

Ohio Revised Code §135 sets forth the laws that define the institutions eligible to be public depositories and the procedures to award an institution a deposit of public money. It is very important to review the current Memorandums in Agreement for Deposit of Public Funds that exist when you take office and to understand the proper procedures to follow when these agreements expire and must be replaced by new agreements. It is highly recommended to review Ohio Revised Code §135 and meet with your entity's legal advisor to review your current agreements and understand the requirements in managing the investment of money to receive the best rate of interest.

You are required to provide auditors with copies of all:

- Memorandums in Agreement for Deposit of Public Moneys.
- Documents evidencing a deposit or investment of money such as paperwork completed upon opening investment amounts, including purchase date, interest rate, and maturity date.
- Pledged Security Statements – Proof the pledge securities cover the balance on deposit.

The auditor should be able to verify that the amount on deposit does not exceed the application for deposit of public money submitted by the depository institution.

#### INVESTMENT TYPE: POOLED OR NON-POOLED

As outlined in the previous section, the board should designate money as active, inactive or interim in order to invest available **cash** (not fund balances) for a better rate of interest.

Previously we learned that fund types are either permitted, not permitted, or conditionally permitted by law to retain their earned interest. Manual bookkeepers, as well as accounting software users, should be following these regulations. The UAN software is designed to enforce fund interest regulations.

There are two choices of investment type when adding an investment: Pooled and Non-Pooled.

A **Pooled** investment does not have fund ownership – it is simply an amount of invested cash that is not required in the primary checking to meet the day to day expenditures. The investment is opened and cash is transferred from the primary checking to the investment with no fund designations. **Pooled investments are very easy for fiscal officers to manage** because they do not reserve money from particular funds.

The pooled cash balance of a fund is the total fund balances **less** money held in *non*-pooled investments. The primary checking account, any secondary checking accounts, and any pooled

investments are all part of the total pooled cash balance. Cash may be transferred easily from a pooled investment (such as a money market account or StarOhio) to the primary checking account as necessary to cover expenditures, **without regard to any fund allocation**.

When interest is received from a pooled investment or the primary checking account, an interest receipt is posted with the interest distributed proportionately to all funds, with a pooled balance that are permitted to retain their earned interest, and the General fund receives the interest from funds that are not permitted to retain their interest. Review the fund list in the Uniform Chart of Accounts to determine which funds may and may not receive interest.

#### **Pooled cash balance frequently asked questions:**

1. Does the fund have enough money to make a payment?
  - a. Check the fund cash balance (UAN Fund Status report). You can spend up to the fund pooled cash balance.
2. Does the checking account have enough cash to make the payment?
  - a. Sometimes a large debt payment or capital outlay will reduce the cash balance of the primary checking account. Since payments are made from the primary checking account, if you do not have a sufficient checking account balance to support the payment, you will have to transfer money from an investment to the primary checking. Once the money is transferred at the bank (and the investment transfer posted in UAN) the payment can be posted.
3. How much of the primary checking account belongs to each fund? This cannot be answered unless the entity has no investments. Pooled bank balances are not assigned to each fund. You do not need to know how much of each pooled account belongs to each fund. Cash is invested in pooled investments; portions of fund balances are not invested in pooled investments. The investment balance is the investment balance. The fund balance is the fund balance. The primary checking account balance is only the primary checking account balance. These items do not mix with each other.

A **Non-Pooled** investment is tied to only one fund and is **only** used in the rare circumstance that money is required to be invested for, and interest posted to, that single fund. Money that is specifically restricted by trusts, contracts, or agreements and must be kept separate from other government money should be added as a Non-Pooled investment and transferred from the primary checking to the investment with one fund assignment. Only funds that are permitted to retain their earned interest can hold a non-pooled investment.

The most common use for a non-pooled investment is for a permanent or private purpose trust fund; when someone donates a principal amount and only the interest can be spent for restricted purposes. This type of permanent or private purpose trust has its own fund and the fund is tied to a non-pooled investment. The amount of the investment is usually the non-spendable portion of the fund balance, and the earned interest is posted to the fund and then budgeted and spent from that fund for the designated restricted purpose.

In our sample government, we have a cemetery bequest fund that has a non-spendable balance of \$2,000.00. The non-spendable amount is invested in a CD that is considered non-pooled because the investment is owned by one fund, the cemetery bequest fund. There is a trust agreement that requires this money to be invested and only the interest and the spendable portion can be spent. The interest earned is posted to the cemetery bequest fund and can be spent. The CD is established at the bank so the interest posts to the primary checking account where it can be used in payments.

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## COMMON INVESTMENT ERRORS

Example: A fiscal officer has been instructed by a motion, second and vote of their governing board at the last meeting to open a CD for \$30,000.00 at the new bank in town. The board instructed the fiscal officer to take \$10,000.00 from each of the following funds: Fire Levy, Cemetery levy, and Road & Bridge.

The board has improperly instructed the fiscal officer and he will not be able to follow these instructions because:

1. Is this an investment of active, interim or inactive money?
2. They do not have a Memorandum in Agreement for Deposit of Public Money with the new bank in town. Without the agreement, they do not have the contractual agreement for pledged securities in case the bank becomes insolvent.
3. The three funds the board listed are not permitted to retain their own interest!
4. A pooled investment does not have any fund ownership and a non-pooled investment can only be owned by one fund.

If the fiscal officer had a clear understanding of the laws governing investments he could have advised the board, at the meeting, so the correct procedures were followed for the new investment.

The board can invest \$30,000.00 of designated money in a CD, but it must be a pooled investment at a bank with Memorandum in Agreement for Deposit of Public Money.

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## INVESTMENT ACTION PLAN

As a new fiscal officer, you may find that the entity has previously mismanaged investments as in the example above. If the entity has investments, one of the first things you should do when taking office is:

- Review the investment policy.
- Compare the policy to the current investments to see if the policy has been followed.

- Form a plan of action with the assistance of the legal advisor to correct any errors in following the policy.
- Understand how to move forward in managing investments.
- Review all Memorandums in Agreement for Deposit of Public Funds.
  - Compare the current balance held by each depository to the agreements to ensure that no depository holds more than the limit on the contractual agreement.
  - Review pledged security statements to ensure that the FDIC insurance combined with the pledged securities fully covers the balance invested with the depository.
  - If problems are found with these items, form a plan of action with the assistance of the legal advisor to bring the investments into compliance.
- At the first available opportunity, instruct the governing board on:
  - Declaring money as active, interim, or inactive deposits.
  - Awarding the deposit of public money to a depository.
  - The limits on the amounts a depository can hold.
  - The difference between flexible Pooled investments (a fiscal officer's best friend) and inflexible Non-Pooled investments that should only be used for specific non-spendable balances from funds that can receive earned interest.
- Training requirements: Schedule the investment training you are required to attend or if eligible, request a waiver from the Treasurer of State's office.

## CONCLUSION

In this chapter we learned:

- Cash management is different than budget management but equally important.
- Spending must be planned with the cash flow and current fund balances.
- Cash is designated by the board as Active, Interim, or Inactive for investment purposes
- Strict rules govern depository agreements and investments.
- Investments are either Pooled (shared by all funds with a pooled cash balance) or Non-Pooled (tied to a single fund permitted to receive its earned interest).
- Pooled Investments should be used for all investments that do not include a non-spendable portion and have no legal reason to be separated from other entity money.
- Non-pooled Investments are usually used for the non-spendable portion of a permanent or private purpose trust fund.
- Some funds are not permitted to receive interest; their interest is always posted to the General Fund.

## CHAPTER 4: TRANSACTIONS

In this chapter we will cover how receipts and payments post against the components of the operating budget and introduce the following tools:

- Revenue ledger
- Appropriation ledger
- Purchase orders
- Interest receipts
- Memo receipts
- Monthly wrap up

The UAN software automatically enters receipt and payment postings on the cash journal, fund ledger, revenue ledger, appropriation ledger, and investment journals. UAN users do not have to reconcile the journals and ledgers to each other. They all contain the exact same detail as the posted transactions. UAN users simply reconcile the total UAN cash balance to the total bank statement balances each month. However, UAN users should know how to review ledgers for posting accuracy and available balances.

UAN users should pay close attention to this section so they understand the ledgers and how to review postings to revenue and appropriation accounts and how the postings affect the budget.

In manual bookkeeping, the fiscal officer must duplicate receipt and payment entries onto the cash journal (cash and fund sides), then enter the items again on the revenue or appropriation ledgers in order to maintain the budget components. The manual entries to each receipt book, cash journal (cash and fund), and revenue and appropriation ledgers must be reconciled to each other at the end of each month. Errors entering the same item in multiple places can result in incorrect cash, fund, or budget balances.

In order for new UAN clients to successfully convert to UAN, their ledgers and journals must balance. The cash journal cash balance must be reconciled to the bank balance. All other fund, revenue, and appropriation ledgers must balance with the cash journal entries. In manual bookkeeping, this is a very cumbersome process, but if it is not followed, the cash, fund, and budget balances may not be accurate.

## INTRODUCTION TO THE REVENUE LEDGER

The revenue ledger is used to allocate the estimated annual revenue (revenue budget) certified on the amended certificate (taxes & other sources) into revenue accounts, record all receipts, and maintain the revenue budget throughout the year.

See the Revenue Ledger below used for posting zoning permit revenue from the fiscal officer's receipt. The receipt was allocated to one General fund revenue account and was entered on the Cash Journal's cash and fund sections in Fund Accounting 101.

Revenue Ledger							
Fund: General Fund							
Revenue Account Name: Licenses and Permit							
Revenue Account Number: 1000-301-0000							
Date	Source Name	Purpose	Receipt Number	(4) Revenue	Revenue Budget		
					(1) Debit (+)	(2) Credit (-)	(3) Balance
1/01	Budget	Estimated Revenue			\$1,000.00		\$1,000.00
1/05	Zoning Inspector	Zoning Permits	1	\$85.00			\$915.00

The first entry in the revenue ledger in January of each year is the revenue budget (estimated annual revenue) for each revenue account code (1). The revenue budget amount is recorded in the "Debit (+)" column (1) and the same amount is entered in the "Balance" column (3).

As revenue is received and recorded in the cash journal, it is allocated to a revenue account **and** recorded in the revenue ledgers. The amount allocated to a revenue account is recorded in the revenue column (4) and the "revenue budget balance" column (3) is reduced by the amount received. The Credit column is not used to reduce the budget balance by a receipt entry. On the revenue ledger, the debit and credit columns are only used to when the revenue budget (revenue estimate) is changed.

The revenue budget "balance" column (3) shows the original revenue estimate and the declining budget balance as revenue is posted. The budget balance is the anticipated revenue not yet received. We can tell after the posting of this receipt we still expect to receive \$915 more this year.

Revenue budget balances should be reviewed on a monthly basis to monitor whether actual receipts are in line with the revenue estimates. You must be aware if you are receiving money as estimated. Remember **your appropriations** (authority to spend) **are based on the estimated revenue being received in full prior to year end.**

Below is a sample of the same revenue ledger later in the year. The zoning permit receipts are posted and entered on the revenue ledger and the budget balance is adjusted with each entry.



Revenue Ledger							
Fund: General Fund							
Revenue Account Name: Licenses and Permit							
Revenue Account Number: 1000-301-0000							
Date	Source Name	Purpose	Receipt Number	(4) Revenue	Revenue Budget		
					(1) Debit (+)	(2) Credit (-)	(3) Balance
1/01	Budget	Estimated Revenue			1,000.00		1,000.00
1/05	Zoning Inspector	Zoning Permits	1	85.00			915.00
2/23	Zoning Inspector	Zoning Permits	17	155.00			760.00
2/29	Zoning Inspector	Zoning Permits	23	150.00			610.00
3/17	Zoning Inspector	Zoning Permits	39	70.00			540.00
4/22	Zoning Inspector	Zoning Permits	48	195.00			345.00
6/17	Zoning Inspector	Zoning Permits	62	155.00			190.00
7/22	Zoning Inspector	Zoning Permits	79	175.00			15.00
8/02	Zoning Inspector	Zoning Permits	88	175.00			-160.00

Notice that the final entry has caused the budget balance to be a negative amount. Remember that a positive revenue budget balance indicates the amount of the estimated revenue you have not yet received. A negative revenue budget balance indicates the amount you have received is more than the estimated annual revenue. We have received \$160.00 more than the original \$1,000.00 estimate.

Revenue ledger review:

- Each fund that receives money has revenue accounts.
- The Official or Amended certificate Taxes and Other sources amounts must be allocated to Revenue accounts.
- You must monitor the revenue budget balance throughout the year and keep your board informed.
- Positive budget balance indicates you have not yet received the estimated amount (shortfall).
- Negative budget balance indicates you have received more than the estimated amount (windfall).

In Fund Accounting 103 we will explore the techniques to evaluate the budget balance and the procedures required to change the revenue budget when necessary.

**INTRODUCTION TO THE APPROPRIATION LEDGER**

The appropriation ledger is used to separate the board adopted appropriations into appropriation accounts (appropriation budget). All encumbrances and expenditures are posted to the appropriation ledger in order to maintain the appropriation budget throughout the year.

Previously we discussed the difference between direct and non-direct appropriation accounts. The object codes in the Uniform Chart of Accounts are established as direct or non-direct accounts – their status cannot be changed.

- **Direct** accounts do not require a purchase order. Expenditures post **directly** against the appropriation budget. Few accounts are direct; they are primarily wage-related.
- **Non-Direct** accounts require a purchase order to encumber the budget. Purchase orders post against the appropriation budget then expenditures post against purchase orders.

On the appropriation ledger, the budget of a direct account is managed differently than the budget of a non-direct account. In order to understand how purchase orders are used to encumber appropriations for expenditures, we need to fully understand encumbrances and purchase orders before viewing the Appropriation Ledger. The appropriation budget balance on an appropriation ledger is maintained differently than the revenue budget on a revenue ledger.

## ENCUMBRANCE

Before a government entity can contract for services or order supplies, the governing board must adopt appropriations in the form of legislation. These appropriations are entered into appropriation ledgers for each fund's appropriation accounts (appropriation budgets). Appropriations are the first level of expenditure authority, but not the only required authority for spending.

Ohio Revised Code 5705.41 states that no contracts or orders involving the expenditure of money may be made unless the fiscal officer has certified that “the amount required has been appropriated for such a purpose and that there is cash available now or in process of collection to the credit of the fund free of any prior encumbrances to make the payment”.

Non-direct appropriation accounts require the certification to be in place to authorize the purchase or contract with a vendor. The fiscal officer is also certifying that the cash will be available to pay the bill.

An encumbrance is an official commitment for the later expenditure of money, and as such reduces the appropriation budget and sets it aside for a specific purpose. An encumbrance has **no** effect on cash or fund balances; it only reduces the **unencumbered appropriation balance**. However, the fiscal officer certification states that the cash will be available when the bill needs to be paid.

Remember what you learned in chapter 2 with our family vacation scenario. The family had to plan their expenditures around the cash flow of the fund. There is a difference between cash and budget. Appropriations are adopted from the resources available for the full year, but the cash

balance is only received when the receipts are posted. The fiscal officer’s certification must take both into consideration and cash flow is often overlooked.

UAN Support often receives calls from a fiscal officer trying to pay a bill using a purchase order that has the amount available but there is not enough cash in the fund to make the payment. Cash flow was overlooked.

Remember the family had to plan their vacation expenditures within the cash flow. We will use this example to understand cash flow and encumbrance better. The amended certificate for the vacation fund shows \$8,016.00 available for appropriation.

<b>Fund</b>	<b>Unencumbered Balance 1/1</b>	<b>Taxes</b>	<b>Other Sources</b>	<b>Resources Available</b>
Vacation	4,008.00	0.00	4,008.00	8,016.00

The board adopted appropriations in the amount of \$7,000.00. If the family had to issue purchase orders they could do so after the appropriations were adopted. However, they cannot go on vacation in January when the appropriations are in place even if they have a purchase order! They had to plan the vacation expenditures within the cash flow.

<b>VACATION FUND CASH FLOW</b>												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>RECEIPTS</b>	334	334	334	334	334	334	334	334	334	334	334	334
<b>EXPENDITURES</b>	0	0	0	-1,500	-1,900	0	-650	0	-2950			
<b>BALANCE</b>	4,342	4,676	5,010	3,844	2,278	2,612	2,296	2,630	14	348	682	1,016

## Purchase Orders

Encumbrance of the appropriation and certification by the fiscal officer is the second level of expenditure authority. A purchase order is a tool used to meet the requirements to authorize a purchase or contract by certifying:

- Appropriations are available for the purpose intended.
- Appropriations have been encumbered (set aside) for a specific purpose.
- Cash required to meet the expenditure is in the bank or in the process of collection.

When a fiscal officer certifies a purchase order, the amounts that are distributed to appropriation accounts are encumbered (set aside) and cannot be used for any other purpose while the purchase order remains open.

Ohio Revised Code and local policy dictates who within the entity hierarchy may approve purchases. The fiscal officer is **required by law to certify** that the appropriations and cash are available, but the fiscal officer does not have authority to **approve** a purchase order outside of their limited authority to run the fiscal office.

The governing board should adopt a purchase order policy that dictates, within the limits of Ohio Revised Code, who may request the purchase order from the fiscal officer, the method used, and who must approve the purchase order after the fiscal officer has signed the certification. The governing board should strictly enforce the requirements of the Ohio Revised Code regarding the proper encumbrance and certification by the fiscal officer before purchases or contracts are approved.

Internal policies vary. A completed paper requisition is often the method that an official or employee uses to request a purchase order to be prepared and certified by the fiscal officer. Paper requisitions are not required by law; they are an internal tool used to meet the requirements of an entity's purchase order policy. Requisitions are usually forms that are created and managed according to the entity's policy. Not all entities use written requisition forms, they may communicate requests verbally or via email.

All non-direct accounts require certification of a purchase order prior to contractual services beginning or supplies being ordered. Internal policies should clearly state that disciplinary action will be taken if employees do not follow the required procedures. Governing boards should be enforcing these policies to show their responsible management of the entity's resources.

Each governing board should enforce the use of purchase orders as required by law to protect the entity from allowing overspending of appropriations. The fiscal officer should bring any violation of the law or local policy to the attention of the governing board. Laws governing purchase orders are always reviewed and enforced at audit.

## Types of Purchase Orders:

There are four types of tools used to encumber money, all considered purchase orders. Two of these have “purchase order” in their name but are different types – they are not interchangeable in their usage. The other two types of purchase orders are called blanket certificates and there are two types that have significant differences in their usage.

### 1. Regular Purchase Order (PO):

- Issued to a particular Vendor.
- Issued prior to purchase or contract as the law requires.
- The amount is limited only by available appropriations (the fiscal officer must also review the cash flow for payment of invoices).
- Allocated to one or more appropriation accounts.
- The expiration date may be established or left open-ended.
- The available balance of each appropriation account on a regular purchase order can be overspent by up to 5% of its original account balance, as long as there is an unencumbered balance available in the appropriation accounts.

### 2. Then and Now Purchase Order (PO):

- The same as a regular purchase order except:
- Used when prior certification **was not obtained**. Always indicates that the law requiring prior certification was **not** followed before the purchase was made. Situations requiring this purchase order type **should be rare**.
- Certifies that there were available appropriations at the time of the purchase (then) and there are still available appropriations when the fiscal officer certifies the purchase order (now).
- The amount is limited only by available appropriations (cash should also be considered).
- If the total amount of a then and now purchase order is **\$3,000.00 or more**, the legislative board must adopt a resolution within 30 days of the issue date confirming their acceptance of the then and now purchase order.

### 3. Regular Blanket Certificate (BC).

- The use of blanket certificates requires formal legislation approving a policy establishing the maximum amount, length of time and local regulations for use.
- Not required to be assigned to a vendor (multiple vendors can be paid from one BC).
- Issued prior to purchases or contract as the law requires.
- The amount is limited by available appropriations
  - Internal controls may restrict further.
- Encumbers a single **appropriation account**.

- Only one Regular BC per appropriation account can be open for a single time period.
- Expiration dates can be established by local policy, but all BCs expire by 12/31 each year. The encumbrance can carry over to the new year for outstanding bills to be paid, but no *new* charges can be made after the expiration date of a Regular BC.
  - An example of Regular BC use: Office supplies are purchased from multiple vendors but they are paid from the same appropriation account. A Regular BC encumbers appropriations for the purpose of the appropriation account (office supplies) rather than any particular vendor. All purchases made for office supplies, regardless of the vendor, can be paid from the Regular BC using the office supplies account.

#### 4. Super Blanket Certificate (BC):

- Same as a Regular Blanket Certificate except:
- Use is limited to most professional services (Accountant, Engineer, Architect, Attorney at Law, Physician, Consultant, and Surveyor), fuel oil, gasoline, utilities, food, or any **specific recurring and reasonably predictable** operating expense.
- Multiple Super Blanket Certificates may be open on a single appropriation account.

The significant differences between Purchase Orders (PO) and Blanket Certificates (BC) are:

- POs are **assigned to a vendor** and can have **multiple appropriation accounts**.
- BCs **can have no vendor** assignment and can **only use one appropriation account**.

These differences should guide you in determining which type to use for encumbrances. There are confusion and misapplication of laws in the use of the four types of purchase orders. While the law would allow choice in some circumstances, fiscal officers often apply incorrect rules in selecting a type. The appropriation account structure and employees authorized to make purchases are unique to each entity and make the procedures for POs and BCs different between entities.

Previously we discussed the entity's freedom to select detail, sub-summary, or summary accounts in their appropriation account structure. We used the Utilities object codes to show that you can pay all utilities from one sub-summary Utilities object code or select several specific detail object codes such as Electricity, Natural Gas, and Telephone.

Some Libraries and Special Districts paying operating expenses from the General Fund would usually have only one set of utility object accounts. Therefore, the library or special district may have selected the **sub-summary** object for Utilities instead of the detail objects for each type. We will assume for our example that Electricity, Telephone, and Natural Gas are supplied by three different vendors and they will be paid from the same appropriation account – Utilities. Because they have one appropriation account and multiple vendors, the use of a single Super BC without a vendor assignment would be ideal.

If the library or special district selected **detail** object codes for the different utilities such as Electricity, Telephone, and Natural Gas, then the use of BCs without vendor assignments is less significant because that choice does not help or hinder the fiscal officer when the bills are paid. There is one appropriation account for each utility, therefore BCs without a vendor and with one appropriation account would work exactly the same as POs *with* a vendor and one appropriation account. The entity could use either three POs (one for each vendor) or three BCs (one for each detail account).

However, townships and villages have multiple funds and buildings using utilities and would have several utility type object accounts throughout their fund appropriations. These entities have many electric bills each month. Because the fiscal officer has to pay the utilities each month from multiple appropriation accounts, the use of a single PO with multiple electricity appropriation accounts is more efficient than using individual BCs for every electricity account.

Because utility bills must be paid from multiple funds each month, regardless of the use of sub-summary or detail appropriation accounts, the easiest tool for encumbrance would be a PO to the utility vendor with multiple accounts. One PO per vendor for the year with each of the necessary appropriation accounts is the easiest encumbrance type to use.

As the examples illustrate, the difference in entity structure would make the efficiency of a PO or BC for utilities different between these entities. The fiscal officer can choose the encumbrance tool that will best serve their purpose when the situation allows a choice.

We will discuss how regular BCs are properly used within a sample entity's policies. First, we have to establish the basis of the sample policy:

- The fiscal officer is to issue a BC each quarter to all appropriation accounts used for supplies (office supplies, operating supplies, etc.) up to one-half of the unencumbered appropriation balance of the account, not to exceed \$5,000.00.
- If the BC is depleted during the time period, a purchase order must be requested until the period expires.
- The fiscal officer supplies the department heads with a copy of the BC and a BC Log for each appropriation account with a beginning balance.
- Employees must request approval of their direct supervisor to spend from the remaining balance on the BC, and upon approval make the purchase, enter the amount spent and reduce the remaining balance. In addition, employees shall write on the sales receipt the BC # and amount allocated to each BC when multiple BC's are used, then submit sales receipts to the Fiscal Officer.
- BCs should only be used for expenditures under \$200.00. Expenditures over \$200 require the supervisor to request a Purchase Order.
- Department heads should submit copies of the BC log to the fiscal officer at month end.
- All expenditure authority for fourth quarter BCs ends November 30 of each year. As of December 1, all new purchases for supplies require a purchase order.

The above basics are established and our sample entity's employees understand the hierarchy for purchase approvals, making purchases, ensuring that there is money remaining on the BC before they make a purchase, and how to log and update the remaining balance. This is just a sample of what a governing board may establish in their BC Policy.

The BC as an encumbrance tool is not meant to allow spending without understanding how much is available on a currently certified BC. The fiscal officer **cannot** issue BCs against all non-direct unencumbered appropriation balances for the year and expect this to meet the requirement for certifying the availability of funds prior to purchases as required by law. This would be a gross misapplication of encumbrance and would make it impossible to keep the governing board informed on how much is available for purchases because only direct accounts (that do not require purchase orders) would have unencumbered balances.

Below is a sample internal BC Log that would be issued to each department head in our sample policy. The department head, when consulted, would check the remaining balance before authorizing a purchase by an employee under their supervision. They would also make sure each employee completes the entry for their purchase once it is made and marks the sales slip with the BC number before submitting the sales slip to the fiscal office. At the end of each month, the department head makes a copy of the BC log for the fiscal officer so they can see what bills have arrived and which ones to expect and be able to mark off the items for sales slips they have received.

<b>BLANKET CERTIFICATE LOG</b>			
BC #: 22 2041-410-420 Operating Supplies			
Expiration Date: 03/30/XXXX		Department: Cemetery	
DATE OF PURCHASE	VENDOR NAME & EMPLOYEE'S INITIALS	AMOUNT OF PURCHASE	RUNNING BALANCE
1/1/XXXX	<b>BEGINNING BALANCE</b>		<b>2,500.00</b>
1/15/XXXX	Mower Supply, Inc. (TBM)	24.99	2,475.01

This type of internal policy makes the use of regular BCs a responsible way to manage a government entity's budget. The fiscal officer would not be burdened with dozens of purchase order requests for every nail or mower blade required by every department and employee. Every department head knows the amount available on the BCs they are responsible for overseeing.



No one will overspend their BC. The fiscal officer will always be aware of the BC used for the purchase and can correctly allocate the amount on the payment.

It is easy to see why the use of BCs differs between entities. Their policies may be different, one entity may be operating without a policy and another entity may not use BCs because their employees cannot be trusted to only spend when required.

Purchase Orders are sometimes issued for a one-time purchase and other times issued for a service to be provided at a rate per hour over a period of time. Let's use a mowing contractor as an example of a PO issued to a vendor for a service provided over a period of time. The details of the sample contract must be established:

- Lovely Lawn Services offers to mow the grass at X location, as needed, at a cost of \$75 per hour for the year.
- "As needed" shall be determined by the contractor as weather permits and grass growth requires.

The board approves the terms of the agreement and understands that a rainy spring and summer may require more mowing, and a dry hot summer may require less mowing. They approve a purchase order that allows for Mowing 2x/week throughout the mowing season from early March through October. The estimated cost of mowing is \$4,800.00 and they understand that the PO encumbers an amount of contractual services appropriation for the mowing vendor. This does not guarantee the mowing vendor the full amount on the PO; it encumbers the estimated amount needed to fulfill mowing requirements. The vendor will submit invoices each month for payment. The fiscal officer will need to keep track of the remaining balance on the PO as time progresses.

The UAN software automatically logs expenditures made against a PO or BC and reports can be generated showing the beginning balance, charges against the encumbrance, and remaining balance. A manual bookkeeper would have to keep an internal PO Log much like the previous sample BC log in order to keep track of how much remains on the PO.

POs are often opened for an estimated amount. Therefore, the fiscal officer has to know if the estimate is meeting the requirements of the service or supply or if it will require additional certification. PO and BC amounts cannot be increased; they can only be decreased or closed. When a PO is running short and the need for the service or supply will continue, it requires a second PO to be opened for the additional amount.

When a PO or BC is closed with a remaining balance, the balance is entered back into the unencumbered balance of the appropriation accounts as a credit.

Now that you understand the tools used to encumber appropriations we will go back to the Appropriation Ledger.

## APPROPRIATION LEDGER

Each appropriation account has an appropriation ledger. The purpose of the appropriation ledger is to maintain the budget allocated to the appropriation account. The board adopted appropriation legislation establishes the appropriations. The fiscal officer enters the appropriation budget on the appropriation ledger. The object code determines if the appropriation account is direct or non-direct.

The first example below is for a non-direct account; this indicates the appropriations must be encumbered, and then expenditures are posted against the encumbrance.

Appropriation Ledger								
Fund: General Fund								
Account Name: Utilities								
Appropriation Account Number:1000-110-350-0000								
Date	Vendor/Payee	Purpose	PO/BC Number	Payment/Receipt Number	Expenditure Amount (5)	Appropriation Budget		
						Debit (-) (4)	Credit (+) (2)	Balance (3)
1/01		Appropriation (1)					\$4,500.00	\$ 4,500.00

The first entry on each appropriation ledger is the appropriation budget (1). The appropriation budget amount is recorded in the “appropriation budget credit (+)” column (2) and the same amount is entered in the “balance” column (3). The balance column represents the **unencumbered appropriation balance** of the appropriation account and indicates the amount available for new encumbrances.

A positive budget balance in column (3) indicates appropriations are available for new encumbrances. Since appropriations should not be overspent you should not see a negative appropriation balance.

Appropriation Ledger								
Fund: General Fund								
Account Name: Utilities								
Appropriation Account Number:1000-110-350-0000								
Date	Vendor/Payee	Purpose	PO/BC Number	Payment/Receipt Number	Expenditure Amount (5)	Appropriation Budget		
						Debit (-) (4)	Credit (+) (2)	Balance (3)
1/01		Appropriation (1)					\$4,500.00	\$ 4,500.00
1/15	Electric Co.	Open PO	1			\$1,500.00		\$ 3,000.00
1/15	Phone Co	Open PO	3			\$1,000.00		\$ 2,000.00

Encumbrances (PO/BC) are certified against the unencumbered appropriation balance by entering the PO/BC details such as Vendor (when required), purpose and number, entering the amount of the encumbrance in the “debit (-)” column (4) and reducing the “balance” column (3) by the same amount. The PO/BC reduces the unencumbered appropriations and “sets aside” the appropriations for a specific vendor (PO) or purpose (BC).

Once expenditures to non-direct accounts are recorded in the cash journal cash and fund sections, they are posted on the appropriation ledger against the encumbrance, not against the unencumbered appropriation balance, as shown below. The expenditure entries are **not** entered in the Debit column and do **not** change the unencumbered appropriation balance.

Appropriation Ledger								
Fund: General Fund								
Account Name: Utilities								
Appropriation Account Number:1000-110-350-0000								
Date	Vendor/Payee	Purpose	PO/BC Number	Payment/Receipt Number	Expenditure Amount (5)	Appropriation Budget		
						Debit (-) (4)	Credit (+) (2)	Balance (3)
01/01		Appropriation (1)					\$4,500.00	\$ 4,500.00
01/01	Electric Co.	Open PO	1			\$1,500.00		\$ 3,000.00
01/01	Telephone Co	Open PO	3			\$1,000.00		\$ 2,000.00
01/10	Electric Co.	Electricity	1	1041	\$101.23			\$ 2,000.00
01/10	Telephone Co	Telephone	3	1042	\$187.56			\$ 2,000.00

Notice that the appropriation budget “balance” column (3) is not adjusted when the January 10 payments are posted. The payments reduce the unspent balance of the purchase order, not the budget. You would have to view a purchase order report to see the unspent balance of the purchase order.

Below is a sample of a **direct** account appropriation ledger. Direct accounts encumber the appropriations at the time of the expenditure.

Appropriation Ledger								
Fund: General Fund								
Account Name: Workers Compensation								
Appropriation Account Number:1000-110-230-0000								
Date	Vendor/Payee	Purpose	PO/BC Number	Payment/Receipt Number	Expenditure Amount (5)	Appropriation Budget		
						Debit (-) (4)	Credit (+) (2)	Balance (3)
01/01		Appropriation (1)					\$10,000.00	\$10,000.00
2/25	Ohio BWC	Annual Premium		1057	\$9,685.75	\$9,685.75		\$314.25

Just like the non-direct account, the first entry to the appropriation account ledger is the appropriation budget entered in the credit column and the amount is carried to the balance column.

When a payment is posted to a direct account the amount is entered in the expenditure amount column (5), the amount is also entered in the Debit (-) column (6) and the appropriations in the balance column (3) are reduced by the payment amount. This illustrates how the payment posts directly against the appropriation budget.

In Fund Accounting 103 we will explore techniques to evaluate the budget balance and the procedures required to change the appropriation budget.

Review what you have learned about the appropriation ledger and encumbrances:

- Each fund has appropriation accounts and each account has an appropriation ledger.
- Adopted appropriations are entered on the appropriation ledgers as appropriation budgets.
- Fiscal officer certifies the availability of budget and cash on purchase orders (PO & BC).
  - The fiscal officer must also consider cash flow when certifying a PO/BC.
- There are four types of encumbrances tools known as purchase orders.
- Monitor appropriation budgets on the appropriation ledger
- The unencumbered appropriation budget is a budget figure – NOT CASH!

## INTEREST RECEIPTS

When interest is received for an account such as the primary checking, savings, CD, StarOhio, or other investment, an interest receipt is posted to manual books. The entries are made on the receipt, cash journal (cash and fund sections) and the revenue ledgers. Manual bookkeepers must also keep an investment journal where the entry is also posted. When an interest receipt is posted in the UAN software, all entries are automatically made to the cash journal, and fund, revenue, and investment ledgers. The interest of pooled accounts and investments must be distributed among the funds with pooled balances that are permitted to receive earned interest.

When an investment is awarded, the timetable for paying interest is arranged with the depository and is commonly one of the following:

- Upon maturity
- Monthly
- Quarterly

**Remember all funds are not permitted to retain interest.**

The Uniform Chart of Accounts' fund list clearly indicates which funds *are* permitted to keep their interest, which are *not* permitted to keep their interest, and which *may* keep their interest under certain conditions. The law governs interest distribution for most fund types.

Conditional interest funds signify that the specific contracts or agreements that are the foundation of the fund (often capital projects or debt retirement) establish if the proceeds are required, permitted, or not permitted to retain the interest earned. Further, the legislation establishing the fund should state if a conditional interest fund is to retain interest.

There are only two possibilities for interest receipts. If a fund is permitted to retain its earned interest, then interest is distributed to the fund. If a fund is **not** permitted by law to retain its earned interest, the general fund must receive the distribution. There are no exceptions.

**Which bank account receives the interest?**

- **Reinvested:** Interest is added to the balance of the investment, generally by direct deposit. When the interest receipt is posted, the investment balance increases.
- **Posted to primary checking:** Interest is either directly deposited to the primary checking account or the fiscal officer deposits the interest check in the primary checking account. When the interest receipt is posted, the balance of the investment remains the same and the primary checking account increases.
  - The interest earned on the primary checking account always remains with the primary checking account, therefore it is reinvested and remains with the primary checking; both methods have the same meaning for the primary checking account.

**Distribution of interest by fund on the receipt.**

UAN users do not have to calculate the interest distribution among funds with pooled balance. When the option is selected, the software will distribute the interest proportionally based on pooled fund balances to all the funds permitted to receive earned interest. The only time a UAN user must manually calculate the proportionate interest is in rare circumstances when the entity has a negative fund balance.

Manual bookkeepers must calculate the percentage of interest distributed to each fund that is allowed to receive interest and allocate the remaining balance of the interest receipt to the general fund.

The distribution of pooled interest is outlined below.

We look at our familiar bank accounts and fund balances used in Fund Accounting 101. We will pretend that these are the month end fund balances. We have received the bank and investment statements that show the interest earned on the accounts, and we have to determine the distribution of the interest receipts.

Government Bank Balances		Separate but equal	Government Fund Balances		
Primary Checking	179,875.14		General Fund	159,791.56	
StarOhio Investment	65,000.00		Gasoline Tax Fund	38,472.52	
CD	35,000.00		Road & Bridge Fund	24,695.13	
Cemetery Bequest	2,000.00		Cemetery Levy Fund	10,313.22	
			Fire & EMS Levy Fund	32,546.87	
			Road Debt Fund	1,523.29	
			Cemetery Bequest Fund	14,532.55	
<b>Total Bank Balance</b>	<b>281,875.14</b>		=	<b>Total Fund Balance</b>	<b>281,875.14</b>

## What funds are permitted to receive a portion of Pooled interest?

The fund list above contains three funds that are permitted by law to receive their interest, General, Gasoline Tax, and the Cemetery Bequest fund.

Our sample Road Debt fund type is a conditional interest fund. In our sample, the fund can retain the earned interest. Keep in mind this does not mean your road debt fund should keep its interest, this is just a sample.

The Road & Bridge, Cemetery Levy, and Fire & EMS Levy funds are not permitted by law to retain their earned interest. The interest earned on these balances must be posted to the General Fund.

## The monthly bank statements show the following interest earned:

<b>Pooled Accounts:</b>		<b>Non-Pooled Account:</b>	
Primary Checking	\$79.62	Cemetery Bequest CD	\$2.75
StarOhio Investment	125.34		
CD	35.72		

## The nature of the interest posting on these investments:

Primary Checking	Reinvested
StarOhio Investment	Post to Primary Checking
CD	Post to Primary Checking
Cemetery Bequest CD	Post to Primary Checking

The Cemetery Bequest CD is the only **Non-Pooled** investment; it contains the non-spendable balance of the Cemetery Bequest fund. The Cemetery Bequest fund will receive 100% of the interest earned on the Cemetery Bequest CD. Since the cemetery bequest governing documents state that the interest can be spent, the investment was opened at the bank to pay interest monthly **to the primary checking account**; it is not reinvested. The receipt is posted to the interest revenue account in the Cemetery Bequest fund and the fund balance and the investment balance are increased.

The Primary checking, StarOhio and CD accounts are pooled. The interest must be distributed to the funds that are permitted to receive interest and the interest from the funds not permitted to retain interest posts to the general fund. The UAN software can automatically distribute the pooled investment interest.

A manual bookkeeper would have to perform the following calculations for the interest distribution.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Fund Name	Month End Fund Balance	Pooled Balance	% of Pool Balance	Primary \$79.62	StarOhio \$125.34	CD \$35.72	Post to Fund
General Fund	159,791.56	159,791.56	57.09%	45.46	71.56	20.40	GENERAL
Gasoline Tax	38,472.52	38,472.52	13.75%	10.94	17.23	4.91	GASOLINE
Road & Bridge	24,695.13	24,695.13	8.82%	7.03	11.06	3.15	GENERAL
Cemetery Levy	10,313.22	10,313.22	3.69%	2.93	4.62	1.32	GENERAL
Fire & EMS Levy	32,546.87	32,546.87	11.63%	9.26	14.58	4.15	GENERAL
Road Debt	1,523.29	1,523.29	0.54%	0.43	0.68	0.19	ROAD
Cemetery Bequest	14,532.55	12,532.55	4.48%	3.57	5.61	1.60	CEM. BEQ.
<b>Total Fund Balance</b>	<b>281,875.14</b>	<b>279,875.14</b>	<b>100%</b>	<b>79.62</b>	<b>125.34</b>	<b>35.72</b>	

In the above chart, the funds are listed on the left.

- Column (1) is the month end fund balance.
- Column (2) is the month end pooled fund balance.
  - Note the \$2,000.00 difference in the Cemetery Bequest Fund’s Pooled Balance and Month End Fund Balance. The pooled balance does **not** include the amount of the non-pooled investment. The fund balance, less the non-pooled investment, is the pooled balance.
- Column (3) is the percentage of pooled balance. The fiscal officer has calculated the percentage of the pooled balance of each fund. The method of calculation should be retained for audit.
- Column (4) shows the Primary checking interest of \$79.62. This amount is multiplied by each fund’s percentage of pooled balance to arrive at the amount of interest the fund earned.
- Column (5) shows the StarOhio investment interest of \$125.34. This amount is multiplied by each fund’s percentage of pooled balance to arrive at the amount of interest the fund earned.
- Column (6) shows the CD interest of \$35.72. This amount is multiplied by each fund’s percentage of pooled balance to arrive at the amount of interest the fund earned.
- Column (7) shows the distribution of investment interest to each fund. Note that the interest earned by the Road & Bridge, Cemetery Levy, and Fire & EMS Levy funds will be posted to the General Fund.

The three interest receipts are prepared and posted with the appropriate setting either to **reinvest** to the balance of the investment or **post to the primary checking**.

The UAN software posts the interest receipt to all required journals and ledgers and updates the revenue budget figures and maintains an investment journal for each investment. Interest receipts are entered on the investment journal regardless of whether they are reinvested or post

to the primary checking so an auditor can see the amount of interest earned by the investment. Only reinvested interest increases the balance of the investment on the investment Journal.

Manual bookkeepers, in addition to preparing a receipt, would post the interest to the cash journal cash and fund sections, enter the distribution to all revenue ledgers, **and** make an entry on the investment journal.

## MEMO RECEIPTS

Government entities receive net tax distributions from the County Auditor and State Treasurer. These distributions reflect the **gross** amount of taxes collected **less** the collection **fees** charged by the county or state. The entity receives the **net distribution**. The gross revenue and total fees must be entered on a receipt known as a memo receipt. Memo receipts allocate the gross collections to revenue accounts and the fees charged to appropriation accounts, to arrive at a net distribution.

Memo receipts should not be confused with the process of the memo entry of grants or loans that must be posted on your books. A UAN Memo receipt is never used when the source of the revenue is not the same as the vendor receiving the payment such as a grant or loan.

Memo receipts can be used when the collector of the revenue is taking fees or holding a portion of the gross for payment on your entity's behalf before distributing the net.

The below chart is a simplified version of a county real estate tax distribution sheet. They are more complex than this example and vary county to county.

Note that the gross tax collected and fees are allocated to four different funds.

Fees are often separated by tax collection fees on current taxes, delinquent real estate tax, advertising, election expenses, county health district fees, and other itemized fees.

All of the charts of accounts contain a Tax Collection fee object code to be used for the county auditor fees. In some counties, the county auditor holds back a portion for other items such as county health district fees that are not posted to the Tax Collection Fees object code. These items are posted to non-direct accounts that require an encumbrance to be used. The best encumbrance tool to use in these cases is a Blanket Certificate (BC) with no vendor assignment. This will allow the BC to be used on the memo receipt when the source is the county auditor. You are not paying the county auditor the health district costs; the memo receipt shows the county auditor held back your share of the health district costs that will be paid on your entity's behalf.



Since tax distribution sheets vary county to county, we will only discuss the basic concepts. You may need to carefully review your tax distribution sheets with your county auditor's office to understand the gross revenue and charges for your entity.

<b>Real Estate Tax 1<sup>st</sup> Half Tax Settlement</b>			
<b>Tax Levy</b>	<b>Gross Amount</b>	<b>Co. Auditor Collection Fees</b>	<b>Net Amount</b>
<b>General Fund Operating Levy</b>	\$59,000.00	\$857.50	\$58,142.50
<b>Road and Bridge Levy</b>	\$70,000.00	\$1,050.00	\$68,950.00
<b>Cemetery Levy</b>	\$10,000.00	\$262.50	\$9,737.50
<b>Fire and EMS Levy</b>	\$70,000.00	\$1,487.50	\$68,512.50
<b>Total</b>	<b>\$209,000.00</b>	<b>\$3,657.50</b>	<b>\$205,342.50</b>

A manual fiscal officer's memo receipt would be prepared like the sample below:

<b>ORIGINAL</b>			
		<b>Receipt # <u>7-XXXX</u></b>	
<b>\$ <u>205,342.50</u></b>		<b>Date: <u>02-25-XXXX</u></b>	
<b>OFFICE OF THE TOWNSHIP FISCAL OFFICER</b>			
<u>Any Township, Anytown, Franklin County, Ohio</u>			
<b>Received of:</b> <u>County Auditor</u>			
<u>Two hundred five thousand three hundred forty-two and 50/100</u> <b>Dollars</b>			
<b>For:</b> <u>First half real estate tax settlement</u>			
<b>Revenue Accounts:</b>		<b>Fee Accounts:</b>	
1000-101-0000	59,000.00	1000-110-314-0000	857.50
2031-101-0000	70,000.00	2031-330-314-0000	1,050.00
2041-101-0000	10,000.00	2041-410-314-0000	262.50
2191-101-0000	70,000.00	2191-220-314-0000	1,487.50
<b>Signature – Fiscal Officer</b>			

The total of the gross collection by fund are posted to the revenue accounts. In our sample above the total gross collections are \$209,000.00. The total fees withheld by the county auditor are posted to the appropriation accounts in the total amount of \$3,657.50. The gross less the fees equal the net amount of the receipt \$205,342.50. Below is an excerpt of a sample Cash Journal, cash side entry of the memo receipt:

<b>Cash Journal</b>									
-----Cash-----									
	Debit(+) Receipt	Credit(-) Expenditure	Balance	Date	Detail	Receipt #	PO/BC #	Warrant / Charge #	Account #
5			\$267,336.27		Balance carried forward				
6	\$59,000.00		\$326,336.27	2/25	1 <sup>st</sup> Half Property	7-XXXX			1000-101-0000
7		\$857.50	\$325,478.77	2/25	Collection Fees	7-XXXX	Direct		1000-110-314-0000
8	\$70,000.00		\$395,478.77	2/25	1 <sup>st</sup> Half Property	7-XXXX			2031-101-0000
9		\$1,050.00	\$394,428.77	2/25	Collection Fees	7-XXXX	Direct		2031-330-314-0000
10	\$10,000.00		\$404,428.77	2/25	1 <sup>st</sup> Half Property	7-XXXX			2041-101-0000
11		\$262.50	\$404,166.27	2/25	Collection Fees	7-XXXX	Direct		2041-410-314-0000
12	\$70,000.00		\$474,166.27	2/25	1 <sup>st</sup> half Property	7-XXXX			2191-101-0000
13		\$1,487.50	\$472,678.77	2/25	Collection Fees	7-XXXX	Direct		2191-220-314-0000
<b>Total</b>	<b>\$290,000.00</b>	<b>\$3,657.50</b>							

Below is an excerpt of a cash journal, fund side entry of the memo receipt for only the four affected funds. Each fund has a gross receipt and an expenditure entry.

<b>Cash Journal</b>						
	<b>General Fund</b>			<b>Road and Bridge Fund</b>		
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
5			\$148,392.79			\$19,132.44
6		\$59,000.00	\$207,392.79			\$19,132.44
7	\$857.50		\$206,535.29			\$19,132.44
8			\$206,535.29		\$70,000.00	\$89,132.44
9			\$206,535.29	\$1,050.00		\$88,082.44
10			\$206,535.29			\$88,082.44
11			\$206,535.29			\$88,082.44
12			\$206,535.29			\$88,082.44
13			\$206,535.29			\$88,082.44
<b>Total</b>	<b>\$857.50</b>	<b>\$59,000.00</b>		<b>\$1,050.00</b>	<b>\$70,000.00</b>	

<b>Cash Journal</b>						
	<b>Cemetery Levy Fund</b>			<b>Fire and EMS Levy Fund</b>		
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
5			\$12,600.15			\$28,072.31
6			\$12,600.15			\$28,072.31
7			\$12,600.15			\$28,072.31
8			\$12,600.15			\$28,072.31
9			\$12,600.15			\$28,072.31
10		\$10,000.00	\$22,600.15			\$28,072.31
11	\$262.50		\$22,337.65			\$28,072.31
12			\$22,337.65		\$70,000.00	\$98,072.31
13			\$22,337.65	\$1,487.50		\$96,584.81
<b>Total</b>	<b>\$262.50</b>	<b>\$10,000.00</b>		<b>\$1,487.50</b>	<b>\$70,000.00</b>	

Below are the sample revenue ledger entries of the memo receipt revenue. Note how the budget balance is reduced with the revenue posting.

<b>Revenue Ledger</b>							
Fund: General Fund							
Revenue Account Name: General Property Tax Real Estate							
Revenue Account Number: 1000-101-0000							
Date	Source Name	Purpose	Receipt Number	Amount Received	Revenue Budget		
					Debit (+)	Credit (-)	Balance
1/01	Budget	Estimated Revenue			\$118,000.00		\$118,000.00
2/25	County Auditor	1 <sup>st</sup> half tax settlement	7-XXXX	\$59,000.00			\$59,000.00

<b>Revenue Ledger</b>							
Fund: Road & Bridge Fund							
Revenue Account Name: General Property Tax Real Estate							
Revenue Account Number: 2031-101-0000							
Date	Source Name	Purpose	Receipt Number	Amount Received	Revenue Budget		
					Debit (+)	Credit (-)	Balance
1/01	Budget	Estimated Revenue			\$140,000.00		\$140,000.00
2/25	County Auditor	1 <sup>st</sup> half tax settlement	7-XXXX	\$70,000.00			\$70,000.00

Revenue Ledger								
Fund: Cemetery Levy Fund								
Revenue Account Name: General Property Tax Real Estate								
Revenue Account Number: 2041-101-0000								
Date	Source Name	Purpose	Receipt Number	Amount Received	Revenue Budget			
					Debit (+)	Credit (-)	Balance	
1/01	Budget	Estimated Revenue			\$20,000.00		\$20,000.00	
2/25	County Auditor	1 <sup>st</sup> half tax settlement	7-XXXX	\$10,000.00			\$10,000.00	

Revenue Ledger								
Fund: Fire & EMS Levy Fund								
Revenue Account Name: General Property Tax Real Estate								
Revenue Account Number: 2191-101-0000								
Date	Source Name	Purpose	Receipt Number	Amount Received	Revenue Budget			
					Debit (+)	Credit (-)	Balance	
1/01	Budget	Estimated Revenue			\$140,000.00		\$140,000.00	
2/25	County Auditor	1 <sup>st</sup> half tax settlement	7-XXXX	\$70,000.00			\$70,000.00	

Below are the sample Appropriation Ledger entries of the memo receipt fees. The tax collection fees appropriation accounts are direct. Note how the payment reduces the budget balance.

Appropriation Ledger								
Fund: General Fund								
Account Name: Tax Collection Fees								
Appropriation Account Number:1000-110-314-0000								
Date	Vendor/Payee	Purpose	PO/BC #	Payment/ Receipt #	Expenditure Amount	Appropriation Budget		
						Debit (-)	Credit (+)	Balance
1/01		Budget					\$3,500.00	\$3,500.00
2/25	County Auditor	Tax Collection Fees	Direct	7-XXXX	\$857.50	\$857.50		\$2,642.50

Appropriation Ledger								
Fund: Road & Bridge Fund								
Account Name: Tax Collection Fees								
Appropriation Account Number:2031-330-314-0000								
Date	Vendor/Payee	Purpose	PO/BC #	Payment/ Receipt #	Expenditure Amount	Appropriation Budget		
						Debit (-)	Credit (+)	Balance
1/01		Budget					\$3,000.00	\$3,000.00
2/25	County Auditor	Tax Collection Fees	Direct	7-XXXX	\$1,050.00	\$1,050.00		\$1,950.00

Appropriation Ledger								
Fund: Cemetery Levy Fund								
Account Name: Tax Collection Fees								
Appropriation Account Number: 2041-410-314-0000								
Date	Vendor/Payee	Purpose	PO/BC #	Payment/ Receipt #	Expenditure Amount	Appropriation Budget		
						Debit (-)	Credit (+)	Balance
1/01		Budget					\$1,500.00	\$1,500.00
2/25	County Auditor	Tax Collection Fees	Direct	7- XXXX	\$262.50	\$262.50		\$1,237.50

Appropriation Ledger								
Fund: Fire & EMS Levy Fund								
Account Name: Tax Collection Fees								
Appropriation Account Number: 2191-220-314-0000								
Date	Vendor/Payee	Purpose	PO/BC #	Payment/ Receipt #	Expenditure Amount	Appropriation Budget		
						Debit (-)	Credit (+)	Balance
1/01		Budget					\$3,500.00	\$3,500.00
2/25	County Auditor	Tax Collection Fees	Direct	7- XXXX	\$1,487.50	\$1,487.50		\$2,012.50

If you have an amount withheld by the county, such as health district, the appropriation account used would be a non-direct account requiring an encumbrance to be posted. The appropriation ledger would show the encumbrance entry reducing the budget balance. When the memo receipt is posted the entry to the non-direct appropriation ledger would not further reduce the budget balance.

## MONTHLY WRAP UP

Before finalizing a month and preparing financial reports for the governing board, the fiscal officer should review the journals and ledgers to assure that all items are posted correctly. Items that were accidentally posted to the wrong revenue or appropriation accounts should be corrected before preparing the monthly financial reports.

Reviewing the month's postings for accuracy before preparing the financial reports is always a good idea. Once the month is "closed" and financial reports are issued, corrections would be entered in the month the error was found rather than the month the errors were made. UAN clients can make corrections in a month up to the moment the bank reconciliation is posted for the month. Once the bank reconciliation is posted, no corrections can be back-dated to that month, the corrections would have to be posted to the current month and be brought to the governing board's attention.

**Review the following items prior to “closing” a month:**

**PO/BC:** Review the open purchase orders and the departmental BC logs to determine if the remaining balances are sufficient for ongoing expenditures before the expiration dates. Follow internal policies if additional resources need to be certified. Review POs to see if purchases are completed or if the remaining balances are sufficient for ongoing expenditures. If all expenditures against a PO have been made, it can be closed and any unspent balance is credited back into the unencumbered appropriation balance of the appropriation accounts.

See an example below:

Appropriation Ledger								
Fund: General Fund								
Account Name: Contracted Service								
Appropriation Account Number:1000-110-360-0000								
Date	Vendor/Payee	Purpose	PO/BC #	Payment/ Receipt #.	Expenditure Amount	Appropriation Budget		
						Debit (-)	Credit (+)	Balance
01/01		Budget					\$3,500.00	\$3,500.00
2/04	Speedy Copy Repair	Open PO Repairs	PO-12			\$250.00		\$3,250.00
2/10	Speedy Copy Repair	Copier Repair	PO-12	1072	\$99.00			\$3,250.00
2/10	Speedy Copy Repair	Close PO	PO-12				\$151.00	\$3,401.00

A purchase order (PO) for copier repairs was issued for an estimated amount of \$250.00. The repairs only cost \$99.00 leaving an unspent balance of \$151.00. There is no longer a need to have the PO open because the service has been completed and paid in full. The PO is closed and the unspent balance credited back into the unencumbered appropriation balance as shown above.

POs/BCs should be reviewed before “closing” the month so the financial reports reflect the unencumbered appropriation balances in the appropriation accounts.

**Revenue Ledgers:** Verify that receipts were posted to the revenue accounts in the proper funds. Review the Revenue budget balance to determine if the revenue estimate is on track.

**Appropriation Ledgers:** Verify that purchase orders and expenditures have been posted to the correct funds and appropriation accounts. The sample appropriation ledger below shows a PO opened for office supplies on the Utilities appropriation account. This should be corrected as soon as it is discovered. If you review your ledgers before posting the monthly bank reconciliation, mistakes like this can be corrected in the same month they were made.

### Appropriation Ledger

Fund: General Fund  
 Account Name: Utilities  
 Appropriation Account Number: 1000-110-350-0000

Date	Vendor/Payee	Purpose	PO/BC #	Payment/ Receipt #	Expenditure Amount	Appropriation Budget		
						Debit (-)	Credit (+)	Balance
1/01		Budget					\$4,500.00	\$ 4,500.00
1/15	Electric Co.	Open PO	1-XXXX			\$ 500.00		\$ 4,000.00
1/15	Office Supply Co	Open PO	2-XXXX			\$1,000.00		\$ 3,000.00
1/15	Telephone Co	Open PO	3-XXXX			\$1,000.00		\$ 2,000.00
2/01	Electric Co.	Electric Bill	1-XXXX	1041	\$101.23			\$ 2,000.00
2/01	Telephone Co	February Bill	3-XXXX	1042	\$187.56			\$ 2,000.00

The purchase order to Office Supply Co. has not had any payments posted against it. The fiscal officer must close the purchase order and open a new purchase order on the proper appropriation account. The ledger would show a Close PO entry and the \$1,000.00 is credited back into the budget balance.

If payments had already been made against the PO on the wrong account, the new PO would need to be added to the correct account and all payments must be reallocated to the new PO on the correct account.

**Investment Ledgers:** Check the ending balance of all investments to make certain all interest was posted and was posted properly as reinvested or posted to the primary checking. If the investment balance matches the last statement balance they are accurate. Correct any posting errors so the investment balances at the end of the month are accurate.

Once the revenue and appropriation ledgers, the PO/BCs and the investment balances are reviewed, the bank reconciliation can be finalized. Now the fiscal officer can prepare monthly reports for the board.

## MONTHLY REPORTS

Each month the fiscal officer should present to the legislative board financial reports from the previous month. The reports presented should give the legislative board an accurate and detailed accounting of the previous month's financial activity for each fund. These reports should also inform the board of the entity's year to date financial position.

There are other training videos that cover in more detail the monthly reports recommended below. On [UANlink.ohioauditor.gov](http://UANlink.ohioauditor.gov) under Training and Transition see Phase 3 – UAN Introduction Training the video entitled UAN Reports for Entity Management will be helpful.

Suggested UAN reports for the legislative board:

### FUND SUMMARY

The **Fund Summary** report summarizes each fund balance at the start and end of the specified month. It shows revenue and expenditures in month-to-date and year-to-date columns as well as the current reserve for encumbrance (open PO/BC's) and the unencumbered fund balances.

### APPROPRIATION SUMMARY

The **Appropriation Summary** report summarizes appropriations for each fund by program type. It displays the reserved for encumbrance on December 31 (carried over from a prior year) less adjustments, final appropriation amounts, and total appropriations. It also shows the month to date and year to date expenditures, current reserve for encumbrance (current year open PO/BC's unspent balance), unencumbered appropriation balances, and the year to date percentage of expenditures. For a more detailed appropriation report by individual appropriation account, use the **Appropriation Status** report.

### REVENUE SUMMARY

The **Revenue Summary** report summarizes revenues for each fund by revenue type. It displays the final budget amount, month to date and year to date revenue amounts, the budget variance (favorable or unfavorable), and the year to date percentage of revenue. For a more detailed revenue report by individual revenue account, use the **Revenue Status** report.

### PAYMENT LISTING

The **Payment Listing** report presents all selected payments in a list format and includes the warrant/electronic payment number, post date, transaction date, payment type, vendor/payee, amount, and bank reconciliation status. For a more detailed report on each payment, use the **Payment Register Detail** report.



## WAGE WITHHOLDING DETAIL

If the entity uses the UAN payroll software, we recommend the **Wage Withholdings Detail** report lists wage and withholding information for each selected employee. The report displays each employee payment separately by employee name for the time period chosen and displays the withholding amounts for Ohio + Supplemental, Federal + Supplemental, Social Security, Medicare, Local, OPERS, OP&FPF, Local, School, and Other.

## CONCLUSION

In this chapter you learned about the:

- Revenue ledger and how the revenue budget and receipts are posted and the budget monitored.
- Appropriation ledger and how appropriation budget, encumbrances, and payments are posted and affect the unencumbered balance of each appropriation account.
- The four types of encumbrances that can be certified by the fiscal officer.
- Interest receipts for Pooled and Non-Pooled accounts and Investments
- Memo Receipts and how the gross revenue collected and fees are posted
- Monthly wrap up including reconciling, reviewing ledgers for accuracy and producing reports for the governing board.