

Prerequisite Accounting Governmental Fund Accounting 101



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COURSE PURPOSE

UAN Governmental Fund Accounting is designed to provide newly elected or appointed fiscal officers a basic understanding of fund accounting prior to training on the UAN software.

It is an introductory course intended to familiarize you with the terms and concepts that will become an everyday part of your work. If you do not know the language it is difficult to ask a question.

This is **not** meant to be a complete fund accounting resource. UAN Support personnel only answer questions about the software. We can only introduce you to the basics so you will understand the principles applied in the software. There are many other resources to complete your fund accounting training.

For more information about specific fund accounting procedures, fiscal officers must consult with the State Auditor's Local Government Services division (LGS) or their entity's legal advisor.

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CHAPTER 1: INTRODUCTION TO FUND ACCOUNTING

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

FUNDS

The first question that has to be answered is **“What is a fund?”**

A fund is a self-contained, self-balancing accounting component used to track revenue and expenditures. Funds separate government money according to legal or purpose restrictions.

That is the definition, but what does it mean?



The pie represents the entity’s total cash balance. The individual slices of the pie represent separate funds. They operate independently of each other within the total cash balance.

Why is the government’s cash divided into funds?

- a. Accountability of the Government’s resources: When the separation of money is required by law or to comply with a contract or agreement

Residents should be able to scrutinize their government and determine if the money is being spent for the purpose it was collected. We all want to know our tax dollars are being spent correctly.

- b. “Nature of Use” or purpose: When certain money must be used for specific purposes and cannot be commingled with other government money

Example: The Cemetery Levy money can only be spent on the cemetery, and the same is true for sewer and water collections. The entity cannot spend water money on the sewer, sewer money for the cemetery, fire levy money on anything but the fire department. These taxes and usage rates have been enacted and collected to support a specific purpose and cannot be used for anything else!

Now that you know what funds are, we need to explain how to manage fund accounting. No matter what you have been told it is not like keeping your checkbook at home!

FUND ACCOUNTING – A FAMILY EXAMPLE AND A GOVERNMENT EXAMPLE

Governmental Fund Accounting is like your own “family” accounting. It is divided into two independent but equally important concepts: cash and budget.

Family Accounting:

CASH	BUDGET
Money currently in the family bank accounts and investments.	A family’s plan for the money that will be available to spend.

Governmental Fund Accounting:

CASH	BUDGET
Money currently in the government’s bank accounts and investments.	A legislative board’s plan for the money that may be available to spend.

These two elements are equally important but operate differently.

The total fund cash balance must reconcile with bank and investment statements. However, the budget does **not** reconcile with cash because it is a plan to receive and spend money. The budget does not tell you how much cash is in the bank to spend and cash does not tell you how much the board has made available (or appropriated) to spend in the budget. They are different!

The fiscal officer must learn to manage both the cash and the budget, two different elements of fund accounting.

We will begin by exploring a budget using a family example.

FAMILY EXAMPLE

A family has decided it would be good to have a yearly budget. They must budget their fixed costs and they would like to include eating out once a week, taking a vacation once a year, opening two 529 college savings investments for the children, and saving more money to build

an addition onto the house. A budget is a spending and savings plan for the family money. The budget must start with the money currently in the bank plus estimated annual earned income and end with planned expenses and savings.

Estimating the **resources available** is the beginning stage of our family budget. You cannot start a budget with the spending. You must first determine how much money you will have to budget.

The first portion of resources available is the money they have in the bank at this time.

	Amount
Checking Account Balance	855.33
Savings Account #1 Balance	2,345.45
Savings Account #2 Balance	5,546.98
Cash in wallets	150.00
Total Cash Balance	\$8,897.76

The bank balances will change depending on the amount of revenue (money deposited) and expenditures (money spent) each day. The checking balance would be reduced by any outstanding checks or increased by deposits made that do not appear on the account yet. We must arrive at a starting point for our cash balance.

Next, the family calculates their estimated annual income. In the grid below the family determines how much money they will receive during the year. This money trickles into the family's bank accounts a little at a time throughout the year. We know that they are not going to have all of this money at one time.

	Month	Year
Dad's monthly net paychecks	4,500.00	54,000.00
Mom's monthly net paychecks	1,000.00	12,000.00
Interest on investments: Savings Account	25.00	300.00
Total Estimated Revenue	\$5,525.00	\$66,300.00

The cash in our beginning balances is an exact amount of money that we start with but the estimated annual revenue is not an exact cash amount, it is an estimated amount. We will not know until the year ends whether we received all of our estimated revenue. Spending must be managed within the actual receipt of cash. The Budget is not cash – it only starts with the beginning cash balance.

Now we bring the beginning cash balance of \$8,897.76 and the estimated annual revenue of \$63,300 to arrive at the amount we **anticipate** having available to spend. This is our **resources available**. Again, the resources available are not a guaranteed amount we have, it is only our best - budgeted guess of what we will have available to spend.

	Amount
+ Cash balance	8,897.76
+ Annual estimated revenue	66,300.00
Resources Available for Expenditure	\$75,197.76

In the next phase of the budgeting process, the family lists all of their normal monthly expenses. These expenses **must** be paid and are considered “fixed costs” in the family budget.

Fixed Costs	Month	Year
House mortgage & taxes	750.00	9,000.00
Utilities	400.00	4,800.00
Groceries	700.00	8,400.00
Gasoline (2 drivers)	225.00	2,700.00
Insurance (Home & Car)	166.00	1,992.00
Out of pocket medical expense	50.00	600.00
Credit card payments	800.00	9,600.00
Parents’ student loan payments	600.00	7,200.00
Total Fixed Costs	\$3,691.00	\$44,292.00

Now they can calculate how much of their resources will be available after subtracting fixed costs.

Calculate Remaining Resources Available	Amount
+ Resources available for expenditures	75,197.76
- Fixed Costs	-44,292.00
Remaining Resources Available	\$30,905.76

They have \$30,905.76 left to budget after fixed costs.

They can decide how to budget the remaining resources for eating out, rainy day savings, vacation, college savings, and the home addition. These amounts are considered flexible because they may change with the need to spend money on unanticipated expenses such as a car or home repairs.

Estimated Plan for Flexible Spending	Month	Year
Vacation	334.00	4,008.00
College savings (Oldest Child)	167.00	2,004.00
College savings (Youngest Child)	167.00	2,004.00
Home addition	550.00	6,600.00
Eating out 1/week	325.00	3,900.00
Rainy day savings	500.00	6,000.00
Total Estimated Flexible Spending	\$2,043.00	\$24,516.00

The family then adds the estimated fixed costs and flexible spending figures together to determine their total annual expenditures.

	Amount
Fixed Costs	44,292.00
Flexible Spending	24,516.00
Total Expenditures	\$68,808.00

When the family brings the full budget together it looks like the chart below.

Family Annual Budget	Amounts
+ Resources Available for Expenditures	75,197.76
- Total Expenditures	-68,808.00
Remaining Resources Available for Expenditure	\$6,389.76

Since they did not budget 100% of their resources available the family has a **balanced budget** and they have \$6,389.76 in resources available to budget later if it is needed.

How would the family apply the principals of funds to their new annual budget?

If we were to apply the concepts of governmental fund accounting to the family cash and budget it would look like this on January 1.

Family Cash Balances		Separate but equal	Family Fund Balances	
Cash in wallet	150.00		General Fund	1,005.33
Checking Account:	855.33		1 College Fund	0.00
Savings Accounts	7,892.43		2 College Fund	0.00
			Home Addition Fund	0.00
			Rainy Day Savings Fund	2,345.45
			Vacation Fund	0.00
			Project Savings Fund	5,546.98
Total Cash Balance	\$8,897.76	=	Total Fund Balance	\$8,897.76

Our ledger above is separated on the left by actual cash balances and on the right by fund balances.

The Cash Balance side lists the primary checking account, one savings account, and the money in their wallets. Notice that the family combined the two savings accounts they had earlier into one savings account. In fund accounting, you do not need separate bank accounts for funds. The entity invests cash, not fund balances.

On the Fund Balance side, the family established funds and divided the cash balance among them. The General Fund will manage all receipts and payments that are not specific to the other funds. Each fund has a beginning fund balance; some are \$0 right now because the family is just starting and will add cash to those funds according to their budget. The total of all fund balances is equal to the total cash balance.

Now that you have a basic understanding of cash, budget, and funds, we are going to bridge the gap between understanding a family's cash and budget to learn how the government's cash and budget operate.

GOVERNMENTAL EXAMPLE

Now that we understand the above concepts by looking at the family's cash and budget, let's look at a governmental entity to see how the same concepts are applied.

In this section of the fund accounting course, we will address similarities between our family example and a government example. Later we will point out differences such as while the family can choose to follow their budget or make changes as needed, the government is held to a higher standard by state laws and legislative requirements.

Your government will already have established funds. It is important to understand the "purpose" of each fund and the laws that govern their use. Unlike the family that could create a fund at will and for any purpose, the creation of new funds in government is dictated by law.

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	
Total Bank Balance	\$281,875.14		=	Total Fund Balance	\$281,875.14

On the left side of the above ledger, all bank accounts and their beginning balances are listed under government bank balances. This is the government's actual cash balance. These balances will change depending on the amount of revenue (money deposited) and expenditures (money spent). The government's accounts are reconciled with the bank and investment statements each month.

The government has funds to track money that is restricted for particular purposes. Notice that none of the fund balances match a specific bank account balance. We do **not** need separate bank accounts to separate the funds.

However, there is a Cemetery Bequest investment of \$2,000 and a Cemetery Bequest Fund that contains \$14,532.55. Many townships and libraries have bequest or endowment funds that have a non-spendable balance that must be invested and only the interest can be spent. The Cemetery Bequest Investment belongs to the Cemetery Bequest fund. The fund balance of \$14,532.55 **includes** the \$2,000 investment, the investment is **not** in addition to the fund balance. The investment in our sample does not contain the spendable portion of the fund balance, only the non-spendable balance is invested in the Cemetery Bequest fund's name.

Review the fund list on the right. Almost every entity has a general fund, There are very few exceptions. Most administrative costs are paid from the general fund. Our sample township also has a gasoline tax fund and a road & bridge fund for road maintenance. There are two levies, a cemetery levy fund, and a fire & EMS levy fund. The township has a road debt fund and a cemetery bequest fund. A village, library or special district will not look exactly like this sample. The fund names and type will be different due to an entity type, local levies, taxes, etc.

Unlike our family, that sat down and counted their cash and looked at their bank balances to determine a beginning cash balance. The government's cash balance is carried over from the prior year. The ending fund balances of one year is the beginning cash balance in the new year.

Carryover encumbrances from a prior year reduce the resources available in the new year. This complex issue is not presented at this point in the training but is clearly covered in the UAN Year End Procedures document and in the UAN Year End Update training.

We discussed how a budget is a spending and savings plan. The budget begins with cash (money in the bank), plus estimated revenue creating our **resources available**, and ends with our estimated expenses for the year. It is a **plan**.

The government estimates how much revenue (annual income) it will receive during the year. Some revenue is received each month, others semi-annually, annual, or intermittent.

Estimated Revenue	Month	Semi-Annual	Year
Property Taxes		166,500.00	333,000.00
Local Government Distribution	2,250.00		27,000.00
Property Tax Roll-Back		42,500.00	85,000.00
Miscellaneous Other	2,000.00		24,000.00
Gasoline Tax	4,600.00		55,200.00
Charges for Services	8,750.00		105,000.00
Interest Earned	250.00		3,000.00
Total Estimated Revenue			\$632,200.00

The estimated annual revenue above is not a guaranteed cash figure but an estimate of what is anticipated. The government adds the beginning total cash balance to the estimated revenue together to determine the total **resources available**.

In order to teach the overall concepts, at this point in the training, we are showing the total resources available rather than presenting at the individual fund level.

Notice that the non-spendable balance of our cemetery bequest (\$2,000) is subtracted from the resources available. It is common for townships and libraries to have funds with a non-spendable amount. Non-spendable means that amount of money is not included in the resources available for expenditure because by agreement it cannot be spent.

Resources Available	Amount
Beginning cash/fund balance	\$281,875.14
Non-spendable cemetery bequest	-2,000.00
Estimated revenue	632,200.00
Resources Available	\$912,075.14

Now the government has arrived at an estimated amount it will have available to spend it estimates the normal monthly expenses. These are ongoing expenses that are considered “fixed costs” in the government’s budget.

Note: Estimating expenditures for individual funds will be covered later in Fund Accounting 102.

Fixed Costs	Month	Year
Wages	23,750.00	285,000.00
Retirement - Employer share	3,750.00	45,000.00
Employer-provided Health Ins.	6,250.00	75,000.00
Liability Insurance	2,000.00	24,000.00
Tax Collection Fees	1,000.00	12,000.00
Contractual Services	2,500.00	30,000.00
Operating Supplies	8,750.00	105,000.00
Gasoline for vehicles	2,000.00	24,000.00
Office Supplies	100.00	1,200.00
Debt Payments	2,000.00	24,000.00
Transfers Out	1,750.00	21,000.00
Total Fixed Costs	\$53,850.00	\$646,200.00

We must evaluate how much of our resources will still be available after the fixed costs are budgeted. We subtract fixed costs (\$645,200.00) from our beginning resources available \$912,075.14, to see how much the government has left to budget.

Remaining Resources Available	Amount
Beginning Resources Available	\$912,075.14
- Fixed costs	- 646,200.00
Remaining Resources Available	\$265,875.14

The government has **\$265,875.14** remaining resources to budget. Remember that this is not a guaranteed cash amount; it is based on estimated resources available.

The government can decide how to **budget** the remaining available resources for major repairs, infrastructure upgrades, and equipment replacement. However, they must remember that actual receipts should be reviewed throughout the year to determine if the estimated revenue is being received to support the projects they are planning. See below how they intend to budget flexible spending:

Estimated Plan for Flexible Spending	Annual Cost
Admin. office roof replacement	80,000.00
New maintenance vehicle	25,000.00
Local match for grant application	30,000.00
New debt repayment	16,000.00
Pave parking lot	75,000.00
New administrative employee	25,000.00
Total Estimated Flexible Spending	\$251,000.00

The board decides to repair the roof at the administration building, purchase a new maintenance vehicle, do some paving or chip & seal, and finally add a new employee. Most of these projects are a one-time expenditure, but the addition of a new employee is going to add to our ongoing fixed costs as long as the position is filled.

The government adds its estimated fixed costs and flexible spending together to determine its total estimated annual expenditures.

Estimated Expenditures	Amount
Fixed Costs	646,200.00
Flexible Spending	+ 251,000.00
Total Estimated Expenditures	897,200.00

When we pull all the annual amounts above into one annual budget it will look like this:

Government Annual Budget	Amounts
Resources available	912,075.14
Total expenditures	- 897,200.00
Remaining Resources Available	\$ 14,875.14

The government's total budgeted expenditures of \$897,200.00 are less than the \$912,075.14 resources available; therefore, they have a **balanced budget** because they are not planning to spend more than they plan to have in resources available.

Rather, they have \$14,875.14 left that can be budgeted later in the year if needed and if the revenue estimates meet their target amount.

When is the budget implemented?

The governing board usually plans the next fiscal year's budget during the current year so when January 1 rolls around the plan is ready **to be finalized and implemented**. However, the "budget" does not automatically become an adopted plan. In later chapters, we will discuss how the separate components of the budget are managed.

At the beginning of each new year the budget (plan) is separated into two components:

- Certification of **resources available** which establishes the maximum amount by fund the board CAN appropriate.
- Appropriations adopted by the governing board in the form of legislation at an open public meeting to authorize the spending plan.

CHAPTER 1 CONCLUSION

Let's review what you have learned in chapter 1:

- Cash is money received and available and is divided into funds that are established by law for each entity.
- The Budget is a plan is made up of two components: **Resources Available** and the legislated authority to spend known as **Appropriations**
- Entities have established fund balances – your funds and balances will already exist
- The operating budget should already be in place when you take office. It will be up to you to review the revenue estimates and appropriations to determine what each figure represents and the restrictions for spending money from each fund.

CHAPTER 2: MAINTAINING CASH & FUND BALANCES

In Fund Accounting 101 Chapter 1 you learned that cash is divided into funds and the total checking account and investment balances are equal to the total of all fund balances.

We will begin with some basic transactions – the receipt and payment of money – to see how these transactions affect cash and fund balances.

Note: A detailed discussion on budget and the effect of transactions is contained in Fund Accounting 102.

INTRODUCTION TO THE CASH JOURNAL

A family maintains its overall cash balance in a checkbook and investment ledgers. All transactions, receipts, payments, and withdrawals are recorded in these books. That is how a family knows how much money they have in the bank.

A government maintains its overall cash and fund balances by use of a Cash Journal.

All transactions, such as the receipt of revenue and issuing of payments, are posted to the Cash Journal in dated order.

The cash journal provides a way to see receipts, payments, checking account balances, investment account balances, and all fund balances in one place.

On manual ledgers, the Cash Journal contains two sections:

1. The “cash” ledger section begins each month with the total cash balance of all bank accounts and investments, then throughout the month lists (records) each revenue or expenditure transaction and keeps the running cash balance.

Example Only:

Cash Journal									
-----Cash-----									
	Debit(+)	Credit(-)	Balance	Date	Detail	Receipt Number	PO/BC Number	Warrant/Charge Number	Account Number
1									
2									
3									
Total									

There are three columns under the heading “cash”. These columns reflect all of the receipts and expenditures of the government and the current cash balance.

When money is received, an entry is recorded in the “debit (+) receipt” column and the “balance” column is increased by the same amount.

When money is paid out, an entry is recorded in the “credit (-) expenditure” column and the “balance” column is decreased by the same amount.

Next to the “cash” columns, the date of the entry is recorded. The “detail” column refers to the source of the receipt or the payee on the expenditure. The “receipt number” column records the number of each receipt entry. The “PO (Purchase Order)/BC (Blanket Certificate) Number” column is used to record the PO/BC number used for expenditure entries or for memo receipt charges. The “Warrant/Charge Number” column is used to record the warrant or charge number issued for each expenditure entry. And the “Account Number” column is used to record the revenue account number(s) or appropriation account number(s) that are assigned to each receipt and expenditure entry (account numbers are discussed in more detail later).

2. The “fund” ledger section is divided by fund, and only receipt and expenditure entries from the “cash” ledger section that apply to each fund are recorded in that fund’s columns.

Example Only:

Cash Journal									
	General Fund			Road and Bridge Fund			Fire & EMS Special Revenue Fund		
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
1									
2									
3									
Total									

The “fund” section of the cash journal provides three columns for each established fund used by the entity.

When money is received for a specific fund, the entry is recorded in that fund’s “credit (+) receipt” column and the fund’s “balance” column is increased by the same amount.

When money is paid out of a specific fund, the entry is recorded in that fund’s “debit (-) expenditure” column and the fund’s “balance” column is decreased by the same amount.

At the end of each month, both sections of the Cash Journal have a row for the totals of each column from the month.

The “balance” columns’ last entry on both the Cash side and Fund side is the ending cash balance and fund balances for the month.

In UAN all postings are automatically entered on the cash journal and the fund ledger-they always reconcile with each other.

DAILY CASH TRANSACTIONS

RECEIPTS

Received money in the form of cash, check, or direct deposit. A Receipt increases the cash balance and at the same time increases one or more fund balances.

Receipts are the first recording of money received by the entity. Receipts posted from the UAN software are automatically sequentially numbered and must be signed by the fiscal officer. The receipts also automatically post to the cash journal on the cash and fund sides.

When someone other than the fiscal officer collects and deposits money for the entity, they should have their own pre-numbered triplicate receipt book (e.g. Zoning Inspector, Cemetery Sexton, Utility Clerk, and Police Department). The original receipt is given to the customer, the second copy of each receipt with accompanying documentation is given to the fiscal officer with the duplicate deposit ticket from the bank and the third and final copy of the receipt remains in the book for audit. Below are some examples of money collected and deposited by other employees and by the fiscal officer:

The zoning inspector wrote receipts from his pre-numbered triplicate receipt book to each person that gave money for zoning permits. He then deposited the money in the bank and submitted the documentation and duplicate deposit ticket for \$85.00 to the fiscal officer on January 5.

		Receipt Book #	Amount
Date:	01/05/XXXX		
Source:	Township Zoning Department		
For:	Zoning Permits		
	David Wendel Plumbing	123456	\$35.00
	Kelly Osbourne	123457	\$25.00
	Fred Ripple	123458	\$25.00
	Total amount for fiscal officer receipt		\$85.00

In a village, a utility billing clerk often handles the daily utility collections. If they have billing software the clerk would probably not write separate receipts for each customer but collect the customer's pay stub, verify the amount due was collected and enter the customer's payment on their account in the billing software. It is recommended they write a receipt from a pre-numbered receipt book for all cash payments. At the end of the day, the utility billing clerk makes a deposit for all of the collections and gives the fiscal officer the duplicate deposit ticket from the bank with a breakdown of the items collected.

		Amount
Date:	01/05/XXXX	
Source:	Utility Billing Clerk	
For:	Water & sewer collections	
	Water	\$8,223.22
	Sewer	\$15,232.12
	Total amount for fiscal officer receipt	\$23,455.34

The next item is a check the fiscal officer received in the mail that she immediately deposited in the bank. This is not a receipt, just the information from the check that was deposited. The fiscal officer has to determine the purpose of the revenue and what revenue account will be used when the receipt is posted.

		Receipt Book #	Amount
Date:	01/05/XXXX		
Source:	WOW Way Cable Services		
For:	Cable Franchise Fees		\$8,500.00
	Total amount for fiscal officer receipt		\$8,500.00

Our third example is the fees and cemetery lot sales collected and deposited by the Cemetery Sexton. He has his own pre-numbered triplicate receipt book and has provided the fiscal officer with the duplicate deposit ticket from the bank and a breakdown of the total of his daily receipts and their purpose.

		Receipt Book #	Amount
Date:	01/05/XXXX		
Source:	Township Jones Cemetery		
For:	Cemetery Lot Sales and Fees		
	Little Family		
	Cemetery Lot	154647	\$800.00
	Fees Open/Close	154647	\$350.00
	Reed Family		
	Cemetery Lot	154648	\$800.00
	Snipes Family		
	Fees - Sod	154649	\$350.00
	Total amount for fiscal officer receipt		\$2,300.00

Below are examples of the receipts the fiscal officer will enter for the above items. Notice that the Zoning permits receipt is from the zoning inspector who collected the money, not from the three customers on his pre-numbered receipts and the amount is the combined total.

ORIGINAL	
	Receipt # <u>1-XXXX</u>
\$ <u>85.00</u>	Date: <u>01-05-XXXX</u>
OFFICE OF THE TOWNSHIP FISCAL OFFICER	
<u>Any Township, Franklin County, Ohio</u>	
Received of: <u>Bob Suruncle, Zoning Inspector</u>	
<u>Eighty-five and NO/100</u> ----- Dollars	
For: <u>Zoning Permits</u>	
Revenue Accounts:	Fee Accounts:
<u>General - \$85.00</u>	
	Signature – Fiscal Officer

The below receipt for the check the fiscal officer received in the mail has the cable company name as the source. The fiscal officer enters individual receipts for each item deposited.

ORIGINAL	
	Receipt # <u>2-XXXX</u>
\$ <u>8,500.00</u>	Date: <u>01-05-XXXX</u>
OFFICE OF THE TOWNSHIP FISCAL OFFICER	
<u>Any Township, Franklin County, Ohio</u>	
Received of: <u>WowWay Cable Company</u>	
<u>Eight thousand five hundred and NO/100</u> ----- Dollars	
For: <u>Cable Franchise Fees</u>	
Revenue Accounts:	Fee Accounts:
<u>General - \$8,500.00</u>	
	Signature – Fiscal Officer

The receipt below shows the cemetery sexton as the source, not each of the customers on the sexton’s receipts. The fiscal officer has combined all three customer receipt amounts for the total revenue amount on the fiscal officer’s receipt. On the bottom of the left side, is where the fiscal officer writes the breakdown of the receipt by revenue accounts we will show more about revenue accounts in later chapters. The bottom right side, Fee Accounts, is only used for a memo receipt where charges against the gross revenue would be written.

ORIGINAL	
	Receipt # <u>3-XXXX</u>
\$ <u>2,300.00</u>	Date: <u>01-05-XXXX</u>
OFFICE OF THE TOWNSHIP FISCAL OFFICER	
<u>Any Township, Franklin</u> County, Ohio	
Received of: <u>B. D. Ceased, Cemetery Sexton</u>	
<u>Two thousand three hundred and NO/100-----</u> Dollars	
For: <u>Sale of Cemetery lots, grave sod fees, open/close fees</u>	
Revenue Accounts:	Fee Accounts:
Cemetery #1 - \$ 350.00	
Cemetery #2 - \$ 350.00	
Cemetery #3 - \$1,600.00	Signature – Fiscal Officer

In a village, we often see there are two positions such as a fiscal officer, and a utility billing clerk. The utility billing clerk handles the daily utility collections. If they have billing software the clerk would probably not write separate receipts for each customer but collect the customer’s pay stub, verify the amount due was collected and enter the customer’s payment on their account in the billing software. They may print a receipt for the customer from their software or stamp the customer portion of the bill stub paid. At the end of the day, the utility billing clerk makes a deposit for all of the collections and gives the fiscal officer the duplicate deposit ticket from the bank and the total amount of all collections that includes a breakdown of each utility separate items charges collected. We are not showing a sample receipt of this utility deposit transaction.

Cash Journal Entries (manual books)

All of the fiscal officer receipts must be recorded in the cash journal on the cash and fund sides. Remember that in UAN when a receipt is posted it automatically posts to the Cash Journal and Fund Ledgers. Manual books require that each receipt is posted to both “sides” (cash and fund) of the cash journal. Many new UAN clients are converting to UAN from manual books like these.

Cash Journal (Cash side)									
-----Cash-----									
	Debit(+) Receipt	Credit(-) Expenditure	Balance	Date	Detail	Receipt #	PO/BC #	Warrant / Charge #	Fund Name
1			\$281,875.14	1/01	Beginning Balance				
2	\$85.00		\$281,960.14	1/05	Bob Suruncle, Zoning	1-XXXX			General #
3	\$8,500.00		\$290,460.14	1/05	WOW Way Cable Co.	2-XXXX			General #
4	\$350.00		\$290,810.14	1/05	B. D. Ceased, Cem.	3-XXXX			Cemetery #
5	\$350.00		\$291,160.14	1/05	B. D. Ceased, Cem.	3-XXXX			Cemetery #
6	\$1600.00		\$292,760.14	1/05	B. D. Ceased, Cem.	3-XXXX			Cemetery #
Total	\$10,885.00								

Cash Journal (Fund side)									
	General Fund			Gasoline Tax Fund			Road and Bridge Fund		
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
1			\$159,791.56			\$38,472.52			\$24,695.13
2		\$85.00	\$159,876.56			\$38,472.52			\$24,695.13
3		\$8,500.00	\$168,376.56			\$38,472.52			\$24,695.13
4			\$168,376.56			\$38,472.52			\$24,695.13
5			\$168,376.56			\$38,472.52			\$24,695.13
6			\$168,376.56			\$38,472.52			\$24,695.13
Total	\$0.00	\$8,585.00		\$0.00	\$0.00		\$0.00	\$0.00	

Cash Journal (Fund side)									
	Cemetery Levy Fund			Fire and EMS Levy Fund			Road Debt Fund		
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
1			\$10,313.22			\$32,546.87			\$1,523.29
2			\$10,313.22			\$32,546.87			\$1,523.29
3			\$10,313.22			\$32,546.87			\$1,523.29
4		\$350.00	\$10,663.22			\$32,546.87			\$1,523.29
5		\$350.00	\$11,013.22			\$32,546.87			\$1,523.29
6		\$1,600.00	\$12,613.22			\$32,546.87			\$1,523.29
Total	\$0.00	\$2,300.00		\$0.00	\$0.00		\$0.00	\$0.00	

Cash Journal (Fund side)									
	Cemetery Bequest Fund								
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
1			\$14,532.55						
2			\$14,532.55						
3			\$14,532.55						
4			\$14,532.55						
5			\$14,532.55						
6			\$14,532.55						
Total	\$0.00	\$0.00							

Journal Balance Check

The UAN software always keeps the cash journal (cash side) and the fund ledgers (fund side) reconciled. But when posting to a manual cash journal the fiscal officer must balance each page in order to carry the balances forward to the next page. Clients converting to UAN must make sure the cash side and fund side of the journals balance.

Refer back to the page where the receipts were posted to the cash journal. Note that the “Credit (+) Receipt” columns for each fund from the fund ledger side of the journal added together are equal to the “Debit (+) Receipt” column on the cash side of the journal.

Cash side of Cash Journal			Fund side of Cash Journal	
			General Fund	\$ 8,585.00
			Cemetery Levy Fund	2,300.00
Total Cash Receipts	\$10,885.00	=	Total Fund Receipts	\$10,885.00

Also, notice in the cash journal that the “Balance” columns for each fund from the fund ledger side of the journal added together are equal to the “Balance” column on the cash side of the journal.

Cash side of Cash Journal			Fund side of Cash Journal	
			General Fund	\$168,376.56
			Gasoline Tax Fund	38,472.52
			Road and Bridge Fund	24,695.13
			Cemetery Levy Fund	12,613.22
			Fire and EMS Levy Fund	32,546.87
			Road Debt Fund	1,523.29
			Cemetery Bequest	14,523.55
Total Cash Balance	\$292,760.14	=	Total Fund Balances	\$292,760.14

On manual books, you must perform these quick balancing checks at the bottom of each page and at the end of each month to be sure that your cash journal is correct.

EXPENDITURES

Expenditures decrease cash balance and at the same time decrease one or more fund balances. The spending of money either by warrant (check) or electronic (online or direct debit) payment.

Payment types in the UAN software:

Warrant (printed by the UAN software onto pre-numbered checks):

- Contains the date, payee name, the amount of the warrant, the voucher portion of the check should contain the details of the purchase and the allocation of the amount to purchase orders and appropriation accounts.

Manual (handwritten warrant):

- Manual payment is a handwritten warrant entered into the UAN software at a later date, whereas warrants (above) are directly printed from the UAN software. The use of a manually written check should be rare. A manual payment should contain the same information as the regular warrant above.

Electronic (paper voucher):

- Electronic payment is used to record payment amounts that are directly deducted from the entity’s bank account. This can be for bank fees, or online payments that are properly authorized to be directly deducted (e.g. online tax or state retirement payments).

The fiscal officer often prepares payments for approval at the governing board meetings.

How payments are recorded in manual books

Remember that in UAN when a payment is posted, all information is posted to the cash journal and other required ledgers. On manual books, you must make entries for each payment on the cash journal. The fiscal officer hand-writes the following warrants to be approved at the meeting. The top of the warrant is the check portion and the bottom of the warrant is the voucher that describes the items purchased and allocates the payment to appropriation accounts.

Eighty-two and 87/100					\$82.87	Warrant # <u>1309</u>	01/05/XXXX	
Company, Inc. 1005 Industrial Ave City, Ohio 67898		Signatures						
		Signatures						
		Signatures						
Company, Inc.					Amount \$82.87	Warrant# 1309	01/05/XX	
Payment Detail							Payment Distribution	
Quantity	Unit	Item Description	Unit \$	Subtotal		Appropriation Accts.	PO/BC#	Amount
5	Boxes	Cloth Towels	\$5.38	\$26.90		General #	1-XXXX PO	\$31.08
100	Each	Large Labels	\$.085	\$8.50		Road & Bridge #	1-XXXX PO	\$38.72
3	Rolls	Paper Towels	\$1.99	\$5.97		Cemetery #	1-XXXX PO	\$13.07
1000	Each	Nails (#5)	\$.023	\$23.00				
1	Pallet	Salt	\$18.50	\$18.50				
		Total Detail:		\$82.87		Total Distribution		\$82.87

The warrant (check) samples below show more payments prepared for approval at the board meeting.

\$633.45					Warrant # <u>1310</u>		01/05/XXXX		
Six hundred thirty-three dollars and 45/100									
Road Company, Inc. 100 Road Avenue City, Ohio 46587-1123			Signatures						
			Signatures						
			Signatures						
Road Company, Inc.					Amount		Warrant# 1310		01/05/XX
					\$633.45				
Payment Detail					Payment Distribution				
Quantity	Unit	Item Description	Unit \$	Subtotal	Appropriation Accts		PO/BC #	Amount	
1	Inv.	Fill hole in Main Street	\$550.00	\$550.00	Road & Bridge #		2-XXXXPO	\$550.00	
1	Order	Line Paint Town Hall	\$83.45	\$83.45	General #		2-XXXXBC	\$83.45	
		Total Detail:		\$633.45	Total Distribution			\$633.45	

\$255.34					Warrant # <u>1311</u>		01/05/XXXX		
Two hundred fifty-five dollars and 34/100									
Gasoline Company 1253 Gas Avenue City, Ohio 67898			Signatures						
			Signatures						
			Signatures						
Gasoline Company					Amount		Warrant# 1311		01/05/XX
					\$255.34				
Payment Detail					Payment Distribution				
Quantity	Unit	Item Description	Unit \$	Subtotal	Appropriation Accts		PO/BC #	Amount	
76.22	Gals	Tank fill - Gasoline	\$3.35	\$255.34	General #		1-XXXXBC	\$255.34	
		Total Detail:		\$255.34	Total Distribution			\$255.34	

The sample warrants above contain itemized detail of the purchases. This itemization is not required when the invoice for the payment contains an itemized list. On the first payment, to Company, Inc., the fiscal officer could have used the example below:

Company, Inc.					Amount		Warrant# 1309		01/05/XX
					\$82.87				
Payment Detail					Payment Distribution				
Quantity	Unit	Item Description	Unit \$	Subtotal	Appropriation Accts		PO/BC#	Amount	
1	Order	Misc. Supplies	82.87	\$82.87	General #		1-XXXX PO	\$31.08	
					Road & Bridge #		1-XXXX PO	\$38.72	
					Cemetery #		1-XXXX PO	\$13.07	
		Total Detail:		\$82.87	Total Distribution			\$82.87	

Cash Journal Entries (manual books)

After the three warrants are approved by the board, the fiscal officer records the warrants in the cash journal. In a manual cash journal, the fiscal officer enters the warrants to both sides of the cash journal, cash, and fund.

Cash Journal (cash side)									
-----Cash-----									
	Debit(+)) Receipt	Credit(-) Expenditure	Balance	Date	Detail	Receipt #	PO/BC #	Warrant / Charge #	Fund Name
1			\$281,875.14	1/01	Beginning Balance				
2	\$85.00		\$281,960.14	1/05	Bob Suruncle, Zoning	1-XXXX			General #
3	\$8,500.00		\$290,460.14	1/05	WOW Way Cable Co.	2-XXXX			General #
4	\$350.00		\$290,810.14	1/05	B. D. Ceased, Cem.	3-XXXX			Cemetery #
5	\$350.00		\$291,160.14	1/05	B. D. Ceased, Cem.	3-XXXX			Cemetery #
6	\$1600.00		\$292,760.14	1/05	B. D. Ceased, Cem.	3-XXXX			Cemetery #
7		\$31.08	\$292,729.06	1/05	Company, Inc.		1-PO	1309	General #
8		\$38.72	\$292,690.34	1/05	Company, Inc.		1-PO	1309	Road & Bridge #
9		\$13.07	\$292,677.27	1/05	Company, Inc.		1-PO	1309	Cemetery #
10		\$550.00	\$292,127.27	1/05	Road Company		2-PO	1310	Road & Bridge #
11		\$83.45	\$292,043.82	1/05	Road Company		2-PO	1310	General #
12		\$255.34	\$291,788.48	1/05	Gasoline Co.		1-BC	1311	General #
Total	\$10,850.00	\$971.66							

Cash Journal (Fund side)									
	General Fund			Gasoline Tax Fund			Road and Bridge Fund		
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
1			\$159,791.56			\$38,472.52			\$24,695.13
2		\$85.00	\$159,876.56			\$38,472.52			\$24,695.13
3		\$8,500.00	\$168,376.56			\$38,472.52			\$24,695.13
4			\$168,376.56			\$38,472.52			\$24,695.13
5			\$168,376.56			\$38,472.52			\$24,695.13
6			\$168,376.56			\$38,472.52			\$24,695.13
7	\$31.08		\$168,345.48			\$38,472.52			\$24,695.13
8			\$168,345.48			\$38,472.52	\$38.72		\$24,656.41
9			\$168,345.48			\$38,472.52			\$24,656.41
10			\$168,345.48			\$38,472.52	\$550.00		\$24,106.41
11	\$83.45		\$168,262.03			\$38,472.52			\$24,106.41
12	\$255.34		\$168,006.69			\$38,472.52			\$24,106.41
Total	\$369.87	\$8,585.00		\$0.00	\$0.00		\$588.72	\$0.00	

Cash Journal (fund side)									
	Cemetery Levy Fund			Fire and EMS Levy Fund			Road Debt Fund		
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
1			\$10,313.22			\$32,546.87			\$1,523.29
2			\$10,313.22			\$32,546.87			\$1,523.29
3			\$10,313.22			\$32,546.87			\$1,523.29
4		\$350.00	\$10,663.22			\$32,546.87			\$1,523.29
5		\$350.00	\$11,013.22			\$32,546.87			\$1,523.29
6		\$1,600.00	\$12,613.22			\$32,546.87			\$1,523.29
7			\$12,613.22			\$32,546.87			\$1,523.29
8			\$12,613.22			\$32,546.87			\$1,523.29
9	\$13.07		\$12,600.15			\$32,546.87			\$1,523.29
10			\$12,600.15			\$32,546.87			\$1,523.29
11			\$12,600.15			\$32,546.87			\$1,523.29
12			\$12,600.15			\$32,546.87			\$1,523.29
Total	\$13.07	\$2,300.00		\$0.00	\$0.00		\$0.00	\$0.00	

Cash Journal									
	Cemetery Bequest Fund								
	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance	Debit (-) Expenditure	Credit (+) Receipt	Balance
1			\$14,532.55						
2			\$14,532.55						
3			\$14,532.55						
4			\$14,532.55						
5			\$14,532.55						
6			\$14,532.55						
7			\$14,532.55						
8			\$14,532.55						
9			\$14,532.55						
10			\$14,532.55						
11			\$14,532.55						
12			\$14,532.55						
Total	\$0.00	\$0.00							

In our sample cash journal above, each warrant is entered on the cash side of the cash journal and then is allocated to the proper fund that shared the expense on the fund side of the cash journal. As you can see posting the warrants causes the cash balance to decrease and each associated fund balance to decrease.

Notice in the cash journal that the “Debit (-) Expenditure” columns for each fund from the fund ledger side of the journal added together are equal to the “Credit (-) Expenditure” column on the cash side of the journal.

Cash side of Cash Journal			Fund side of Cash Journal	
			General Fund	\$369.87
			Road and Bridge Fund	588.72
			Cemetery Levy Fund	13.07
Total Cash Expenditures	\$971.66	=	Total Fund Expenditures	\$971.66

Also, notice in the cash journal that the “Balance” columns for each fund from the fund ledger side of the journal added together equal the “Balance” column on the cash side of the journal.

Cash side of Cash Journal			Fund side of Cash Journal	
			General Fund	\$168,006.69
			Gasoline Tax Fund	38,472.52
			Road and Bridge Fund	24,106.41
			Cemetery Levy Fund	12,600.15
			Fire and EMS Levy Fund	32,546.87
			Road Debt Fund	1,523.29
			Cemetery Bequest	14,532.55
Total Cash Balance	\$292,760.14	=	Total Fund Balances	\$291,788.48

The UAN software automatically enters the posted warrants on the cash journal and fund ledgers and always keeps the cash journal (cash side) and the fund ledgers (fund side) reconciled. When posting to a manual cash journal the fiscal officer must balance each page in order to carry the correct balances forward to the next page.

On manual books, you must perform these quick balancing checks at the bottom of each page and at the end of each month to be sure that your cash journal is correct.

MONTHLY WRAP UP

At the end of each month, when all of the receipts, payments, and charges have been recorded in the cash journal, the fiscal officer must complete a Bank Reconciliation.

Bank Reconciliation

The bank reconciliation is the process of reconciling the entity’s cash balance maintained on the Cash Journal against actual bank account balances from checking and investment monthly statements.

In addition, the basic principles of fund accounting require that you not only reconcile the cash balance of the Cash Journal with the bank statement(s) balance but also reconcile the fund

balances with the cash balance. If you have been keeping the cash and funds balanced on the cash journal, you should not have a discrepancy when you reconcile with the bank.

On manual books, the reconciliation at the end of each month is a matter of totaling all the pages and columns of the Cash Journal. The Fiscal Officer must reconcile the cash ledger side of the Cash Journal with the bank statements and then verify the fund ledger side total receipts, expenditures, and fund balances match the total receipts, expenditures and fund balances on the cash ledger side.

Mistakes in math and transposing figures can occur when keeping books on paper. You may balance your cash with the bank but the fund ledger may not reconcile with the cash journal – that would indicate you have entered at least one figure incorrectly in the fund ledger section. You must compare every entry on the cash side to the fund side to find the mistake. It is a tedious chore to find a 3¢ error in three pages of entries. As stated earlier, it is always a good idea to total each page of the cash journal, making sure the fund ledger balances with the cash journal before you move to the next page, saving time at the end of the month.

It is essential that the fiscal officer reconciles the cash journal with the bank statement(s) every month. Entities that do not reconcile may be declared “not-auditable” by the Auditor of State’s Office. Below we have a sample manual cash journal bank reconciliation for the month of January to help you understand the reconciliation process:

Monthly Bank Reconciliation			
Beginning cash balance Cash Journal (1)			\$281,875.14
Receipts recorded on Cash Journal (2)		(+)	10,885.00
Payments recorded on Cash Journal (3)		(-)	971.66
Ending Cash Balance January 31, XXXX (4)			\$291,788.48
Bank balances from current statements: (5)			
		Primary checking	\$189,958.82
		StarOhio investment	65,000.00
		CD investment	35,000.00
		Cemetery bequest CD	2,000.00
Total bank statement balance			\$291,958.82
Adjusting Factors			
*Deposits in Transit (6)		(+)	\$85.00
**Outstanding Payments (7)		(-)	255.34
Adjustments (+/-) to the bank statement balance (8)			0.00
Adjusted Bank & Investment Balance January 31, XXXX (9)			\$291,788.48
*Deposits In Transit		**Outstanding Payments	
Receipt #	Amount	Payment #	Amount
1-XXXX	\$85.00	1311	\$255.34

Directions for the Bank Reconciliation

1. The reconciliation starts with the monthly beginning cash balance from the Cash Journal. The beginning monthly balance is the same as the prior month's ending cash balance. Our Cash Journal January 1 total cash balance was \$281,875.14.
2. The total receipts recorded on Cash Journal is the total amount of all receipts on all the pages of the cash journal for the current month (January). The total amount of all receipts for January was \$10,885.00.
3. The payments recorded on Cash Journal is the total amount of all payments for the current month (January). The total amount of all payments for January was \$971.66.
4. To arrive at the ending cash balance, you must take the beginning cash balance **(1)** plus Receipts recorded on Cash Journal for the current month **(2)** minus Payments recorded on Cash Journal for the current month **(3)**.
5. The bank balance from current statements includes a list of all accounts and their ending January statement balances; this includes checking account(s) and investments. The total bank statement balance is the total of all the accounts listed.
6. Deposits in Transit describes the situation where a receipt posted to the cash journal does not appear on the monthly bank statement, the deposit is outstanding. This means that the current month's ending cash balance of the cash journal is **overstated** (too high) when compared to the bank statements. This often occurs when a receipt is posted and the deposit is made at the bank after the bank has changed to the "next banking day". The calendar date is January 31, but the bank has already changed the banking day to February 1. The deposit will appear on your February bank statement. This is not an error that needs to be corrected, the receipt is simply a deposit in transit.

This may also indicate that a receipt was posted but the deposit was not taken to the bank. For our January bank reconciliation, the fiscal officer when reviewing the receipt that was not on the bank statement, saw that the zoning inspector turned in receipts on 1/5 for \$85.00 but it did not clear the bank. The fiscal officer calls the zoning inspector to ask about the outstanding receipt. After looking around the desk the inspector finds the deposit. The zoning inspector immediately takes the deposit to the bank, but it is now February. The deposit will appear on the February bank statement. Therefore, the fiscal

officer enters \$85.00 for deposits in transit on the January bank reconciliation. This will be reviewed at audit.

7. Outstanding Payments is the total amount of payments that were recorded in the cash journal (current or previous month) that have not appeared on the bank statements. The fiscal officer maintains a complete list of **all** outstanding payments (current or previous months) with each bank reconciliation.

The fiscal officer needs to follow up with vendors or employees when warrants have not cleared the bank in a reasonable amount of time. The warrants may have gone missing in the mail, or been accidentally destroyed or lost, requiring action on the part of the fiscal officer to ask the bank to put a stop payment on the warrant and then reissue a new warrant to the vendor or employee.

An outstanding electronic payment would indicate that the fiscal officer posted it to the cash journal and intended to make an online payment, but may not have gone to the website to generate the online payment. Electronic payments should only be posted to the cash journal when you are actually making the online payment.

Our January bank reconciliation has one outstanding payment in the amount of \$255.34. The UAN software automatically completes the list of outstanding payments with each bank reconciliation.

8. Adjustments (+ / -) to the bank statement balance, is used to record adjustments for mistakes made by the bank on the current bank statement. The fiscal officer must contact the bank about the mistake to have it corrected. There were no adjustments needed for this January bank reconciliation. An example of this type of adjustment is when the bank clears a check for the wrong amount. The bank, when contacted, will correct their error in the current month, requiring an adjustment to the prior month bank reconciliation.
9. Adjusted Bank & Investment Balance is the total bank statement balance for the current month **(5)** plus any deposits in transit **(6)** minus outstanding payments **(7)** and plus or minus any adjustments to the bank statement balance **(8)**.

For a bank reconciliation to balance, the Adjusted Ending Cash Balance **(4)** must be equal to the Adjusted Bank and Investment Balance **(9)**. **If they do not match, the fiscal officer must look through the month's records for discrepancies.** Is there a deposit or an electronic payment on the bank statement that was not posted to the cash journal? Post it!

In our sample bank reconciliation, there were no bank errors and we found the zoning inspector's deposit that had not been taken to the bank. We are reconciled.

CHAPTER 2 CONCLUSION

In this chapter we learned about:

- Receipts and payments must be posted to the cash journal. UAN automatically posts all receipts and payments to the cash journal and fund ledgers.
 - Receipts increase the cash balance and one or more fund balance
 - Payments decrease the cash balance and one or more fund balances
- The total cash balance is equal to the total of all fund balances.
- Monthly bank reconciliations are required.

CHAPTER 3: INTRODUCTION TO THE UNIFORM CHART OF ACCOUNTS

UAN Support personnel are not permitted to advise you what fund, revenue or appropriation accounts to select. You should review the Uniform Chart of Accounts to find the correct fund and accounts to add. If you cannot determine the correct fund or accounts, you should always contact the Auditor of State's Local Government Services (LGS) at 1-800-345-2519 for guidance.

All entities, regardless of the method of bookkeeping (manual or software), should use the Uniform Chart of Accounts established by the Auditor of State in order to submit accurate annual financial reports.

The Uniform Chart of Accounts is used to maintain the separation of money by fund, monitor the budget, and filter data to the correct position on annual financial reports. Village, township and library chart of accounts are different. Special districts are assigned to either the village or township chart of accounts.

The chart of accounts is made up of Fund, Revenue, and Appropriation account numbers. The fund number is essential to maintaining the cash balance of each fund within the cash balance of the entity. Revenue and appropriation account numbers are essential to monitoring and maintaining the budget and filtering data to the proper place on annual financial reports.

The first layer of understanding the Uniform Chart of Accounts has to be making a selection from the correct type.

There are occasional changes to the chart of accounts. The samples used in the training below are not updated; therefore, do not refer to these for current accounts. Always refer to the most recent uniform chart of accounts.

FUND NUMBERS

Each fund is assigned a fund number from the Uniform Chart of Accounts. All revenue and expenditure account codes associated with a fund begin with the fund number. The number indicates a fund belongs to a specific fund type. It is important to assign the correct fund number based on the type of the fund. The use of the proper fund number will place the fund correctly on annual financial reports, budget, and other documents used to regulate and monitor the fund.

In order to properly receive and spend money from the correct funds, you must understand the authority that governs the use of money received into funds already established at your entity. Some funds are established by Ohio Revised Code and are common among the same entity types such as a township, village, or library. Other funds are established locally by legislation, contracts or voted levies that authorize a specific stream of revenue thereby requiring the legal separation of money into a new fund.

FUND CATEGORIES

In the Uniform Chart of Accounts, funds are separated into three main categories. It is always important to choose a fund from the correct category.

GOVERNMENTAL FUNDS

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.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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. Fiduciary Funds are generally used when assets are held for substantial periods of time. Establishing formal budgets **is not required** for Fiduciary Funds.

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.

FUND TYPES

Within the three fund categories, there are several fund types:

Fund Category	Fund Type
Governmental	General
	Special Revenue
	Debt Service
	Capital Project
	Permanent
Proprietary	Enterprise
	Internal Service
Fiduciary	Agency
	Investment Trust
	Private-Purpose Trust

You will see funds classified together like this on Annual Financial Reports. When a fund is established it is assigned to one of these categories by the selection within the fund type. There are several fund numbers within each fund type. It is important for you to understand the different types of funds so you can understand the funds established at your entity and how money should be received and spent.

REVENUE ACCOUNTS

Revenue accounts are used to classify revenues. Revenue account numbers begin with a fund number and have a three-digit revenue code that establishes the revenue report group and the specific type of revenue.

Revenue accounts vary by government type: township, village, and library. Special districts use either the village or township chart of accounts. For this course, we will be using township revenue accounts to establish the basic principles.

Below you see the Township Revenue Types. Within each revenue type, there are more specific revenue codes. You need to read the descriptions for each revenue code within each revenue type to select the proper code. It is important to select the revenue code from the correct type to filter revenue data to the proper place on annual financial reports.

Township Revenue Types
Property and Other Local Taxes
Charges for Services
Licenses, Permits, and Fees
Fines and Forfeitures
Intergovernmental
Special Assessments
Earnings on Investments
Miscellaneous
Other Financing Sources

Below you see the Village Revenue types. Within each report type, there are more specific revenue codes. Notice there are two Intergovernmental revenue types. You must select the revenue code from the correct type.

Village Revenue Types
Property and Other Local Taxes
Intergovernmental (200's)
Special Assessments
Intergovernmental (400's)
Charges for Services
Fines, Licenses, and Permits
Earnings on Investments
Miscellaneous
Other Financing Sources

Below you see the Library Revenue types. Within each report type, there are more specific revenue codes.

Library Revenue Types
Property and Other Local Taxes
Intergovernmental
Patron Fines and Fees
Services Provided to Other Entities
Contributions, Gifts, and Donations
Earnings on Investments
Miscellaneous
Other Financing Sources

APPROPRIATION ACCOUNTS

Appropriation accounts are used to classify expenditures. Appropriation account numbers begin with a fund number, have a three-digit Program Code (describing a service area provided by the government), and a three-digit Object Code (describing the purpose of the expenditure).

Appropriation accounts vary by government type: township, village, and library. Special districts use either the village or township chart of accounts. For this course, we will be using township appropriation accounts to establish the basic principles.

APPROPRIATION PROGRAM CODES

Program codes represent a service area provided by the entity. The use of the correct program code is essential to filtering expenditures to the proper place on the annual financial reports.

The township program types seen below, establish the main service description on the annual financial reports. Within each program type, you find the specific program codes. It is important to select the correct program type, then select more specific codes within the type. A sample of township program types is shown below.

Township Program Types
General Government
Public Safety
Public Works
Health
Human Services
Recreation
Other
Capital Outlay
Debt Service
Other Financing Uses

The village program types are listed below. There are several program codes within each program type.

Village Program Types
Security of Persons & Property
Public Health Services
Leisure Time Activities
Community Environment
Basic Utility Services
Transportation
General Government
Capital Outlay
Debt Service
Other Financing Uses

The library program types are listed below. There are several program codes within each program type.

Library Program Types
Library Services
Support Services

Many funds will have only one program code for all of the appropriation accounts because the spending from the fund is restricted to one purpose. Other funds have broader spending responsibilities that require more than one program in the appropriation account structure. The General Fund is an example of a fund that usually contains more than one program.

APPROPRIATION OBJECT CODES

Object codes represent the purpose of expenditures. As with fund and program codes, there are object types that contain individual object codes. The selection of an object code within the correct object type is essential to accurate annual financial reporting.

The township object types are shown below. When adding a new appropriation account, I look at the object types and select the object code from the correct type. For example, when I am adding an account for wages I select the object code from the Salaries object type list. When select object codes for the employer share of Medicare, Social Security or state retirement, I select an object code from the Benefits object type. When I am paying for services such as repairs,

utilities or audit, I select a code from the Purchased Services type. When I am selecting codes for office supplies or operating supplies I select the object codes from the Supplies and Materials object type.

The Other object type should only be selected when none of the object types apply; this would be rare.

Capital Outlay object codes should always be paired with the capital outlay program codes and are only used for capital outlay. Debt Service object codes are only used for debt payments; not the receipt and spending of loan money.

Other Financing Uses groups a range of items together that are not usual expenses such as loan money, inter-fund transfers, and advances.

Township Object Types
Salaries
Benefits
Purchased Services
Supplies and Materials
Other
Capital Outlay
Debt Service
Other Financing Uses

The village object types are shown below. You must first select the correct object type then select the object codes. The names of the object types are slightly different from the township object types. Once again, the codes from the Other type should only be used when no other object type describes the purpose.

Village Object Types
Personal Services
Benefits
Contractual Services
Supplies and Materials
Capital Outlay
Other
Debt Service
Other Financing Uses

The library object types are shown below. You must first select the correct object type then select the object codes. The names of the object types are slightly different from the township and village object types but you can still clearly see their purpose. Again, the codes from the Other type should only be used when no other object type describes the purpose.

Library Object Types
Salaries
Benefits
Purchased & Contracted Services
Library Materials & Information
Supplies
Other
Capital Outlay
Principal Payments, Interest & Fiscal Charges
Other Financing Uses

COST CENTERS

A **cost center** is a UAN enhancement that consists of a four-digit number at the end of a revenue or appropriation account and is used to subdivide account codes. Cost center numbers and their names are created by the individual users to meet the specific needs of their entity.

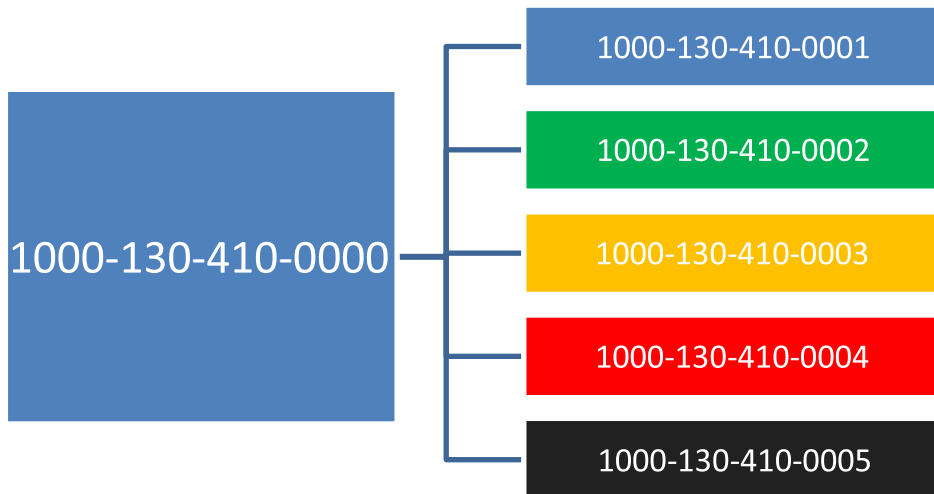
Why might an entity use cost centers?

An entity such as a library, cemetery, or fire department may want to track finances separately for different locations (firehouse #1, firehouse #2, etc.). Adding a cost center for each of the locations will allow revenue and appropriation accounts to be designated by location.

Cost centers added by location would make what was originally budgeted to one appropriation account into several different appropriation accounts, with the budget divided among them.

For example, a library has the main library and four branch locations. The board wants all appropriations separated by location so they create cost centers 0001, 0002, 0003, 0004, and 0005 to represent each location. Now every single appropriation account becomes five appropriation accounts by use of a cost center. This account expansion is shown below for only one account. Imagine if the library had thirty appropriation accounts in the general fund and they wanted all expenses identified by location. Instead of thirty appropriation accounts, they

will have one hundred and fifty appropriation accounts (30 x 5)! In theory, it sounds like a good plan, but in practice, separating the budget into one hundred and fifty appropriation accounts is burdensome and not required for annual financial reporting.



A word of caution prior to implementing cost centers.

It is advisable to call UAN Support prior to implementing cost centers.

This extreme expansion of the account numbers and division of the budget by multiple locations can be **very** difficult to manage and can be overwhelming for an entity with a small budget. The fiscal officer would have to constantly reallocate appropriations between cost centers to issue purchase orders.

When should cost centers not be used?

New UAN clients should not use cost centers as a way to avoid properly converting their current appropriation accounts to the Uniform Chart of Accounts. The Uniform Chart of Account numbers filter items to the proper place on the Annual Financial Report. The desire to keep the old system account structure when converting to UAN should be resisted! The beauty of UAN and the Uniform Chart of Accounts is that every receipt and payment is automatically completing your annual financial report. The use of cost centers will give the appropriation reports the look of the old system, however, if the cost center is attached to the wrong account in the wrong appropriation program or object group, the annual financial report will not be accurate.

Cost centers are never recommended on salary accounts as they complicate the use of the payroll software.

It is a simple matter to create a crosswalk sheet showing old accounts XXX are now properly contained in the new account X.

CHAPTER 3 CONCLUSION

In this chapter you learned:

- Fund numbers must be selected from the correct fund type
- Revenue codes must be selected from the correct revenue type
- Appropriation program and object codes must be selected from the correct types
- Be careful when considering the use of cost centers.
 - Never use cost centers to keep an old chart of accounts, rather than properly converting the old accounts to the Uniform Chart of Accounts.
 - Do not use cost centers for salary accounts.

Please remember that UAN Support personnel are not permitted to assist you with selecting fund, revenue, or appropriation account numbers. We always have to refer you to the Auditor of State's Local Government Services at 800-345-2519.