

Funds Accounting

Karen Ainslie

kainslie@library.IN.gov

Public Library Consultant

800/451-6028



Agenda

- Goals/Objectives
- Definitions
- Fund Groups
- Budgeting
- Government accounting
- Financial statements



Goals

- Concepts of fund accounting
- Understanding the various fund groups
- How are we different than a profit organization?



What is Fund Accounting?

A method of segregating resources into categories (i.e., funds), to identify both the source of funds and the use of funds.





Resolutions to Establish a Fund

- Establish a Fund and Close a Fund
- <http://www.in.gov/library/3289.htm>

Establish a Fund	Close a Fund
<ul style="list-style-type: none">• Resolution To Establish a Cash Change Fund 	<ul style="list-style-type: none">• Resolution To Close Construction Fund
<ul style="list-style-type: none">• Resolution To Establish The Evergreen Indiana Fund 	<ul style="list-style-type: none">• Resolution To Close the Library Capital Projects Fund (LCPF) and Transfer Balance
<ul style="list-style-type: none">• Resolution To Establish a LIRF Fund 	
<ul style="list-style-type: none">• Resolution To Establish a Petty Cash Fund 	
<ul style="list-style-type: none">• Resolution To Establish a Rainy Day Fund 	



Objectives of Fund Accounting

- Demonstrating accountability and stewardship
- Determining financial condition
- Planning and budgeting



Objectives of Fund Accounting

- Evaluating organizational and managerial performance
- Determining/forecasting cash flow
- Communication



Definitions

- Fund: A fund is a segregation of resources established to control and monitor resources and to help ensure and demonstrate compliance with legal/administrative requirements.



Definitions

- Fund Balance: Equity within a fund.
$$\text{Assets} = \text{Liabilities} + \text{Fund Equity}$$
$$\text{Fund Assets} - \text{Fund Liabilities} = \text{Fund Balance}$$
$$\text{Assets} - \text{Claims Against Assets} = \text{Fund Balance}$$
- The fund balance may also be known as Net Assets, Capital, or Net Worth.



Definitions

- Fund Group: A separate entity with a self-balancing set of accounts consisting of assets, liabilities, fund balance, and, where appropriate, revenue and expenditure accounts.



Fund Groups

- Operating Fund
- Library Improvement Reserve Fund (LIRF)
- Debt or BIRF (Bond and Interest Redemption Fund)
- Rainy Day Fund
- Technology Grant Fund
- Agency Fund
 - Evergreen Fund
 - PLAC Fund



Operating Fund






- Fund expendable for operating purposes in support of the library's mission; expected to be expended in the near term.
- Broken down into smaller categories for expenditures. These categories are called accounts. One of the most important funds, which must have accounts, is the operating fund.
- Money is received and disbursed on paper or bookkeeping software
- The cash balance of any fund may not be reduced below zero.



Transfer of Funds

- Resolutions

- DLGF March 2, 2018 Memo <http://www.in.gov/dlgf/2444.htm>

Transfer or Borrow from Fund
<ul style="list-style-type: none">• Resolution For Temporary Transfer of Funds Resolution 
<ul style="list-style-type: none">• Resolution To Declare An Emergency And To Borrow From An Existing Library Fund Account 
<ul style="list-style-type: none">• Resolution To Transfer Funds Between Major Categories Within the Library Operating Fund 
<ul style="list-style-type: none">• Resolution To Transfer Funds To The Rainy Day Fund 
<ul style="list-style-type: none">• Resolution To Transfer Within Operating Categories 



Temporary Transfer

- State Board of Accounts
- May transfer prescribed amount for prescribed period to a depleted fund from another fund
 - Conditions: money available, prescribed period, returned in the budget year, only revenues from collection of property taxes
- Emergencies IC 36-1-8-4(b)
 - Could extend payback period by 6 months
 - Requires resolution with statement of emergency
 - Repayment not more than six months beyond budget
 - Year in which transfer occurs
 - Resolutions to State Board of Accounts and DLGF



Operating Fund

- Designated fund
- State appropriations





Gift and Grant Fund

- Unrestricted
- Restricted
 - LSTA
 - State Technology Grant Fund

Agency Fund

- Used to record funds held by the library for outside entity who has a close relationship to the library
 - Evergreen Libraries that collect fees/fines for other members in consortium
 - Public Libraries that sell PLAC cards
- Funds in the Agency Fund group do not belong to the library and are not reported on the financial statement



Summary

- Funds Accounting
 - Definitions that include designated, restricted and unrestricted
- Budget and accounts
- Self balancing
 - Don't overdraw
 - Can borrow but must pay back

