Funds Accounting

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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

<table>
<thead>
<tr>
<th>Establish a Fund</th>
<th>Close a Fund</th>
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<tbody>
<tr>
<td>• Resolution To Establish a Cash Change Fund</td>
<td>• Resolution To Close Construction Fund</td>
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<td>• Resolution To Establish The Evergreen Indiana Fund</td>
<td>• Resolution To Close the Library Capital Projects Fund (LCPF) and Transfer Balance</td>
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<td>• Resolution To Establish a LIRF Fund</td>
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<td>• Resolution To Establish a Petty Cash Fund</td>
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<td>• Resolution To Establish a Rainy Day Fund</td>
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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
• **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](http://www.in.gov/dlgf/2444.htm)
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