

Local, Revolving, and Clearing Funds  
Accounting



**State of Florida  
Project Aspire**

**Local, Revolving, and Clearing Funds  
Accounting**  
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## 1.0 TOPIC

This document will discuss local, revolving, and clearing funds and how those funds will be maintained after the Aspire implementation.

## 2.0 BACKGROUND

The State has various funds that are maintained in bank accounts outside the control of the Treasury. These funds are referred to as local, revolving and clearing funds. There are approximately 80 funds maintained in the Treasury's Consolidated Revolving Account and approximately 300 other accounts maintained in different banks. There is no precise distinction as to whether these funds are referred to as local, revolving or clearing but the general definition is as follows:

- Clearing – these funds are primarily depository accounts maintained in a close proximity to a state office with the need to deposit incoming revenue in a local bank. These funds are typically transferred to the Treasury on a frequent basis and the account is generally not used for operating disbursements.
- Revolving – these funds are generally used for small operating disbursements that are needed in a timely fashion and cannot wait for normal warrant processing. The nature of these disbursements is for travel advances, emergency payroll, witness fees, and other incidental expenditures.
- Local - these funds arise from client donations, client trust funds where the trust agreement prescribes the funds be maintained outside the Treasury, construction agreements, and lottery winnings awaiting disbursement.

The following table summarizes some activity for the three-month period from May1 thru July 28 of 2004:

| FLAIR Departmental Local Fund Transactions<br>For the Period May 1 through July 28, 2004 |                                  |              |                 |
|--|----------------------------------|--------------|-----------------|
| Department   | Trans Code                       | Trans. Count | Trans \$ Amount |
| <b>TR01-03</b>   | <b>Property</b>                  |              |                 |
|  |                                  |              | \$              |
| Transportation   | 01                               | 28           | 1,277,930.00    |
| Transportation   | 02                               | 15           | 282,936         |
| Transportation   | 03                               | 1            | 23,115          |
| Military Affairs   | 03                               | 4            | 5,000           |
| <b>TR09</b>  | <b>Automated Closing Entries</b> |              |                 |
| State Courts   | 09                               | 35           | 12,236,472      |
| <b>TR10</b>  | <b>General Accounting</b>        |              |                 |
| Judicial   | 10                               | 2            | 150             |
| State Courts   | 10                               | 6            | 3,020,394       |

|                          |    |                                    |            |
|--------------------------|----|------------------------------------|------------|
| Environmental Protection | 10 | 136                                | 7,119,081  |
| Legal Affairs            | 10 | 10                                 | 299        |
| Financial Services       | 10 | 10                                 | 17,311,168 |
| Banking & Finance        | 10 | 2                                  | 22,201,926 |
| State                    | 10 | 6                                  | 35,111     |
| Insurance                | 10 | 20                                 | 10,713,328 |
| Education                | 10 | 1                                  | 623        |
| School Deaf & Blind      | 10 | 8                                  | 585,041    |
| Transportation           | 10 | 154                                | 86,414,324 |
| Citrus                   | 10 | 3                                  | 16,250     |
| Children & Family Svcs.  | 10 | 733                                | 60,004,228 |
| Public Service Comm.     | 10 | 1                                  | 1,806      |
| Dept. of Health          | 10 | 10                                 | 86,622     |
| Elder Affairs            | 10 | 7                                  | 10,539     |
| Healthcare               | 10 | 1                                  | 899        |
| Corrections              | 10 | 82                                 | 7,632,378  |
| Revenue                  | 10 | 1                                  | 165,098    |
| Workforce Innovation     | 10 | 8                                  | 9,904,222  |
| Business & Prof. Reg.    | 10 | 5                                  | 318,509    |
| Juvenile Justice         | 10 | 15                                 | 37,766     |
| State Board Admin.       | 10 | *****                              | *****      |
|                          |    | <b>Property General Accounting</b> |            |
| <b>TR16</b>              |    |                                    |            |
| Transportation           | 16 | 270                                | 28,352,222 |
| <b>TR30</b>              |    | <b>Direct Deposit Receipts</b>     |            |
| Environmental Protection | 30 | 15                                 | 508,534    |
| Education                | 30 | 518                                | 288,347    |
| Transportation           | 30 | 55                                 | 14,095,136 |
| Children & Family Svcs.  | 30 | 3,080                              | 8,285,617  |
| Military Affairs         | 30 | 258                                | 8,061,428  |
| Dept. of Health          | 30 | 104                                | 15,925     |
| Corrections              | 30 | 139                                | 24,730,202 |
| Business & Prof. Reg.    | 30 | 16                                 | 439,315    |
| Juvenile Justice         | 30 | 190                                | 44,652     |
| <b>TR31</b>              |    | <b>Clearing Fund Receipts</b>      |            |
| Environmental Protection | 31 | 311                                | 1,910,454  |
| School Deaf & Blind      | 31 | 124                                | 258,862    |
| Children & Family Svcs.  | 31 | 1,897                              | 2,910,793  |
| Military Affairs         | 31 | 199                                | 181,369    |
| Dept. of Health          | 31 | 947                                | 595,637    |

| <b>TR32</b>                                      |    |       |            |
|--|----|-------|------------|
| <b>Revolving Fund Reimbursements</b>             |    |       |            |
| Legislature                                      | 32 | 6     | 98         |
| Judicial   | 32 | 116   | 12,338     |
| Environmental Protection                         | 32 | 97    | 144,194    |
| Legal Affairs                                    | 32 | 1,009 | 647,584    |
| Agriculture                                      | 32 | 104   | 11,046     |
| Community Affairs                                | 32 | 57    | 20,088     |
| Transportation                                   | 32 | 856   | 154,244    |
| Citrus   | 32 | 12    | 1,993      |
| Children & Family Svcs.                          | 32 | 1,203 | 524,158    |
| Public Service Comm.                             | 32 | 8     | 83         |
| Military Affairs                                 | 32 | 19    | 223        |
| Dept. of Health                                  | 32 | 170   | 13,466     |
| Corrections                                      | 32 | 770   | 452,276    |
| Law Enforcement                                  | 32 | 742   | 322,977    |
| Revenue  | 32 | 2     | 19,260     |
| Workforce Innovation                             | 32 | 11    | 36,788     |
| Highway Safety                                   | 32 | 33    | 2,064,612  |
| Fish & Wildlife                                  | 32 | 3     | 1,200      |
| Business & Prof. Reg.                            | 32 | 135   | 30,652     |
| Juvenile Justice                                 | 32 | 50    | 958        |
| Corrections                                      | 33 | 106   | 11,059     |
| <b>TR51</b>                                      |    |       |            |
| <b>Unencumbered Disbursements</b>                |    |       |            |
| Environmental Protection                         | 51 | 5     | 317,682    |
| Transportation                                   | 51 | 99    | 9,969,903  |
| Children & Family Svcs.                          | 51 | 4,009 | 5,860,840  |
| Military Affairs                                 | 51 | 786   | 7,056,297  |
| Dept. of Health                                  | 51 | 141   | 17,441     |
| Corrections                                      | 51 | 273   | 29,226,801 |
| Juvenile Justice                                 | 51 | 378   | 48,702     |
| <b>TR52</b>                                      |    |       |            |
| <b>Revolving Fund Unencumbered Disbursements</b> |    |       |            |
| Judicial   | 52 | 126   | 14,960     |
| State Courts                                     | 52 | 49    | 2,904      |
| Exec. Office Governor                            | 52 | 28    | 13,974     |
| Environmental Protection                         | 52 | 124   | 152,978    |
| Legal Affairs                                    | 52 | 1,064 | 687,629    |
| Agriculture                                      | 52 | 180   | 17,512     |
| Financial Services                               | 52 | 2     | 2,434      |
| State  | 52 | 42    | 13,002     |
| Veterans Affairs                                 | 52 | 3     | 29         |
| Community Affairs                                | 52 | 52    | 18,213     |

|                          |    |  |           |
|--------------------------|----|--|-----------|
| Transportation           | 52 | 754  | 140,059   |
| Citrus                   | 52 | 11   | 2,024     |
| Children & Family Svcs.  | 52 | 1,108  | 501,603   |
| Public Service Comm.     | 52 | 4  | 26        |
| Military Affairs         | 52 | 19   | 223       |
| Dept. of Health          | 52 | 118  | 10,882    |
| Healthcare               | 52 | 12   | 250       |
| Corrections              | 52 | 754  | 449,142   |
| Law Enforcement          | 52 | 741  | 330,471   |
| Revenue                  | 52 | 2  | 17,310    |
| Workforce Innovation     | 52 | 8  | 23,196    |
| Highway Safety           | 52 | 36   | 1,803,705 |
| Fish & Wildlife          | 52 | 5  | 1,800     |
| Business & Prof. Reg.    | 52 | 99   | 20,008    |
| Juvenile Justice         | 52 | 44   | 11,067    |
| <b>TR53</b>              |    | <b>Payables Disbursement</b>                   |           |
| Transportation           | 53 | 170  | 8,273,881 |
| Corrections              | 53 | 8  | 772       |
| <b>TR54</b>              |    | <b>Revolving Fund Payable Disbursement</b>     |           |
| Legal Affairs            | 54 | 1  | 15        |
| Community Affairs        | 54 | 3  | 2,222     |
| Children & Family Svcs.  | 54 | 19   | 6,685     |
| Business & Prof. Reg.    | 54 | 38   | 8,404     |
| <b>TR58</b>              |    | <b>Disbursement Corrections</b>                |           |
| Children & Family Svcs.  | 58 | 131  | 182,154   |
| Dept. of Health          | 58 | 14   | 8,252     |
| Corrections              | 58 | 218  | 3,016,364 |
| <b>TR59</b>              |    | <b>Revolving Fund Disbursement Corrections</b> |           |
| Environmental Protection | 59 | 20   | 2,376     |
| Agriculture              | 59 | 1  | 112       |
| Transportation           | 59 | 1  | 501       |
| Children & Family Svcs.  | 59 | 50   | 51,139    |
| Dept. of Health          | 59 | 17   | 5,549     |
| Corrections              | 59 | 24   | 13,100    |
| Law Enforcement          | 59 | 1  | 2         |
| Business & Prof. Reg.    | 59 | 2  | 449       |
| Juvenile Justice         | 59 | 1  | 5,035     |
| <b>TR60</b>              |    | <b>Encumbrances</b>                            |           |
| Children & Family Svcs.  | 60 | 3  | 975       |

|                          |   |       |  |              |
|--------------------------|---|-------|--|--------------|
| <b>TR61</b>              | <b>Encumbrance Change</b>                     |       |  |              |
| Children & Family Svcs.  | 61  | 5     |  | 2,382        |
| <b>TR71</b>              | <b>Revolving Fund Encumbered Disbursement</b> |       |  |              |
| Children & Family Svcs.  | 71  | 5     |  | 35,096       |
| Dept. of Health          | 71  | 6     |  | 4,616        |
| Corrections              | 71  | 17    |  | 9,630        |
| Juvenile Justice         | 71  | 4     |  | 1,666        |
| <b>TR80</b>              | <b>Unencumbered Payable</b>                   |       |  |              |
| Transportation           | 80  | 59    |  | 5,148,177    |
| Corrections              | 80  | 4     |  | 386          |
| <b>TR90</b>              | <b>General Ledger Accounts Receivable</b>     |       |  |              |
| Transportation           | 90  | 2     |  | 179,383      |
| Corrections              | 90  | 69    |  | 43,352       |
| <b>TR94</b>              | <b>Revenue to Revenue Transfer</b>            |       |  |              |
| Business & Prof. Reg.    | 94  | 1     |  | 634          |
| <b>TR96</b>              | <b>Journal Transfer Receipt</b>               |       |  |              |
| Education                | 96  | 9     |  | 73           |
| Dept. of Health          | 96  | 62    |  | 7,009        |
| Corrections              | 96  | 4     |  | 561          |
| <b>TR98</b>              | <b>Automated Clear the Clearing Fund</b>      |       |  |              |
| Environmental Protection | 98  | 311   |  | 1,910,454    |
| School Deaf & Blind      | 98  | 124   |  | 258,862      |
| Children & Family Svcs.  | 98  | 1,884 |  | 2,865,948    |
| Military Affairs         | 98  | 199   |  | 181,369      |
| Dept. of Health          | 98  | 926   |  | 586,092      |
| <b>TR99</b>              | <b>Automated Journal Transfer Receipts</b>    |       |  |              |
| Education                | 99  | 1     |  | 785          |
| Children & Family Svcs.  | 99  | 1     |  | 23,147       |
| Corrections              | 99  | 208   |  | 3,009,915.00 |

### 3.0 ISSUE DESCRIPTION

There is some diversity in the accounting methods, practices and procedures used to account for these funds under the current system. As to “clearing” funds, some are accounted for as deposits are made to them (i.e. the cash and revenue effects) and others are accounted for when the transfers to the Treasury are made. As for the “revolving funds” many are accounted for on what is known as the “imprest” method. Under the “imprest” method disbursements (expenditures) are not recorded as they are actually

made, but rather when the fund is reimbursed. Other local and revolving funds are accounted for as disbursements are actually made.

The Treasury is not involved in accounting for these funds nor the reconciliation and administration of the respective bank accounts. The writing of checks, making of deposits, and bank reconciliation is handled by the respective agencies themselves. In the case of the Consolidated Revolving Account (CRA), the agencies are provided a bank statement by the Treasury with their disbursement and depository information to assist them in bank reconciliation.

The issue is to account for these funds accurately and on a timely basis in Aspire. Further guidance will be available in the Aspire policy and procedures document. Several options are discussed below using delivered functionality.

#### **4.0 ASSUMPTIONS (ALL OPTIONS)**

- Treasury will continue to provide agencies with a bank statement for the Consolidated Revolving Account containing deposit and disbursement information.
- Agencies will be responsible for reconciling all local, revolving, and clearing fund accounts held by their agency.
- Agencies will be expected to record all fund activity in a timely manner defined in the Aspire policy and procedures document.

#### **5.0 OPTIONS**

##### **5.1 Option 1**

###### **5.1.1 Description**

Account for these funds as “Imprest”. Using this method the expenditure effects of disbursements from these accounts will not be recorded until the fund is reimbursed. Invoices from the agencies for fund reimbursements will be entered as vouchers in Aspire. Upon entering the voucher in Aspire sub-vendors and appropriate chartfield coding would be recorded for the fund disbursements being reimbursed allowing for the capture and reporting of 1099 information as required.

### **5.1.2 Pros**

- Quick and easy method that does not require concurrent recording of accounting effects.

### **5.1.3 Cons**

- The accounting and economic effects of transactions are not reflected in financial records concurrent with their occurrence but rather only when the fund is reimbursed.
- No encumbrance effect is recorded for these transactions.

Generally this method is acceptable for only very small funds with a minimum of incidental disbursement activity, no outside revenue deposits and only depository activity of a replenishment nature coming from inside the State.

## **5.2 Option 2**

### **5.2.1 Description**

Account for these funds on a “current” basis using the delivered journal entry functionality. Under this method disbursements will be made manually or through the use of Quicken or other business systems. The effects of these transactions will be recorded on a current basis using the Aspire journal entry functionality. Deposits will be recorded in a similar manner using the journal entry functionality.

Invoices from the agencies for fund reimbursements will be entered as vouchers in Aspire. Upon entering the voucher in Aspire sub-vendors and appropriate chartfield coding would be recorded for the fund disbursements being reimbursed allowing for the capture and reporting of 1099 information as required.

### **5.2.2 Pros**

- The economic effects of transactions will be reflected in Aspire financial records as they occur.

### **5.2.3 Cons**

- No encumbrance effect is recorded for transactions.

### 5.3 Option 3

#### 5.3.1 Description

Account for these funds on a “current” basis utilizing limited delivered AR, PO and AP Aspire functionality. Under this method vouchers will be entered into the Aspire AP system capturing 1099 information for revolving fund payees using the regular vendor functionality. But, the actual disbursing instrument whether it is a check, EFT, or wire will be prepared outside of Aspire (either manually or through the use of other business systems). Aspire manual check functionality will be used to record the check in the AP system to clear the voucher when it is paid. PO functionality will also be available. Deposits will be entered in the Aspire AR system utilizing direct deposit journal functionality.

#### 5.3.2 Pros

- This method will allow for encumbrances to be recorded
- The economic effects of transactions will be reflected in the Aspire financial records as they occur

#### 5.3.3 Cons

- Utilizing this AP and AR functionality will require banks to be set up and configured in Aspire.
- Entering all of the voucher/vendor related information is more cumbersome than simply using the journal entry method in Option 2.
- Check numbers and deposit ID’s will be in Aspire. But, since there is no banking file to load in Aspire for these banks, the automatic bank reconciliation functionality will not be available.
- This method is the preferable method where there are large dollar transactions that require encumbrance treatment.

## 6.0 CONCLUSIONS AND RECOMMENDATIONS

The Project Aspire Implementation Team is recommending option 2 to be used by the agencies to process their local, revolving, and clearing fund accounts.