

TOPIC	ACCOUNTING PRINCIPLES	SUB-SECTION 02.10.20
SECTION	GAAP ACCOUNTING PRINCIPLES	ISSUANCE DATE APRIL 30, 2003
SUB-SECTION	FUND ACCOUNTING	REVISED- 2021

**FUND ACCOUNTING**

The diverse nature of state governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all financial transactions and balances in a single accounting entity. Unlike a private business, which is accounted for as a single entity, the State is accounted for through several separate funds, each accounting for designated assets, liabilities, and equity or other balances. Thus, from an accounting and financial management viewpoint, the State is a combination of several distinctly different fiscal and accounting entities each having a separate set of accounts and functioning independently of other funds.

All financial transactions should be recorded in self-balancing groups of accounts established as funds by law or administrative action. The fund is the basic fiscal and accounting entity of the State of Mississippi. The term "fund" has a dual meaning in governmental accounting, referring to both financial resources in general and to the fiscal and accounting entity "recording cash and/or other resources together with all related liabilities and obligations, which are segregated in accordance with special regulations, restrictions or limitation".

The self-balancing feature of each fund is accomplished through the double entry method of accounting. This technique embodies the inherent control features of the accounting equation. For each fiscal and accounting entity (fund) there should exist a ledger of accounts. The classification and recording of each transaction - each entry to the ledger should satisfy the accounting equation. It follows that the sum of all debit entries in the ledger must equal the sum of all credit entries, and the fund is thereby self-balanced.

The number and types of funds within the State of Mississippi are controlled by legislative and administrative action. As a matter of principle, the number of funds should be sufficient to satisfy legal requirements, but should not be so large as to restrict the flexibility of state government officials in managing the available resources

Funds are divided into three budgetary types in the State of Mississippi:

1. **General Treasury Funds** - Funds established to receive a portion of the State's general tax revenues and to pay the regular operating and administrative expenses of state government. The Legislature appropriates monies from the state General Fund 2999000000 into agencies' general funds (2000000000 series funds).
2. **Special Treasury Funds** - Funds established to receive fees, fines, licenses, taxes or other special assessments, as well as revenue from the federal government, donations, or other special source of revenue.
3. **Education Enhancement Treasury Funds** - Funds established to receive specific tax revenues that support educational programs.

**STATE OF MISSISSIPPI  
DEPARTMENT OF FINANCE AND ADMINISTRATION**

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In applying GAAP fund definitions to each of the treasury funds, the following rules apply:

1. In those instances where State General Fund 2999000000 monies are used to pay programs which for financial reporting purposes are classified in other than the General Fund, reflect expenditure amounts in the designated fund with a corresponding "transfer out" of the GAAP General Fund and "transfer in" to the reporting fund.
2. When two or more treasury funds are combined in one budget, the funds are classified for GAAP reporting purposes by the predominant fund type within that budget.
3. Reflect as a part of the GAAP General Fund those special treasury funds whose revenue is derived from taxation and whose resources are used to support general governmental activities.
4. Special treasury funds classified as GAAP General Fund as a result of rule (2) or (3) above should be categorized as unreserved fund balance designated for fund balances of special treasury funds to indicate that these funds are not available for general state purposes.
5. Classify each treasury fund in the single fund classification that best defines the status even though a treasury fund might include activities that meet the definitions of more than one fund type.

Funds may also be classified by the source of authority for expenditure of their resources. Appropriated funds are those for which the expenditure of resources requires prior statutory authority in the form of an appropriation. Non-appropriated funds are subject to expenditure authority other than acts of the legislature.

For purposes of reporting in accordance with GAAP, the financial activities of the State have been classified into the following fund categories. College and university accounting is not included in this manual. However, the universities will be included in the State of Mississippi's combined financial statements.

1. **Governmental Fund Types** - are used principally to account for the ongoing activities of government that are financed with general government revenues in the form of taxes, license fees, grants and entitlements. These funds are accounted for on the modified accrual basis of accounting and some costs ordinarily are not allocated among accounting periods. Instead, fund types generally account for the flow of resources (revenues and expenditures) into and out of the funds. Five types of Governmental Funds are recommended for use by state and local governments:
  - a. **General Fund** - The general fund accounts for transactions related to resources obtained and used for services traditionally provided by a state government. These services include general government, public safety, health and social services, social assistance, recreation and resources, transportation, and education (other than institutions of higher education). Revenues in this fund are derived from taxes, fees, and other sources that usually are not designated for any specific purposes (for example, licenses, permits or charges for incidental services). Certain resources obtained from federal grants used to support general governmental activities are accounted for in the general fund consistent with applicable legal requirements.
  - b. **Special Revenue Funds** – Special revenue funds account for transactions related to resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds accounts for, among others, federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.
  - c. **Debt Service Funds** – Debt service funds account for transactions related to resources obtained and accumulated to pay interest and principal on general long-term obligations (other than capital leases and compensated absences).

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- d. **Capital Projects Funds** – Capital projects funds account for transactions related to resources obtained and used for the acquisition, construction or improvement of major capital facilities including those provided to political subdivisions and other public organizations (other than those financed by proprietary funds and fiduciary funds). Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from general funds.
  - e. **Permanent Funds** – Permanent funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.
2. **Proprietary Fund Types** closely resemble those of businesses which conserve and add to basic resources while meeting operating expenses from current revenues. Their activities are usually financed with user charges that are directly related to the services received. The intent of the proprietary activity usually is to recover the cost of operations. However, it is permissible to account for business type activities within a Proprietary Fund when the purpose is only to provide an improved level of management over costs incurred (e.g., when the government chooses to finance the majority of a utility operation from general revenues). Proprietary Fund financial statements report allocated costs, such as depreciation and other operating expenses. They apply accrual accounting principles appropriate for business enterprises. The two types of **Proprietary Funds** are:
- a. **Enterprise Funds** - Enterprise funds account for operations where the intent of the state is that the cost of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, or accountability, or other purposes.
  - b. **Internal Service Funds** - Internal service funds account for the operations of state agencies that provide goods and services to state agencies or governmental units on a cost-reimbursement basis.
3. **Fiduciary Fund Types** are Trust and Custodial Funds that are used to account for assets held by a governmental unit as a trustee or agent for individuals, private organizations or governmental units. A separate category is necessary to distinguish the special fiduciary responsibility for these resources in accordance with specific laws or restrictions. These resources are not available for governmental purposes, but the government must clearly reflect the discharge of its fiduciary responsibilities.
- a. **Pension Trust Funds** - Pension trust funds account for transactions, assets, liabilities and fiduciary assets held in trust for plan beneficiaries of the state’s public employee retirement systems.
  - b. **Other Employee Benefits Trust Funds** – Other employee benefits trust funds account for transactions, assets, liabilities, and fiduciary assets held in trust for post-employment healthcare benefits of the state’s life and health insurance plan.
  - c. **Private Purpose Trust Funds** - Private purpose trust funds account for resources of all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.
  - d. **Custodial Funds** - Custodial funds account for the additions and deletions of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.