

**Mendocino Coast Health Care District**  
**Fund Based Accounting Framework for FYE2024 (Proposed)**

**General Fund**

- **District Operations**
  - Personnel Costs
  - Office Expenses
  - Board Meeting Expenses
  - D&O Insurance
  - Board HRA
  - Legal Expenses
  - Accounting Expenses
  - Utilities
  - Internet Costs
    - Website
    - Office 365
  - Memberships
  - Board Education – Consultants
  - Election Costs
- **Measure C Administrative Expenses**
  - Consultant Costs related to exemptions, etc.
  - Legal Expenses related to Measure C
  - ADA Accommodations

**Measure C Restricted Fund**

- **Holds Measure C Funds**
- **Reimburse AHMC Lease Fund for Completed Improvements\***
- **Other expenditures\***  
\* as authorized by the Measure C Committee and approved by MCHCD Board

**AHMC Lease Fund**

- **AHMC Lease Payment**
- **AHMC Improvement Fund Payments**
- **Other expenses directly related to AHMC Lease**

**Trailing Liability Fund**

- **Tail Health Care Liability**
- **Obsolete Property Storage**
- **EDD Unemployment Insurance Payment**
- **Medicare and MediCal Cost Report Settlements**
  - Underpayment Reimbursements
  - Overpayment Refunds
  - Independent consulting accountants

**Capital Fund – Seismic Retrofit**

- **Fund Balance**
  - General Fund Annual Surplus
- **Design and Planning Costs**
  - Architects
  - Engineers
  - Consultant Expenses

**Debt Service Fund**

- **Bonds**
  - Bond Principal balances
  - Bond Payments – Interest and principal accounted separately
  - Bond servicing and certification costs
- **Loans**
  - Loan Principal Balances
  - Loan Payments – Interest and Principal accounted separately

## Special District Uniform Accounting and Reporting Procedures

# Chapter 5: Fund Accounting

### Introduction

Governmental accounting systems should be organized and operated on a fund basis. According to GASB Cod. Sec. 1300, *Statements of Principle*, a fund is defined as:

An independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Unlike private business, which is accounted for as a single entity, a governmental unit is accounted for through several separate fund entities as discussed in GASB Cod. Sec. 1300.101 (Section 1300, paragraph .101). Each of these funds accounts for assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or fund balance within each fund.

Fund accounting systems not only need to be capable of recording the day-to-day transactions in the appropriate funds, but should also facilitate the preparation of the basic financial statements. These basic financial statements require both government-wide and fund reporting for government entities.

Additionally, fund financial statements should be used to report additional and detailed information with regard to the primary government entity, including its blended component units. The focus of fund financial statements is on major funds.

### Governmental Environment

#### 5.01 Number of Funds

Governmental accounting and financial reporting requirements are intended to provide assurance that available governmental resources are controlled and spent in accordance with the organization's spending, product and service delivery decisions, and a variety of legal and contractual provisions. The general rule is to establish the minimum number of separate funds consistent with legal specifications, operational requirements, and the principles of fund classification.

As described in GASB Cod. Sec. 1300.101 (Section 1300, paragraph .101):

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Unlike a private business, which is accounted for as a single entity, a governmental unit is accounted for through several separate fund entities, each accounting for designated assets, liabilities, and equity or other balances.

Thus, from an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently.

## 5.02 Fund Categories

Governmental funds, as discussed in GASB Cod. Sec. 1300.102a (Section 1300, paragraph .102a), are primarily focused on the sources, uses, and balances of current financial resources and often have a budgetary orientation. Current financial resources are those assets that are expendable during a budgetary period and they are often segregated into a specific governmental fund based on restrictions imposed by outside authorities or parties, or strategies established by internal management. Liabilities of a governmental fund are obligations that will be paid from the current period resources held by that particular fund.

According to GASB Cod. Sec. 1300.102a (Section 1300, paragraph .102a), financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental fund category includes the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

Fund Balance, as discussed in GASB Cod. Sec. 1300.102a (Section 1300, paragraph .102a), is referred to as fund equity. It is the difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

Proprietary funds, as discussed in GASB Cod. Sec. 1300.102b (Section 1300, paragraph .102b), are primarily focused on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. They are used to account for local government activities similar to those that may be performed by commercial enterprise-type organizations.

According to the provisions of GASB Cod. Sec. 1300.102b (Section 1300, paragraph .102b), the required financial statements for proprietary funds are a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows. These financial statements should be reported using the full accrual basis of accounting and the economic resources measurement focus. The proprietary fund category includes enterprise funds and internal service funds.

Fiduciary funds, as discussed in GASB Cod. Sec. 1300.102c (Section 1300, paragraph .102c), are primarily focused on net position and changes in net position. They are used to account for assets held by a local government for other parties (either as a trustee or as an agent) and that cannot be used to finance the local government's own operating programs.

According to the provisions of GASB Cod. Sec. 1300.102c (Section 1300, paragraph .102c), the required financial statements for fiduciary funds are the statement of fiduciary net position and the statement of changes in fiduciary net position. These financial statements should include information about all fiduciary funds of the primary government, including fiduciary component units.

As stated in GASB Cod. Sec. 1300.102c (Section 1300, paragraph .102c), fiduciary funds should be reported using the full accrual basis of accounting and the economic resources measurement focus. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Custodial funds are distinguished from the three types of trust funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

## Fund Types

### 5.03 Governmental Funds

Governmental funds are based on the following accounting relationship:

$$\text{Assets} + \text{Deferred Outflows of Resources} = \text{Liabilities} + \text{Deferred Inflows of Resources} + \text{Fund Balance}$$

As previously discussed, the Governmental Fund category includes the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds and account for the current operating expenditures of the local government. The guidelines for the five types of governmental funds are stated in GASB Cod. Sec. 1300.104 - .108 (Section 1300, paragraphs .104 - .108).

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. There is only one general fund and it should only be used if no other fund is applicable and/or appropriate.

Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years should also be reported in debt service funds. The debt service transactions of a special assessment issue for which the government is not obligated in any manner should be reported in a custodial fund rather than a debt service fund.

Permanent funds are used to account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds.

### 5.04 Proprietary Funds

Proprietary funds include enterprise funds and internal service funds. Funds in this category are considered self-supporting in that the services they render are generally financed through user charges or on a cost reimbursement basis. Proprietary funds (as well as fiduciary and government-wide financial statements) are based on the following accounting relationship:

$$(\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources}) = \text{Net Position}$$

This accounting relationship can also be displayed in a balance sheet format as:

$$\text{Assets} + \text{Deferred Outflows of Resources} = \text{Liabilities} + \text{Deferred Inflows of Resources} + \text{Net Position}$$