

## **TITLE I – FINANCE AND ACCOUNTING SECTION 425 - FUND POLICY**

### **A. PURPOSE**

The purpose of this policy is to guide departments through the process for adding, changing, and deactivating funds.

### **B. POLICY SUMMARY**

County financial resources are allocated to and accounted for in separate Funds based on the purposes for which they are to be spent and controlled. Each of these Funds accounts for designated assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balance/net position.

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

Funds should only be established and maintained as required by law and sound financial administration. Only the minimum number of Funds consistent with legal and operating requirements should be established.

A department initiates an addition of a Fund by completing the Fund Type/Fund/Subfund Initiation Request and Input Form (AUD300), via email to the General Accounting Manager of the Auditor-Controller's Office. The General Accounting Manager of the Auditor-Controller's Office shall review the appropriateness of the form and forward the form to the County Administrative Office, as necessary. A department initiates change or deactivation of a Fund by submitting a written request via email to the General Accounting Manager of the Auditor-Controller's Office.

#### **Categories of Funds**

Funds are grouped into three categories:

1. Governmental Funds – Used to account for the general operations of a government. Financial reporting related to Governmental Funds focuses on the flow of expendable financial resources. The accounting is designed to measure the changes in available financial resources, as opposed to “net income.”
2. Proprietary Funds – Used to account for the business-type operations of a government. Financial reporting related to Proprietary Funds is similar to that of a business. The accounting is designed to measure operating income, financial position, and cash flows.
3. Fiduciary Funds – Used to account for financial resources established under trust agreement or an agency relationship. These resources cannot be used to support a government's own programs. The accounting is designed to measure resources held for others and the changes in those resources.

Each of these broad categories of funds also contains several subcategories or types of funds.

### Governmental Fund Types

Governmental Funds may be divided among five distinct types of funds:

1. General Fund – Accounts for all financial resources except those accounted for in another fund. The General Fund functions as the main operating fund of the government.
2. Special Revenue Fund – Accounts for the proceeds of special revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific purposes.
3. Capital Projects Fund – Accounts for financial resources to be used for the acquisition or construction of major capital assets (other than those financed by Proprietary Funds or Fiduciary Trust Funds).
4. Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt.
5. Permanent Fund – Accounts for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the government's programs or purposes that benefit the government or its citizenry.

### Proprietary Fund Types

Proprietary Funds may be divided among two distinct types of funds:

1. Enterprise Fund – Accounts for operations that are financed and operated in a manner similar to a business enterprise, usually in instances where external users are charged a fee for goods or services.
2. Internal Service Fund – Accounts for activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

### Fiduciary

Activities that meet all the criteria to be reported as a Fiduciary Fund should be reported in one of the following four types of funds:

1. Pension (or other employee benefit) Trust Fund – Accounts for resources that are administered through a trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.
2. Investment Trust Fund – Accounts for the external portion of investment pools and individual investment accounts that are held in a trust.
3. Private Purpose Trust Fund – Accounts are used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust.

4. Custodial funds – are used to report fiduciary activities that are not held in a trust or equivalent arrangement

#### Changing a Fund

Departments may wish to make changes to a Fund for a variety of reasons. Examples of changes include changing the Fund's name or description, changing the budgetary status, and changing the allocation of interest generated by the Fund.

Changing a Fund's name or description is only allowed to enhance clarity as to the nature of the Fund, not to alter the nature or purpose of the Fund and is only allowed for active Funds. An inactive Fund can only be reactivated by the original department. An inactive Fund cannot be reactivated to be used for a different purpose than for which the Fund was originally created.

#### Deactivating a Fund

All balance sheet accounts must have no balances in order for a Fund to be deactivated. If balances exist for any balance sheet accounts, the department must transfer the balances to other balance sheet accounts. Additionally, an existing Fund with budget cannot be deactivated until the end of the fiscal year. If there is no budget or if the budget is removed, the Fund can be deactivated immediately.

### **C. PROCEDURES**

#### Adding a Fund

Upon determining the need for the addition, change of a Fund, the operating department completes the Fund Type/Fund/Subfund Initiation Request and Input Form (AUD300).

The operating department submits the appropriately completed Fund Type/Fund/Subfund Initiation Request and Input Form (AUD300) to the General Accounting Manager of the Auditor-Controller's Office.

The General Accounting Division of the Auditor-Controller's Office updates the County's accounting system to reflect the addition of the Fund, attaches the completed Fund Type/Fund/Subfund Initiation Request and Input Form (AUD300) to the master data in the County's accounting system, and notifies the originating department of the completed update.

### **D. DEFINITIONS**

For the purposes of this policy, the following definitions apply:

1. **"County's Accounting System"** means the Finance Enterprise system or other similar system currently used by the County as its primary accounting and finance system.
2. **"Fund"** means an accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances.
3. **"Master Data"** means data that is used repeatedly during accounting and financial processing and maintained by the County's accounting system.

**E. HISTORY**

Date	Changes Made
6/16/2020	Policy Adopted
6/13/2023	Policy Amended