



County of Santa Clara

Policy Name: Fund Policy

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Policy Type: Administrative

Category: Fiscal and Budget **Sub-Category:** Budget Practices

Policy Name: Fund Policy

Policy Owner: Controller

Policy Purpose

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

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, liabilities, and equities.

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, change, or deactivation of a Fund by completing the Fund Description Form and submitting it to the Controller-Treasurer Department General Accounting Unit. Upon approval of the form, the Controller-Treasurer Department General Accounting Unit shall update the information in the County accounting and finance system and forward



the form to the Office of Budget and Analysis and to the Accounting System and Procurement (ASAP) Project Team, as necessary.

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 sub-categories 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 Funds

Fiduciary Funds may be divided among four distinct types of funds:

- 1) Pension (or other employee benefit) Trust Fund – Accounts for resources that are required to be held in trust for the member 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 reported by sponsoring governments.
- 3) Private Purpose Trust Fund – Accounts for all other trust agreements under which the principal and income benefit individuals, private organizations, or other governments.
- 4) Agency Fund – Accounts for resources held by the government in a purely custodial capacity.

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.

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.

Procedures

Adding, Changing, or Deactivating a Fund

1) Upon determining the need for the addition, change, or deactivation of a Fund, the **department** completes the Fund Description Form as follows:

1a) To *add a new* Fund, the **department** must:

- Mark the "Add" box.
- Do not fill in the Fund Number box; the Controller-Treasurer Department will assign a fund number and notify the department.
- Indicate whether the new Fund will be budgetary or non-budgetary.
- Do not complete the GAAP Fund Type or the Fund Group; the **Controller-Treasurer Department General Accounting Unit** will complete these.
- Complete the Fund Name and Description lines, and provide departmental contact information.



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- For the "How Was Fund Authorized" line, attach relevant documentation, such as a Board resolution, legislation, etc.
- Mark the applicable box to indicate how payments will be issued from the Fund.
- Mark the applicable box to indicate the Investment of Cash apportionment; use "Separately Invested" only if required by the Fund's authorizing source.
- Indicate the appropriate Allocation of Interest Earnings depending on whether the Fund's cash should be allocated to the Fund or to another Fund; It is assumed that the interest will be allocated to the General Fund unless required to be allocated to another Fund by legal authority or authorizing source.
- Indicate any restrictions on the use of the Fund's resources
- Indicate the major types of accounting transactions that the Fund will typically process.
- Mark all applicable Government Wide Reporting Elements.
- Have an authorized individual sign and date the form.
- For non-budgetary and trust funds, the **Controller-Treasurer Department General Accounting Unit** must also establish a corresponding Cost Center to accompany the Fund Description Form; the Cost Center will begin with a "T" followed by the four digits of the Fund Number.

1b) To *change an existing* Fund, the **department** must:

- Mark the "Change" box.
- Indicate the Fund Number.
- Indicate the changes in the appropriate sections of the form.



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- Have an authorized individual sign and date the form.
- 1c) To *deactivate an existing* Fund, the **department** must:
- Mark the “Deactivate” box.
 - Indicate the Fund Number.
 - If balances exist for the any balance sheet accounts, indicate the Fund to which balance sheet accounts should be transferred.
 - If interest may post to the Fund to be deactivated, indicate the new Fund to which any interest earned prior to deactivation should be allocated.
 - Have an authorized individual sign and date the form.
- 2) If adding a new Fund, the **department** must also create a new Cost Center by following the instructions in the Cost Center Policy and attaching the Request for Cost Center Form to the Fund Description Form.
- 3) The **department** submits the appropriately completed Fund Description Form and the Request for Cost Center Form, if necessary, to the Controller-Treasurer Department General Accounting Unit.
- 4) The **Controller-Treasurer Department General Accounting Unit** reviews the Fund Description Form and, if approved, submits the form to the Office of Budget and Analysis.
- 5) The **Office of Budget and Analysis** processes the Fund addition, change, or deactivation in the County accounting and finance system and submits the Fund Description Form to the Accounting System and Procurement (ASAP) Project Team.
- 6) The **ASAP Project Team** updates the County accounting and finance system to reflect the addition, change, or deactivation of the Fund, attaches the Fund Description Form to the master data in the County accounting



and finance system, and notifies the Controller-Treasurer Department General Accounting Unit and department of the completed update.

Definitions

- 1) **"Cost Center"** means a component within a Budget Unit used to designate separate funds for different divisions, programs, or other organizational hierarchy.
- 2) **"County Accounting and Finance System"** means the SAP system or any other system used as the primary accounting and finance system for the County.
- 3) **"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.
- 4) **"Master Data"** means data that is used repeatedly during accounting and financial processing and maintained by the County accounting and finance system.

Frequently Asked Questions

None.

Related Policies

- Budget Modifications and Transfers -
<https://connect.sccgov.org/sites/policies/policypages/Pages/Budget-Modifications-and-Transfers.aspx>
- Cost Center Policy -
<https://connect.sccgov.org/sites/policies/policypages/Pages/Cost-Center-Policy.aspx>
- General Ledger Account Policy -
<https://connect.sccgov.org/sites/policies/policypages/Pages/General-Ledger-Account-Policy.aspx>

Related Forms



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- Fund Description Form -
[https://connect.sccgov.org/sites/forms/controller/ControllerCountywi/forms/Fund Description 2-25-10.xls](https://connect.sccgov.org/sites/forms/controller/ControllerCountywi/forms/Fund%20Description%202-25-10.xls)
- Request for Cost Center Form -
<https://connect.sccgov.org/sites/forms/controller/ControllerCountywi/forms/Cost%20Center%20Form.xls>

History

Date	Changes Made
1/15/2014	Policy uploaded. (John Myers)