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# FISCAL POLICIES

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## GENERAL ACCOUNTING: FUNDS: DEFINITIONS

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### DEFINITIONS

#### **Fund**

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 or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

In governmental accounting, all funds are classified into three fund groups which are sub-divided into seven generic fund types:

- Governmental funds include general, special revenue, debt service, and capital projects.
- Proprietary funds include enterprise and internal service. Fiduciary funds include trust and agency.
- Colleges and Universities have different fund classifications which are not defined in this document.

### FIDUCIARY FUND TYPES

#### **AGENCY FUND**

Used to account for the assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds.

Agency funds are purely custodial as the funds usually do not belong to the State. Agency fund assets are usually held only briefly; rarely are investments or other fiscal management complexities involved.

Agency funds may be used to transfer resources held by one fund of a governmental unit for other funds of the unit as an aid in the transfer of large sums between many funds.

Agency funds may be used as Clearing or Suspense Accounts. For example, a Clearing Fund is used for the disbursement of the State's payroll. The fund contains enough money to pay wages, salaries, taxes, and withholdings for all State employees for a month, and is replenished by drawing funds from all the agencies.

## **INVESTMENT TRUST FUND**

Used to report the external portion of investment pools reported by the sponsoring government.

## **PENSION TRUST FUND**

Used to account for assets received from general revenues, contributions, interest dividends, and the disbursement of these assets as benefit payments to retired employees, or their beneficiaries, by the State, in accordance with the provisions of the plan.

Pension trust funds are a special variety of trust funds. Pension trust funds are similar to expendable trust funds in that both principal and income are fully expendable. However, the measurement objective of pension trust fund is similar to that of nonexpendable trust fund. Pension funds are accounted for in essentially the same manner as proprietary funds, but with an emphasis on required fund balance reserves.

## **GOVERNMENTAL FUND TYPES**

### **CAPITAL PROJECTS FUND**

A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

### **DEBT SERVICE FUND**

A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

### **GENERAL FUND**

The fund used to account for all financial resources except those required to be accounted for in another fund.

### **PERMANENT TRUST FUND**

Used to report 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.

### **SPECIAL REVENUE FUND**

A fund used to account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

## **PROPRIETARY FUND TYPES**

### **ENTERPRISE FUND**

A fund established to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Examples of enterprise funds are those for water, gas, and electric utilities; swimming pools; airports; parking garages; and transit systems.

### **INTERNAL SERVICE FUND**

A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.