

## **SECTION III--COUNTY BUDGET GUIDELINES**

### **BUDGET STRUCTURE**

The budget structure is an important aspect of the budgetary process in that it includes and should provide for continuity between the budget format, the fund structure classifications, the revenue classifications, the expenditure classifications and the accounting system. The budget structure becomes the framework within which the expenditure and revenue activities are classified and flow into the accounting system. The budget format should be consistent with the accounting system which is accounted for on a fund accounting basis.

The fund structure is probably the most important classification in that it identifies the accounting entity for which the individual budgets must be prepared. By statute, specific resources can only be spent for specific purposes. Budgeting, accounting and reporting for these specific resources in an individual fund allows the county to segregate and control activities in attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund structure is also the basis from which the budget format can be constructed.

Below the "fund" classification level, multiple classifications of governmental fund expenditure data are important from both internal and external management control and accountability standpoints. It facilitates the aggregation and analysis of data at different levels and in different ways for different purposes. The multiple classifications to be used by counties are function, subfunction, activity, character and object.

EXAMPLES: Fund - General  
Function - General Government  
Subfunction - Financial Administration  
Activity - Auditor  
Character - Personal Services  
Object - Salaries and Wages

The "function" classification identifies expenditures according to the principal purposes for which the expenditures are made, such as general government, public safety, public works, etc. "Subfunction" is a grouping of related services within a particular governmental function. These would include financial administration, legal services, law enforcement, public health, etc. The "activity" classification is a specific and distinguishable line of work or duty performed by one or more organizational components of the county. For example, "sheriff" and "county jail" are "activities" within which duties are performed in carrying out the subfunctions of "law enforcement," which in turn satisfies part of the principal purpose or function "public safety."

The function, subfunction and activity classification levels should be considered the primary or basic classifications to be included in the formal budget document. The levels below the activity level may not be required in the formal budget; however, they are important on the departmental budgets for administrative purposes and are tools for planning and control.

The character and object classifications are classification levels that enable various county officials to develop precise budget estimates and proposals. The character classification provides an overview and grouping of the objects of expenditure and includes personal services, other current expenses, capital outlay, debt service and other expenditures. Cost estimates are made in terms of the object level. Objects of expenditure are also used to monitor and control county expenditures to ensure that resources are spent for the proper purposes.