

**SAM—CLASSIFICATION OF FUNDS**

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## SAM – CLASSIFICATION OF FUNDS

### FUNDS OF THE STATE-GENERAL

7400

(Revised 09/02)

In governmental finance and accounting, funds are classified by type. The State's fund structure includes both a legal/budgetary basis and a generally accepted accounting principles (GAAP) basis classification. The fund classification structure is shown below:

Legal/Budgetary basis	GAAP Basis
<b>Governmental Cost Fund</b>	Governmental Fund
Nongovernmental Cost Fund	Proprietary Fund
	Fiduciary Fund

The classification assigned to each fund is located in the Uniform Codes Manual (UCM) and the Manual of State Funds. Both resources are maintained by the Department of Finance (DOF), Fiscal Systems and Consulting Unit (FSCU) and can be found on the DOF home page at <http://www.dof.ca.gov> (Information for Government Agencies).

This structure affects a fund's basis of accounting, general ledger accounts, and year-end reports. Agencies should carefully review the general ledger account descriptions, use, and prohibitions contained in SAM Sections 7620-7680 and 10401-10475.

### LEGAL/BUDGETARY BASIS

7410

(Revised 09/02)

#### Governmental Cost Funds

These funds are used to account for moneys that are derived from general and special taxes, licenses, fees, or other revenue sources to provide financing for State activities that are the general purpose of State government.

1. **General Fund:** the main operating fund of the State. It accounts for transactions related to resources obtained and used for those purposes that are not required to be accounted for in any other fund.
2. **Special Funds:** these funds account for transactions related to dedicated revenue sources (other than expendable trusts or capital projects) that are legally restricted for specific purposes.

#### Nongovernmental Cost Funds

These funds are used to record and report activities from sources other than general and special taxes, licenses, and fees.

1. **Bond Funds:** these funds are used for the receipt and disbursement of general obligation bond proceeds. These funds do not account for the debt retirement since the liability created by the sale of general obligation bonds is not a liability of bond funds. Depending on the provisions of the bond act, either the General Fund or a sinking fund pays the principal of, and interest on, the general obligation bonds. The proceeds and debt of bonds to be paid by a particular fund (e.g. revenue bonds) are deposited and reported in that fund.
2. **Federal Funds:** these funds are used to account for any income received directly from the federal government and the program expenditures associated with it.
3. **All Other Non-Governmental Cost Funds:** this category includes: Trust and Agency Funds – Non-Federal, Retirement Funds, Unallocated Non-Governmental Cost Funds, Public Service Enterprise Funds, Working Capital and Revolving Funds, and various unclassified funds.

## SAM – CLASSIFICATION OF FUNDS

### **GAAP BASIS** (Revised 09/02)

7420

#### **Governmental Funds**

These funds are used to account for the receipt and disbursement of resources to provide governmental type services.

#### **Proprietary Funds**

These funds present financial data on governmental activities that are similar to those found in the private sector. Users are charged for the goods or services provided.

#### **Fiduciary Funds**

These funds are used to account for assets held by the government, either as a trustee or as an agent.

### **ESTABLISHMENT OF NEW STATE FUNDS** (Revised 09/02)(Renumbered from 7590)

7450

New State funds are created in one of the three following ways:

- a. Specific legislation
- b. Administratively by DOF with the concurrence of SCO. (Government Code Section 13306)
- c. Ballot Initiative

It is general policy to minimize the number of State funds.

Agencies that determine a need to establish a new State fund must submit a request to their DOF budget analyst. All requests should include the following information:

- a. Authorization/justification for the new fund
- b. Proposed fund title
- c. Proposed administering organization
- d. Specific statutory reference and/or legislation (with analysis, if available)
- e. Purpose of the fund (nature of expenditures)
- f. Source of revenue
- g. Proposed period of fund availability
- h. Appropriation status (annual, one-time, continuous, etc.)
- i. Disposition of any balance upon abolishment of fund

The DOF budget analyst will forward the request to the appropriate unit for processing. FSCU will (a) coordinate the review and establishment of all funds, (b) notify the SCO, budget analyst, and administering organization when the new fund is established, and (c) incorporate the new fund information into the UCM and the Manual of State Funds.

## **SAM – CLASSIFICATION OF FUNDS**

### **CAPITAL ASSETS GROUP OF ACCOUNTS**

**7463**

(Revised 09/10)

The State uses a Capital Asset Group of Accounts for the capitalized assets acquired by those funds that use a modified accrual basis of accounting. Budgetary/Legal basis fund types that use the Capital Assets Group of Accounts are governmental cost funds, bond funds, federal funds, and some trust funds. The information is used to facilitate the capital assets presentation in the GAAP financial statements..

Departments will maintain their capital assets in the Capital Assets Group of Accounts. The group of accounts is a set of self-balancing accounts in the general ledger. The State's capital assets will be capitalized in the group of accounts and not in a fund..

Departments will report their capital asset additions, deductions, and balances on Year-end Reports 18 and 19. The SCO does not maintain capital asset accounts.