

SAM – CLASSIFICATION OF FUNDS

CHAPTER 7400 INDEX

FUNDS OF THE STATE – GENERAL	7400
LEGAL/BUDGETARY BASIS	7410
GAAP BASIS	7420
ESTABLISHMENT OF NEW STATE FUNDS	7450
CAPITAL ASSETS GROUP OF ACCOUNTS	7463

SAM – CLASSIFICATION OF FUNDS

FUNDS OF THE STATE-GENERAL

7400

(Revised 6/2014)

In state government finance and accounting, a fund is defined as a legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves, and balance, as well as its revenue and expenditures. The state's funds are classified by type on both a legal/budgetary basis and a generally accepted accounting principles (GAAP) basis. The classification basis includes category types shown below:

Legal/Budgetary Basis

Governmental Cost Fund
Nongovernmental Cost Fund

GAAP Basis

Governmental 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. The UCM provides listings of funds alphabetically, numerically, and by classification. The Manual of State Funds provides a detailed description of each fund. Both resources are maintained by the Department of Finance ([Finance](#)), Fiscal Systems and Consulting Unit ([FSCU](#)) and can be found on Finance's Accounting home page at <http://www.dof.ca.gov/accounting>.

This structure affects a fund's basis of accounting, general ledger accounts, and year-end financial reports. Departments should carefully review the general ledger account descriptions, use, and prohibitions contained in SAM sections [7620-7680](#) and [10401-10475](#).

SAM – CLASSIFICATION OF FUNDS

LEGAL/BUDGETARY BASIS

7410

(Revised 09/2002)

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 09/2002)

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.

SAM – CLASSIFICATION OF FUNDS

ESTABLISHMENT OF NEW STATE FUNDS

7450

(Revised 09/2002)

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](#).

CAPITAL ASSETS GROUP OF ACCOUNTS

7463

(Revised 09/2010)

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.