

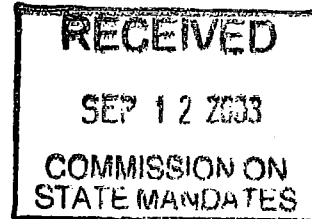
SixTen and Associates

Mandate Reimbursement Services

KEITH B. PETERSEN, MPA, JD, President
5252 Balboa Avenue, Suite 807
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September 10, 2003



Paula Higashi, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, California 95814

Re: TEST CLAIM OF Santa Monica Community College District
Title 5, California Code of Regulations, Section 59010
Budget and Accounting Manual

Dear Ms. Higashi:

Enclosed are the original and seven copies of the Santa Monica Community College District test claim for the above referenced mandate.

I have been appointed by the District as its representative for the test claim. The District requests that all correspondence originating from your office and documents subject to service by other parties be directed to me, with copies to:

Cheryl Miller, Associate Vice President
Business Services
Santa Monica Community College District
1900 Pico Boulevard
Santa Monica, California 90405-1628

The Commission regulations provide for an informal conference of the interested parties

Paula Higashi, Executive Director,
Commission on State Mandates

September 10, 2003

within thirty days. If this meeting is deemed necessary, I request that it be conducted in conjunction with a regularly scheduled Commission hearing.

Sincerely,

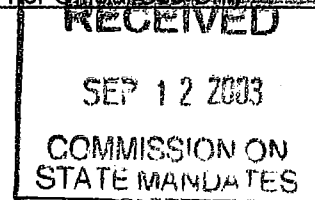


Keith B. Petersen

C: Cheryl Miller, Associate Vice President
Business Services
Santa Monica Community College District

State of California
COMMISSION ON STATE MANDATES
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562
CSM 2 (1/91)

For Official Use Only



TEST CLAIM FORM

Claim No. 03-TC-05

Local Agency or School District Submitting Claim

SANTA MONICA COMMUNITY COLLEGE DISTRICT

Contact Person

Telephone Number

Keith B. Petersen, President
SixTen and Associates

Voice: 858-514-8605
Fax: 858-514-8645

Claimant Address

Santa Monica Community College District
1900 Pico Boulevard
Santa Monica, California 90405-1628

Representative Organization to be Notified

Dr. Carol Berg, Consultant, Education Mandated Cost Network
c/o School Services of California
1121 L Street, Suite 1060
Sacramento, CA 95814

Voice: 916-446-7517
Fax: 916-446-2011

This claim alleges the existence of a reimbursable state mandated program within the meaning of section 17514 of the Government Code and section 6, article XIII B of the California Constitution. This test claim is filed pursuant to section 17551(a) of the Government Code.

Identify specific section(s) of the chaptered bill or executive order alleged to contain a mandate, including the particular statutory code citation(s) within the chaptered bill, if applicable.

Budget and Accounting Manual

Title 5, California Code of Regulations
Section 59010

California Community Colleges
Budget and Accounting Manual - 2000 Edition

IMPORTANT: PLEASE SEE INSTRUCTIONS AND FILING REQUIREMENTS FOR COMPLETING TEST CLAIM ON THE REVERSE SIDE.

Name and Title of Authorized Representative

Telephone No.

Cheryl Miller
Associate Vice President, Business Services

Voice: (310) 434-4221
FAX: (310) 434-3607

Signature of Authorized Representative

Date

x Cheryl Miller

August 27, 2003

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Claim Prepared By:
Keith B. Petersen
SixTen and Associates
5252 Balboa Avenue, Suite 807
San Diego, CA 92117
Voice: (858) 514-8605

BEFORE THE
COMMISSION ON STATE MANDATES
STATE OF CALIFORNIA

Test Claim of:)	No. CSM _____
)	
Santa Monica)	
Community College District)	Title 5, California Code of Regulations
)	Section 59010
Test Claimant)	
)	California Community Colleges
)	Budget and Accounting Manual
)	2000 Edition
)	<u>Budget & Accounting Manual</u>
_____)	TEST CLAIM FILING

PART 1. AUTHORITY FOR THE CLAIM

The Commission on State Mandates has the authority pursuant to Government Code section 17551(a) to "...hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution." Santa Monica Community College District is a "school district" as defined in Government Code section 17519.¹

¹ Government Code Section 17519, as added by Chapter 1459/84:

"School District" means any school district, community college district, or county superintendent of schools."

1 PART II. LEGISLATIVE HISTORY OF THE CLAIM

2 This test claim alleges mandated costs reimbursable by the state for community
3 college districts to prepare financial reports and annual budgets that report actual and
4 projected revenues and expenditures in accordance with the Budget and Accounting
5 Manual (2000 Edition) as published by the Board of Governors of the California
6 Community Colleges.

7 SECTION 1. LEGISLATIVE HISTORY PRIOR TO JANUARY 1, 1975

8 Prior to 1975, there were no statutes, regulations or executive orders which
9 required community college districts to prepare financial reports that reported actual and
10 projected revenues and expenditures in accordance with the Budget and Accounting
11 Manual (2000 Edition) as published by the Board of Governors of the California
12 Community Colleges.

13 SECTION 2. LEGISLATIVE HISTORY AFTER DECEMBER 31, 1974

14 The 2000 Edition of the *California Community Colleges Budget and Accounting*
15 *Manual* (hereinafter referred to as the "BAM Manual") was published by the Board of
16 Governors of the California Community Colleges in September of 1999. A copy of said
17 manual is attached hereto as Exhibit 3 and is incorporated herein by reference. The
18 stated objective of the BAM Manual is to facilitate compliance with the requirement to
19 report all actual and projected revenues and expenditures by providing a uniform fund-
20 structures, revenue and expenditure classifications, and other accounting procedures for
21 the consistent and comparable reporting of financial data by all community college

1 districts. The major change from pre-1975 accounting procedures is the addition of an
2 activity-centered approach to expenditure reporting² that describes resource
3 requirements and their direct costs, and the relative use in each of the major activities
4 defined for community college operations.³

5 Title 5, California Code of Regulations, Section 59010⁴ [filed April 19, 2000]
6 adopted and incorporated Chapters 2 through 5 of the the BAM Manual⁵ into the
7 California Code of Regulations, operative on July 1, 2000, giving those chapters the
8 force of law.

9 **Chapter 2**
10 **Fund Structure**

11
12 Chapter 2 of the BAM Manual (commencing at page 2.1) requires community
13 college districts to follow a prescribed fund structure, including the use of a
14 Governmental Funds Group, a Proprietary Funds Group, a Fiduciary Funds Group,

² Prior to 1975, community college districts were only required to classify expenditures by object as prescribed by the California School Accounting Manual as approved by the State Board of Education.

³ Prior to 1975, community college districts were only required to classify expenditures by object as prescribed by the California School Accounting Manual as approved by the State Board of Education.

⁴ Title 5, California Code of Regulations, Section 59010:

“The Board of Governors hereby adopts and incorporates by reference, into this provision of the California Code of Regulations, the California Community Colleges Budget and Accounting Manual chapters 2 through 5 as revised September 1999. This section shall become operative July 1, 2000.”

⁵ The “2000 Edition” was revised and published as of September 1999.

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1 Account Groups and Special Accounting Applications. The chapter details the uniform
2 fund structure required of all community college districts for daily accounting and
3 preparation of budgets and financial reports. This structure allows districts to establish
4 any number of funds, subfunds, or accounts for internal accounting, but requires for
5 external financial reporting purposes that all accounts be consolidated into one of three
6 groups: (1) Governmental Funds, (2) proprietary Funds, or (3) Fiduciary Funds. The
7 BAM Manual further requires that all accounts reported within a single fund group use
8 the same "basis of accounting" for timing the recognition of revenues, expenditures, and
9 transfers. The BAM Manual also requires the use of designated fund code numbers
10 which are assigned to each fund for the statewide automated reporting system.

11 (1) Governmental Funds Group

12 Community college districts are required to use the Governmental Funds Group
13 to collect financial information on resources used, or available for use, in carrying out
14 operations associated with the institution's educational objectives.

15 With the Governmental Funds Group, community college districts are required to
16 use a modified accrual basis of accounting where revenues and related receivables are
17 recorded in the accounting period in which they are earned, available, and measurable
18 unless otherwise specified; whereas, expenditures and related accruals are recognized
19 in the accounting period in which the fund liability is incurred.

20 With the Governmental Funds Group, community college districts are required to
21 categorize activities either into the General Fund (Accounts 10, seq.), Debt Service

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1 Funds (Accounts 20, seq.), Special Revenue Funds (Accounts 30, seq.), Capital
2 Projects Funds (Accounts 40, seq.), or discretionary sub-funds.

3 (2) Proprietary Funds Group

4 Community college districts are required to use the Proprietary Funds Group to
5 account for those ongoing governmental activities that, because of their income-
6 producing character, are similar to those found in the private sector.

7 Community college districts, when using the Proprietary Funds Group, are
8 required to focus on measuring the net income, financial position, and changes in cash
9 flow.

10 When using the Proprietary Funds Group, community college districts are
11 required to recognize revenues and expenses on the full accrual basis; are required to
12 record fixed assets and related depreciation expenses; are required to record all debts
13 associated with the business activities; classify assets and liabilities as current and
14 noncurrent; and fund equity is comprised of contributed capital and retained earnings.

15 With the Proprietary Funds Group, community college districts are required to
16 categorize activities either into Enterprise Funds (Accounts 50, seq.), Internal Service
17 Funds (Accounts 60, seq.), or discretionary sub-funds.

18 (3) Fiduciary Funds Group

19 Community college districts are required to use the Fiduciary Funds Group to
20 account for assets held by the district in a trustee or agency capacity for individuals,
21 private organizations, other governmental units, and/or other funds.

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1 In accounting for trust funds, community college districts are required to report
2 revenues, expenditures/expenses and fund balance; whereas, agency funds recognize
3 only increases and decreases in the liability to the owners of the assets.

4 When using the Fiduciary Funds Group, community college districts are required
5 to use the modified and full accrual bases of accounting for expendable and
6 nonexpendable trusts; whereas, for agency funds, districts are required to use the
7 modified accrual basis of accounting and do not report operations.

8 With the Fiduciary Funds Group , community college districts are required to
9 categorize activities either into Trust Funds (Accounts 70, seq.), Agency Funds
10 (Accounts 80, seq.), or discretionary sub-funds.

11 Account Groups

12 In addition to the three funds groups required above, community college districts
13 are required to use account groups to establish accounting control and accountability for
14 general fixed assets and general long-term debt.

15 With Account Groups, community college districts are required to categorize
16 these accounts into the General Fixed Assets Account Group (Accounts 91, seq.) or the
17 General Long-Term Debt Account Group (Accounts 92, seq.).

18 With Account Groups, community college districts are required to present them
19 as memorandum entries only.

20 Special Accounting Applications

21 For the purpose of expediting business service transactions and in accordance

1 with sound business practices, community college districts are required to establish
2 separate bank accounts for functions or revenue-producing activities or operations not
3 directly associated with, but complementary to, the regular instructional and
4 noninstructional functions of the districts and colleges.

5 **Chapter 3**
6 **Accounting for Revenues and Other Financing Sources**
7

8 Chapter 3 of the BAM Manual (commencing at page 3.1) requires community
9 college districts to follow specified procedures when accounting for revenues (additions
10 to assets without any accompanying increase to liabilities). The chapter prescribes the
11 minimum accounting standards for classifying revenues and other financing sources and
12 for abating revenues.

13 When accounting in Governmental Funds and Expendable Trust Funds, districts
14 are required to record revenues when they are earned, measurable and available to pay
15 liabilities of the current period; whereas, when accounting in Proprietary Funds and
16 Nonexpendable Trust Funds, districts are required to recognize revenues when they are
17 earned, regardless of the timing of related cash flows.

18 Community college districts are required to classify revenues and other financing
19 sources both by fund (Chapter 2, supra) and by source. Classification by source
20 requires community college districts to use major and subsidiary reporting classes.

21 Community college districts are required to use Federal and State revenue
22 classifications to record awards or financial assistance which are required to be included
23 in Federal and State compliance reports.

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1 The BAM Manual requires that all revenues received or accrued from federal
2 awards be recorded as Federal Revenues, using controlling account number 8100 and
3 the following subsidiary accounts:

4 8110 Forest Reserve

5 8120 Higher Education Act

6 8130 Workforce Investment Act (formerly Job Training Partnership Act)

7 8140 Temporary Assistance for Needy Families (TANF)

8 8150 Student Financial Aid

9 8160 Veterans Education

10 8170 Vocational and Technical Education Act (VTEA)

11 8190 Other Federal Revenues

12 The BAM Manual requires that all revenues received or accrued from the state
13 government (whether distributed by State of local agencies) be recorded as State
14 Revenues, using controlling account number 8600 and the following subsidiary
15 accounts:

16 8610 General Apportionments

17 8620 General Categorical Programs

18 8650 Reimbursable Categorical Programs

19 8670 State Tax Subventions

20 8680 State Non-Tax Revenues

21 8690 Other State Revenues

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1 The BAM Manual requires that all revenues received or accrued from local
2 sources, other than those classified as federal or State revenues be recorded as Local
3 Revenues, using controlling account number 8800 and the following subsidiary
4 accounts:

- 5 8810 Property Taxes
- 6 8820 Contributions, Gifts, Grants, and Endowments
- 7 8830 Contract Services
- 8 8840 Sales and Commissions
- 9 8850 Rentals and Leases
- 10 8860 Interest and Investment Income
- 11 8870 Student Fees and Charges
- 12 8890 Other Local Revenues

13 The BAM Manual requires that all incoming transfers as well as proceeds from
14 long-term debt and sale of fixed assets be recorded as Other Financing Sources, using
15 controlling account number 8900 and the following subsidiary accounts:

- 16 8910 Proceeds of General Fixed Assets
- 17 8940 Proceeds of General Long-Term Debt
- 18 8980 Incoming Transfers

19 The BAM Manual requires that when revenue is received by a community college
20 district and then must be returned to the source from which is it received or paid to
21 another entity that is entitled to all or a portion of the receipts, the transaction shall be

1 accounted as an abatement to revenue and not as a charge or an expenditure account.

2 **Chapter 4**
3 **Accounting for Expenditures and Other Outgo**
4

5 Chapter 4 of the BAM Manual (commencing at page 4.1) requires community
6 college districts to classify expenditures by fund (Chapter 2, supra), activity and object,
7 and provides for abating expenditures.

8 **Classification of Expenditures by Activity**

9 When classifying expenditures by activity, community college districts are
10 required to classify all activities as either instructional or administrative and support.
11 When appropriate, some activities are required to be charged to multiple funds,
12 apportioning one expense to more than one activity.

13 For State fiscal purposes, community college districts are required to report
14 instructional expenditures using a four digit account code comprised of the TOP⁶ two
15 digit discipline in the first two positions and two zero placeholders in the last two
16 positions.

17 For State fiscal purposes, community college districts are required to report
18 administrative and support expenditures using a four-digit account code comprised of
19 the ASA⁷ codes identified in the chapter.

20 Expenditures for instructional activities are required to be classified by controlling

⁶ TOP is an acronym for the Taxonomy of Programs manual.

⁷ ASA is an acronym for Administrative and Support Activities.

1 accounts 0100 through 5900. The direct costs of classroom instruction are recorded by
2 discipline within Activities 0100 through 4900. Instructional Staff-Retirees' Benefits and
3 Retirement Incentives are recorded as activity 5900.

4 The BAM Manual requires that expenditures incurred for administrative and
5 support activities be classified by Activities 6000 through 7900. When appropriate,
6 some activities are required to be charged to multiple funds, apportioning one expense
7 to more than one administrative and support activity.

8 Classification of Expenditures by Object

9 In addition to classifying expenditures by activity, community college districts are
10 also required to classify expenditures by object. In doing so, districts are required to
11 segregate expenditures into seven major categories:

- 12 1. Academic Salaries
- 13 2. Classified Salaries and Other Nonacademic Salaries
- 14 3. Employee Benefits
- 15 4. Supplies and Materials
- 16 5. Other Operating Expenses and Services
- 17 6. Capital Outlay
- 18 7. Other Outgo

19 Expenditure Abatements

20 Community college districts are required to treat the return or cancellation of part
21 or all of an expenditure previously recorded as an abatement of expenditure and the rule

1 applies to both current expenses and capital outlay expenditures from all funds.

2 **Chapter 5**
3 **Accounting For Balance Sheet**
4

5 Chapter 5 of the BAM Manual (commencing at page 5.1) requires community
6 college districts to classify balance sheet accounts for financial reporting purposes. The
7 balance sheet of each fund is combined by fund type and account group for reporting in
8 the district's consolidated balance sheet.

9 The BAM Manual requires that the following account numbers be used for assets:

10 9100 Cash, Investments, and Receivables

11 9200 Inventories, Stores, and Prepaid Items

12 9300 Fixed Assets

13 9400 Other Debits

14 The BAM Manual requires that the following account numbers be used for
15 liabilities:

16 9500 Current Liabilities and Deferred Revenue

17 9600 Long-Term Liabilities

18 The BAM Manual requires that the following account numbers be used for Equity:

19 9700 Fund Balance

20 9800 Other Equity

21 **PART III. STATEMENT OF THE CLAIM**

22 **SECTION 1. COSTS MANDATED BY THE STATE**

23 The California Code of Regulations section and Executive Orders referenced in

1 this test claim result in community college districts incurring costs mandated by the
2 state, as defined in Government Code section 17514⁸, by creating new state-mandated
3 duties related to the uniquely governmental function of providing services to the public
4 and these statutes apply to community college districts and do not apply generally to all
5 residents and entities in the state.⁹

6 The new duties mandated by the state upon community college districts require
7 state reimbursement of the direct and indirect costs of labor, materials and supplies,
8 data processing services and software, contracted services and consultants, equipment
9 and capital assets, staff and student training and travel to implement the following
10 activities:

11 A) Pursuant to Title 5, California Code of Regulations, Section 59010,

⁸ Government Code section 17514, as added by Chapter 1459/84:

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

⁹ Public schools are a Article XIII B, Section 6 "program," pursuant to Long Beach Unified School District v. State of California, (1990) 225 Cal.App.3d 155; 275 Cal.Rptr. 449:

"In the instant case, although numerous private schools exist, education in our society is considered to be a peculiarly government function. (Cf. Carmel Valley Fire Protection Dist. V. State of California (1987) 190 Cal.App.3d at p.537) Further, public education is administered by local agencies to provide service to the public. Thus public education constitutes a 'program' within the meaning of Section 6."

1 establishing policies and procedures, and periodically updating those
2 policies and procedures to implement the use of the Budget and
3 Accounting Manual (2000 Edition), as published and revised by the Board
4 of Governors of the California Community Colleges.

- 5 B) Pursuant to Title 5, California Code of Regulations, Section 59010,
6 establishing programs (computerized and manual), and periodically
7 updating those programs, to report income and expenses pursuant to the
8 Budget and Accounting Manual (2000 Edition) and to file required reports
9 on forms as may be required by the Board and other agencies.

10 **Fund Structures**

- 11 2A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
12 consolidating all accounts into one of three groups:

- 13 (1) Governmental Funds,
14 (2) proprietary Funds, or
15 (3) Fiduciary Funds

- 16 2B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
17 reporting all accounts within a single fund group using the same "basis of
18 accounting" for timing the recognition of revenues, expenditures, and
19 transfers.

- 20 2C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
21 collecting financial information on resources used, or available for use, and

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1 in carrying out operations associated with the institution's educational
2 objectives in the Governmental Funds Group.

3 2D) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
4 within the Governmental Funds Group, using a modified accrual basis of
5 accounting where revenues and related receivables are recorded in the
6 accounting period in which they are earned, available, and measurable
7 unless otherwise specified; and recognizing expenditures and related
8 accruals in the accounting period in which the fund liability is incurred.

9 2E) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
10 within the Governmental Funds Group, categorizing activities either into
11 the General Fund, Debt Service Funds, Special Revenue Funds, Capital
12 Projects Funds, or discretionary sub-funds.

13 2F) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
14 using the Proprietary Funds Group to account for those ongoing
15 governmental activities that, because of their income-producing character,
16 are similar to those found in the private sector.

17 2G) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
18 when using the Proprietary Funds Group, measuring the net income,
19 financial position, and changes in cash flow.

20 2H) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
21 when using the Proprietary Funds Group, recognizing revenues and

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1 expenses on the full accrual basis; recording fixed assets and related
2 depreciation expenses; recording all debts associated with the business
3 activities; classifying assets and liabilities as current and noncurrent; and
4 crediting contributed capital and retained earnings to fund equity.

5 2I) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
6 when using the Proprietary Funds Group, categorizing activities either into
7 Enterprise Funds, Internal Service Funds, or discretionary sub-funds.

8 2J) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
9 accounting for assets held by the district in a trustee or agency capacity for
10 individuals, private organizations, other governmental units, and/or other
11 funds in the Fiduciary Funds Group.

12 2K) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
13 reporting revenues, expenditures/expenses and fund balance when
14 accounting for trust funds; and only recognizing increases and decreases
15 in the liability to the owners of the assets when accounting for agency
16 funds.

17 2L) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
18 using a modified and full accrual bases of accounting for expendable and
19 nonexpendable trusts when using the Fiduciary Funds Group.; and using a
20 modified accrual basis of accounting without reporting operations when
21 reporting agency funds.

- 1 2M) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
2 when using the Fiduciary Funds Group, categorizing activities either into
3 Trust Funds, Agency Funds, or discretionary sub-funds.
- 4 2N) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
5 using account groups to establish accounting control and accountability for
6 general fixed assets and general long-term debt.
- 7 2O) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
8 categorizing Account Groups into the General Fixed Assets Account
9 Group or the General Long-Term Debt Account Group.
- 10 2P) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
11 presenting Account Groups as memorandum entries only.
- 12 2Q) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,
13 establishing and maintaining separate bank accounts for functions or
14 revenue-producing activities or operations not directly associated with, but
15 complementary to, the regular instructional and noninstructional functions
16 of the districts and colleges.

17 **Accounting for Revenues and Other Financing Sources**

- 18 3A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
19 when accounting for Governmental Funds and Expendable Trust Funds,
20 recording revenues when they are earned, measurable and available to
21 pay liabilities of the current period; and, when accounting in Proprietary

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

- 1 Funds and Nonexpendable Trust Funds, recognizing revenues when they
2 are earned, regardless of the timing of related cash flows.
- 3 3B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
4 classifying revenue and other financing sources both by fund and by
5 source.
- 6 3C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
7 using Federal and State revenue classifications to record awards or
8 financial assistance which are required to be included in Federal and State
9 compliance reports.
- 10 3D) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
11 recording all revenues received or accrued from federal awards as Federal
12 Revenues, using controlling account number 8100 and other subsidiary
13 accounts.
- 14 3E) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
15 recording all revenues received or accrued from the state government
16 (whether distributed by State of local agencies) as State Revenues, using
17 controlling account number 8600 and other subsidiary accounts.
- 18 3F) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
19 recording all revenues received or accrued from local sources, other than
20 those classified as federal or State revenues, as Local Revenues, using
21 controlling account number 8800 and other subsidiary accounts.

1 3G) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
2 recording all incoming transfers as well as proceeds from long-term debt
3 and sale of fixed assets as Other Financing Sources, using controlling
4 account number 8900 and other subsidiary accounts.

5 3H) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,
6 accounting a transaction as an abatement to revenue and not as a charge
7 or an expenditure account when revenue is received and then returned to
8 the source from which was received or paid to another entity that is
9 entitled to all or a portion of the receipts.

10 **Accounting for Expenditures and Other Outgo**

11 4A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4,
12 when classifying expenditures by activity, classifying all activities as either
13 instructional or administrative and support, and when appropriate, charging
14 some activities to multiple funds.

15 4B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4,
16 reporting instructional expenditures using a four digit account code
17 comprised of the TOP two digit discipline in the first two positions and two
18 zero placeholders in the last two positions.

19 4C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4,
20 reporting administrative and support expenditures using a four-digit
21 account code comprised of the ASA codes identified in the chapter.

1 4D) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4,
2 classifying expenditures for instructional activities in controlling accounts
3 0100 through 5900; recording the direct costs of classroom instruction by
4 discipline in Activities 0100 through 4900; and recording Instructional Staff-
5 Retirees' Benefits and Retirement Incentives as activity 5900.

6 4E) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4,
7 classifying expenditures incurred for administrative and support activities in
8 Activities 6000 through 7900, and when appropriate, charging some
9 activities to multiple funds.

10 4F) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4,
11 classifying expenditures both by activity and by object. When classifying
12 expenditures by object, doing so in the seven major categories identified.

13 4G) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4,
14 recording the return or cancellation of part or all of an expenditure
15 previously recorded as an abatement of expenditure.

16 **Accounting For Balance Sheet**

17 5A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 5,
18 classifying assets into account numbers 9100, 9200, 9300, 9400, and such
19 other subsidiary accounts as may be required.

20 5B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 5,
21 classifying liabilities into account numbers 9500, 9600, and such other

1 subsidiary accounts as may be required.

2 5C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 5,
3 classifying Equity items into account numbers 9700, 9800 and such other
4 subsidiary accounts as may be required.

5 **SECTION 2. EXCEPTIONS TO MANDATE REIMBURSEMENT**

6 None of the Government Code Section 17556¹⁰ statutory exceptions to a finding

¹⁰ Government Code section 17556, as last amended by Chapter 589, Statutes of 1989:

“The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds that:

(a) The claim is submitted by a local agency or school district which requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district which requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this paragraph.

(b) The statute or executive order affirmed for the state that which had been declared existing law or regulation by action of the courts.

(c) The statute or executive order implemented a federal law or regulation and resulted in costs mandated by the federal government, unless the statute or executive order mandates costs which exceed the mandate in that federal law or regulation.

(d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service.

(e) The statute or executive order provides for offsetting savings to local agencies or school districts which result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate.

(f) The statute or executive order imposed duties which were expressly included in a ballot measure approved by the voters in a statewide election.

(g) The statute created a new crime or infraction, eliminated a crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute

1 of costs mandated by the state apply to this test claim. Note, that to the extent
2 community college districts may have previously performed functions similar to those
3 mandated by the referenced code sections, such efforts did not establish a preexisting
4 duty that would relieve the state of its constitutional requirement to later reimburse
5 community college districts when these activities became mandated.¹¹

6 **SECTION 3. FUNDING PROVIDED FOR THE MANDATED PROGRAM**

7 No funds are appropriated by the state for reimbursement of these costs
8 mandated by the state and there is no other provision of law for recovery of costs from
9 any other source.

10 **PART IV. ADDITIONAL CLAIM REQUIREMENTS**

11 The following elements of this claim are provided pursuant to Section 1183, Title
12 2, California Code of Regulations:

13 Exhibit 1: Declaration of Cheryl Miller
14 Santa Monica Community College District
15

16 Exhibit 2: Copies of Title 5, California Code of Regulations cited:
17 Section 59010

relating directly to the enforcement of the crime or infraction.”

¹¹ Government Code section 17565, added by Chapter 879, Statutes of 1986:

“If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.”

Test Claim of Santa Monica Community College District
Budget and Accounting Manual

1	Exhibit 3:	California Community Colleges
2		Budget and Accounting Manual
3		2000 Edition
4		Board of Governors of the California Community Colleges
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PART V. CERTIFICATION

I certify by my signature below, under penalty of perjury, that the statements made in this document are true and complete of my own knowledge or information and belief.

Executed on August 27, 2003, at Santa Monica, California by:



Cheryl Miller
Associate Vice President, Business Services

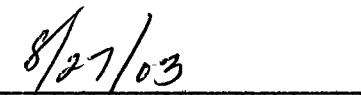
Voice: (310) 434-4221
Fax: (310) 434-3607

PART VI. APPOINTMENT OF REPRESENTATIVE

Santa Monica School District appoints Keith B. Petersen, SixTen and Associates, as its representative for this test claim.



Cheryl Miller
Associate Vice President, Business Services



Date

EXHIBIT 1
DECLARATION OF CHERYL MILLER

DECLARATION OF CHERYL MILLER
SANTA MONICA COMMUNITY COLLEGE DISTRICT

Test Claim of Santa Monica Community College District

COSM No. _____

Title 5, California Code of Regulations, Section 59010

California Community Colleges
Budget and Accounting Manual - 2000 Edition

(Budget and Accounting Manual)

I, Cheryl Miller, Associate Vice President, Business Services, Santa Monica Community College District, make the following declaration and statement.

In my capacity as Associate Vice President, Business Services, I am responsible for the district's compliance with the California Community Colleges Budget and Accounting Manual (2000 Edition). I am familiar with the provisions and requirements of the Title 5, California Code of Regulations Section and Manual enumerated above.

These Education Code sections require the Santa Monica Community College District to:

- A) Pursuant to Title 5, California Code of Regulations, Section 59010, establishing policies and procedures, and periodically updating those policies and procedures to implement the use of the Budget and Accounting Manual (2000 Edition), as published and revised by the Board of Governors of the California Community Colleges.
- B) Pursuant to Title 5, California Code of Regulations, Section 59010, establishing

programs (computerized and manual), and periodically updating those programs, to report income and expenses pursuant to the Budget and Accounting Manual (2000 Edition) and to file required reports on forms as may be required by the Board and other agencies.

Fund Structures

- 2A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, consolidating all accounts into one of three groups:
- (1) Governmental Funds,
 - (2) proprietary Funds, or
 - (3) Fiduciary Funds
- 2B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, reporting all accounts within a single fund group using the same "basis of accounting" for timing the recognition of revenues, expenditures, and transfers.
- 2C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, collecting financial information on resources used, or available for use, and in carrying out operations associated with the institution's educational objectives in the Governmental Funds Group.
- 2D) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, within the Governmental Funds Group, using a modified accrual basis of accounting where revenues and related receivables are recorded in the

accounting period in which they are earned, available, and measurable unless otherwise specified; and recognizing expenditures and related accruals in the accounting period in which the fund liability is incurred.

- 2E) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, within the Governmental Funds Group, categorizing activities either into the General Fund, Debt Service Funds, Special Revenue Funds, Capital Projects Funds, or discretionary sub-funds.
- 2F) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, using the Proprietary Funds Group to account for those ongoing governmental activities that, because of their income-producing character, are similar to those found in the private sector.
- 2G) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, when using the Proprietary Funds Group, measuring the net income, financial position, and changes in cash flow.
- 2H) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, when using the Proprietary Funds Group, recognizing revenues and expenses on the full accrual basis; recording fixed assets and related depreciation expenses; recording all debts associated with the business activities; classifying assets and liabilities as current and noncurrent; and crediting contributed capital and retained earnings to fund equity.
- 2I) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2,

- when using the Proprietary Funds Group, categorizing activities either into Enterprise Funds, Internal Service Funds, or discretionary sub-funds.
- 2J) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, accounting for assets held by the district in a trustee or agency capacity for individuals, private organizations, other governmental units, and/or other funds in the Fiduciary Funds Group.
- 2K) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, reporting revenues, expenditures/expenses and fund balance when accounting for trust funds; and only recognizing increases and decreases in the liability to the owners of the assets when accounting for agency funds.
- 2L) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, using a modified and full accrual bases of accounting for expendable and nonexpendable trusts when using the Fiduciary Funds Group.; and using a modified accrual basis of accounting without reporting operations when reporting agency funds.
- 2M) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, when using the Fiduciary Funds Group, categorizing activities either into Trust Funds, Agency Funds, or discretionary sub-funds.
- 2N) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, using account groups to establish accounting control and accountability for

general fixed assets and general long-term debt.

- 2O) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, categorizing Account Groups into the General Fixed Assets Account Group or the General Long-Term Debt Account Group.
- 2P) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, presenting Account Groups as memorandum entries only.
- 2Q) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 2, establishing and maintaining separate bank accounts for functions or revenue-producing activities or operations not directly associated with, but complementary to, the regular instructional and noninstructional functions of the districts and colleges.

Accounting for Revenues and Other Financing Sources

- 3A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3, when accounting for Governmental Funds and Expendable Trust Funds, recording revenues when they are earned, measurable and available to pay liabilities of the current period; and, when accounting in Proprietary Funds and Nonexpendable Trust Funds, recognizing revenues when they are earned, regardless of the timing of related cash flows.
- 3B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3, classifying revenue and other financing sources both by fund and by source.

- 3C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3, using Federal and State revenue classifications to record awards or financial assistance which are required to be included in Federal and State compliance reports.
- 3D) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3, recording all revenues received or accrued from federal awards as Federal Revenues, using controlling account number 8100 and other subsidiary accounts.
- 3E) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3, recording all revenues received or accrued from the state government (whether distributed by State of local agencies) as State Revenues, using controlling account number 8600 and other subsidiary accounts.
- 3F) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3, recording all revenues received or accrued from local sources, other than those classified as federal or State revenues, as Local Revenues, using controlling account number 8800 and other subsidiary accounts.
- 3G) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3, recording all incoming transfers as well as proceeds from long-term debt and sale of fixed assets as Other Financing Sources, using controlling account number 8900 and other subsidiary accounts.
- 3H) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 3,

accounting a transaction as an abatement to revenue and not as a charge or an expenditure account when revenue is received and then returned to the source from which was received or paid to another entity that is entitled to all or a portion of the receipts.

Accounting for Expenditures and Other Outgo

- 4A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4, when classifying expenditures by activity, classifying all activities as either instructional or administrative and support, and when appropriate, charging some activities to multiple funds.
- 4B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4, reporting instructional expenditures using a four digit account code comprised of the TOP two digit discipline in the first two positions and two zero placeholders in the last two positions.
- 4C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4, reporting administrative and support expenditures using a four-digit account code comprised of the ASA codes identified in the chapter.
- 4D) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4, classifying expenditures for instructional activities in controlling accounts 0100 through 5900; recording the direct costs of classroom instruction by discipline in Activities 0100 through 4900; and recording Instructional Staff-Retirees' Benefits and Retirement Incentives as activity 5900.

- 4E) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4, classifying expenditures incurred for administrative and support activities in Activities 6000 through 7900, and when appropriate, charging some activities to multiple funds.
- 4F) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4, classifying expenditures both by activity and by object. When classifying expenditures by object, doing so in the seven major categories identified.
- 4G) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 4, recording the return or cancellation of part or all of an expenditure previously recorded as an abatement of expenditure.

Accounting For Balance Sheet


- 5A) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 5, classifying assets into account numbers 9100, 9200, 9300, 9400, and such other subsidiary accounts as may be required.
- 5B) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 5, classifying liabilities into account numbers 9500, 9600, and such other subsidiary accounts as may be required.
- 5C) Pursuant to the Budget and Accounting Manual (2000 Edition), Chapter 5, classifying Equity items into account numbers 9700, 9800 and such other subsidiary accounts as may be required.

Declaration of Cheryl Miller
Santa Monica Community College District

more than \$1,000 in staffing and other costs for the period from July 1, 2002 through June 30, 2003 to implement these new duties mandated by the state for which the school district has not been reimbursed by any federal, state, or local government agency, and for which it cannot otherwise obtain reimbursement.

The foregoing facts are known to me personally and, if so required, I could testify to the statements made herein. I hereby declare under penalty of perjury that the foregoing is true and correct except where stated upon information and belief and where so stated I declare that I believe them to be true.

EXECUTED this 27 day of August, 2003, at Santa Monica, California.



Cheryl Miller
Associate Vice President, Business Services
Santa Monica Community College District

EXHIBIT 2
COPIES OF REGULATIONS CITED

§ 58777. Decline Restoration.

(a) Districts shall be entitled to restore any reductions in apportionment revenue due to declines in the student workload measures for credit instruction instructional services, student services, noncredit activities, and the corresponding institutional support during three years following the initial year of decline if there is a subsequent increase in student workload measures.

(b) Restoration of revenue for declining workload shall be made at the rate the district lost the revenue plus the inflation adjustments made between the year of decline and the year of restoration.

(c) Of the funds made available pursuant to subdivision (h) of section 58774, that are not utilized for purposes of budget stability pursuant to section 58776, or decline restoration pursuant to subdivisions (a) and (b) of this section, the Chancellor may allocate the revenue on a one-time basis to districts based on FTES.

NOTE: Authority cited: Sections 66700, 70901 and 84750, Education Code. Reference: Section 84750, Education Code.

HISTORY

1. New section filed 5-29-91 and submitted to OAL 6-3-91 for printing only pursuant to Education Code section 70901.5; operative 6-30-91 (Register 91, No. 28).
2. Editorial correction of Authority cite (Register 95, No. 29).

§ 58779. Deficit Mechanism.

In the event that State General Fund appropriations, local property tax revenues, student enrollment fees, and other local tax revenues allocated to community college districts for general operating support, are less than the amounts computed for all districts for the fiscal year pursuant to subdivision (a) of section 58770, the Chancellor shall apportion state aid by multiplying the amount computed for each district pursuant to subdivision (a) of section 58770, by the ratio of the statewide total revenue available for purposes of subdivision (a) of section 58770, to the statewide total calculated amount for purposes of subdivision (a) of section 58770.

NOTE: Authority cited: Sections 66700, 70901 and 84750, Education Code. Reference: Section 84750, Education Code.

HISTORY

1. New section filed 5-29-91 and submitted to OAL for printing only pursuant to Education Code section 70901.5; operative 6-30-91 (Register 91, No. 28).

Article 9. Reporting Procedures**§ 58780. Documentation Requirements.**

The documentation requirements specified in this article are necessary to promote standardized and accurate reporting of district data used for calculating the state general apportionment allocation.

NOTE: Authority cited: Sections 66700, 70901 and 84750, Education Code. Reference: Section 84750, Education Code.

HISTORY

1. New section filed 5-29-91 and submitted to OAL 6-3-91 for printing only pursuant to Education Code section 70901.5; operative 6-30-91 (Register 91, No. 28).
2. Editorial correction of Authority cite (Register 95, No. 29).

§ 58782. Computation and Limitations on State Aid.

(a) The provisions of subchapter 1 (commencing with section 58000) and subchapter 2 (commencing with section 58100) of chapter 9 shall be applicable in the computation of full-time equivalent student to the extent such provisions do not conflict with the principles or provisions of this subchapter.

(b) Notwithstanding any other provisions of law or regulation, full-time equivalent student (FTES) shall be computed as follows:

(1) Credit full-time equivalent student (FTES) generated by California residents are computed in accordance with the computation described in section 58003.1 without the count of student contact hours as of the second census week or day (three-fifths of the way through the term or course) or the application of the statewide attendance factor (.911), plus actual hours of attendance in positive attendance courses divided by 525, and, if applicable, adjusted by a factor derived pursuant to section 58188.

(2) Noncredit full-time equivalent student (FTES) generated by California residents and nonresidents attending courses described in Education Code section 84711 are computed in accordance with the computations described in section 58007 and, if applicable, adjusted by a factor derived pursuant to section 58188.

(c) In accordance with section 58704(h), the Chancellor shall, as necessary, interpret the provisions specified in subsection (a) for consistency with the provisions of this subchapter.

NOTE: Authority cited: Sections 66700, 70901 and 84750, Education Code. Reference: Section 84750, Education Code.

HISTORY

1. New section filed 5-29-91 and submitted to OAL 6-3-91 for printing only pursuant to Education Code section 70901.5; operative 6-30-91 (Register 91, No. 28).

Chapter 10. Community College Administration**Subchapter 1. Warrants**

NOTE: Authority cited: Section 71020, Education Code. Reference: Chapter 797, Statutes of 1979.

HISTORY

1. New Division 10, Chapter 1 (Sections 59000-59004) filed 3-5-76; effective thirtieth day thereafter (Register 76, No. 10).
2. Amendment of NOTE filed 11-4-77; effective thirtieth day thereafter (Register 77, No. 45).
3. Repealer of Chapter 1 (Sections 59000-59004) filed 11-15-79; effective thirtieth day thereafter (Register 79, No. 46).

Subchapter 2. Community College Budget and Accounting Manual**§ 59010. Method of Accounting.**

The Board of Governors hereby adopts and incorporates by reference, into this provision of the California Code of Regulations, the California Community Colleges Budget and Accounting Manual chapters 2 through 5 as revised September 1999. This section shall become operative July 1, 2000.

NOTE: Authority cited: Sections 66700, 70901 and 71024, Education Code. Reference: Section 70901, Education Code.

HISTORY

1. New section filed 4-19-2000; operative 4-10-2000. Submitted to OAL for printing only (Register 2000, No. 16). For prior history see Register 94, No. 38.

§ 59011. Method of Accounting.

The Board of Governors hereby adopts and incorporates by reference, into this provision of the California Code of Regulations, the California Community Colleges Budget and Accounting Manual chapters 2 through 5 as revised July 1992. This section shall become operative July 1, 1993 and shall become inoperative June 30, 2000.

NOTE: Authority cited: Sections 66700, 70901 and 71024, Education Code. Reference: Section 70901, Education Code.

HISTORY

1. New section filed 8-19-92; operative 9-18-92 (Register 92, No. 34).
2. Amendment filed 4-19-2000; operative 4-10-2000. Submitted to OAL for printing only (Register 2000, No. 16).

§ 59013. Price of Food.

Food served in community college district cafeterias shall be sold to the patrons of the cafeterias at such a price as will pay the cost of maintaining the cafeterias, exclusive of the costs made a charge against the funds of the community college district by resolution of the governing board.

The disposition and accounting of revenue and expenditures of the cafeteria shall be as prescribed by the California Community Colleges Budget and Accounting Manual.

NOTE: Authority cited: Section 66700 and 70901, Education Code. Reference: Section 70901, Education Code.

EXHIBIT 3
EXECUTIVE ORDER
2000 BUDGET AND ACCOUNTING MANUAL

California Community Colleges

Budget and Accounting Manual

2000 Edition



Board of Governors

***Chancellor's Office
Sacramento, California***

California Community Colleges

**BUDGET AND
ACCOUNTING MANUAL**

2000 Edition

Officially approved by the

Board of Governors

in accordance with *Education Code* Section 70901
for required use by California Community Colleges

Prepared under the direction of the

**Fiscal Policy Division of the Chancellor's Office
California Community Colleges**

with the cooperation of the

Association of Chief Business Officers Board



Publishing Information

The California Community Colleges, *Budget and Accounting Manual, 2000 Edition*, was approved by the Board of Governors. This edition was prepared under the direction of the Fiscal Policy Division of the Chancellor's Office in cooperation with the Association of Chief Business Officers Board. The members of the Board of Governors at the time this edition of the manual was approved were:

Richard F. Alden, *Beverly Hills*
Phillip J. Forhan, *Fresno*
Thomas F. Kranz, *Los Angeles*
David F. Lawrence, *La Mirada*
Irene M. Menegas, *Pleasant Hill*
Vishwas D. More, *Orinda*
John W. Rice, *Palo Alto*
Roger M. Schrimp, *Oakdale*
Patricia G. Siever, *Culver City*
Rosemary E. Thakar, *San Francisco*

The California Community Colleges, *Budget and Accounting Manual* was distributed under the provisions of the Library Distribution Act and *Government Code* Section 11096.

Copies of the manual are available on a limited basis. Requests should be sent to the Chancellor's Office, Fiscal and Business Services Unit, 1102 Q Street, Sacramento, CA 95814-6511. This manual is also available on the Internet at the Chancellor's Office Website at <http://www.cccco.edu> within the Fiscal Policy Division.

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Preface

This revision of the Budget and Accounting Manual, effective July 1, 2000, presents primarily technical changes to update and improve the accounting procedures of the California Community Colleges. No new program nor increased level of district effort is mandated by this revision. Our goal continues to be to make those changes necessary to achieve greater conformance with generally accepted governmental accounting principles, promote greater consistency and validity of reported financial data, and make the manual more useful for all users.

There will always be accounting issues that need to be addressed. Therefore, it is expected that this manual will be periodically revised and updated.

Thomas J. Nussbaum
Chancellor

Glee Johnson
Deputy Chancellor

Patrick J. Lenz
Vice Chancellor
Fiscal Policy

Gary L. Cook
Administrator
Fiscal and Business Services

Sacramento
September 1999

Acknowledgements

The following individuals served on the Fiscal Standards and Accountability Committee of the Association of Chief Business Officials Board and were responsible for the review and update of this manual:

Louise Davatz, Co-Chair, Los Rios Community College District
Cheryl Miller, Co-Chair, Santa Monica Community College District
John Puthuff, State Coordinator, Chancellor's Office
Lois Meyer, Palomar Community College District
Nancy Rice, Mt. San Antonio Community College District
Teresa Scott, Yosemite Community College District
Jack Sherman, San Bernardino Community College District
Elias Regalado, Chancellor's Office
Robert Wickstrom, Sierra Joint Community College District

In addition to these members of the Fiscal Standards and Accountability Committee, there were a number of additional district volunteers that provided input to this project. Their assistance is greatly appreciated.

Special thanks to the Finalization Task Group responsible for putting the manual in its final form:

Cory Wathen, Los Rios Community College District
Vicki Reader, Sierra Joint Community College District
Elias Regalado, Chancellor's Office

The Chancellor's Office also recognizes Louise Davatz, Chief Business Officer of the Los Rios Community College District, for many years of outstanding service in developing and improving the Budget and Accounting Manual. Louise participated on the committees that produced an updated manual effective in 1983, 1985, 1993, and the current manual to be effective in 2000. Louise has added depth and continuity to the development process that has contributed to an improved accounting system for the community colleges.

Introduction

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INTRODUCTION

Authority

This *Budget and Accounting Manual* (BAM), which has the authority of regulation in accordance with Title 5 Section 59011 of the *California Code of Regulations* (CCR), is distributed as part of the Board of Governors' responsibility to define, establish, and maintain the budgeting and accounting structure and procedures for the California Community Colleges. This responsibility is defined in *California Education Code* (EC) Section 70901. Each community college district is required to follow this manual in accordance with *Education Code Section* 84030, which states:

“The accounting system, including the uniform fund structure used to record the financial affairs of any community college district, shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual...”

Authoritative Requirements

In addition to the legal requirements of the *Education Code*, *California Code of Regulations*, BAM, federal guidelines, and other applicable statutes and regulations, California Community Colleges are required to present their financial statements in accordance with generally accepted accounting principles (GAAP) for state and local governments. GAAP set the minimum requirements for a fair presentation of financial data in external reports. Since 1984, determination of GAAP for state and local governments has been the responsibility of the Governmental Accounting Standards Board (GASB). For private enterprises and non-profits, including private colleges and universities, GAAP is established by the Financial Accounting Standards Board (FASB) and old pronouncements issued by the American Institute of Certified Public Accountants (AICPA).

The GAAP hierarchy for financial reporting by state and local governments is as follows:

Level A - GASB Statements and Interpretations, and AICPA and FASB pronouncements made applicable by GASB Statements or Interpretations.

Level B - GASB Technical Bulletins, AICPA Industry Audit and Accounting Guides and Statements of Position made applicable by the AICPA and cleared by the GASB.

Level C - GASB Emerging Issue Task Force consensus positions (if created) and AICPA Accounting Standards Executive Committee (AcSEC) Practice Bulletins made applicable by the AICPA and cleared by the GASB.

Level D - GASB Implementation Guides (Q & A's) and practices widely recognized as prevalent.

Level E - Other accounting literature such as GASB Concepts Statements and AICPA and FASB pronouncements when not specifically made applicable to state and local governmental entities.

Many groups and individuals need reliable information on a district's finances. An accounting system must meet the basic informational needs of these interested parties. As a result, the accounting system must make it possible to: (a) present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with GAAP; and (b) determine and demonstrate compliance with finance-related legal and contractual provisions.

Neither GAAP nor legal compliance take 'precedence' in governmental financial statements. Both are essential. When legal provisions conflict with GAAP, governments should prepare basic financial statements in conformity with GAAP and also present such supporting schedules, in addition to the GAAP-based basic financial statements, as may be necessary to clearly report upon their legal compliance responsibilities and accountabilities.

While BAM tries to summarize GAAP for application in California Community Colleges, it may not be a complete and exhaustive text for defining, clarifying, and interpreting all potential situations that may be encountered by every community college or district. It is also limited by the fact that it represents the applicable GAAP at a given point in time. GASB Statements and other changes to GAAP issued after the completion of this manual are not addressed in this document; however, guidance may be provided in subsequent accounting advisories issued by the State Chancellor's Office. The following are examples of additional reference materials.

Laws and Regulations

California Education Code
California Government Code
California Code of Regulations
Budget and Accounting Manual (Chapters 2-5)

Accounting Principles

Government Finance Officer's Association's *Governmental Accounting and Financial Reporting (GAAFR)*
Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* and *Original Pronouncements of Governmental Accounting and Financial Reporting Standards*

General Information

California Community Colleges Chancellor's Office

Objective and Purpose

California community college districts are required by regulations (CCR §58300 et seq.) to prepare financial reports and annual budgets that report all their actual and projected revenues and expenditures on forms as provided by the Chancellor's Office. The objective of this *Budget and Accounting Manual* is to facilitate compliance with this requirement by providing for a uniform fund-structure, revenue and expenditure classifications, and other accounting procedures for the consistent and comparable reporting of financial data by all community college districts.

The manual is primarily written for the individuals who work daily with the community college accounting system; however, this chapter and the general section at the beginning of each of the other chapters have been written to assist those readers who may desire more general background information.

The annual district audit by the contracted district auditor will assess district compliance with this manual.

Background

Although *Education Code* Section 70901(b)(12) mandates the Board of Governors to establish a uniform system of budgeting and accounting for community college districts, prior to September 1981 and the passage of Assembly Bill 1217 (Stats. 1981, Ch. 930), most major accounting decisions were made by the Legislature itself or locally at each district business office. The Board's role in this area was essentially reactive and secondary. Until 1973, community college accounting practices were governed by a publication of the State Department of Education.

In December 1973, the Board adopted the first California Community Colleges *Budget and Accounting Manual*. This document was a modification of the K-12 model with the addition of an activity-centered approach to expenditure reporting that described resource requirement and their direct cost, and the relative use in each of the major activities defined for community college operations. The manual established the basic standards for district use.

Since 1973, the *Budget and Accounting Manual* has been subject to some changes and clarifications and was incorporated into Title 5 by reference to give it the force of law (CCR §59011). The 1985 revision of the *Budget and Accounting Manual* was an effort to update and improve the accounting procedures of the community colleges.

More recently, in 1988 and 1990, reform legislation strengthened the accountability of community college districts. Assembly Bill 1725 (Stats. 1988, Ch. 973) made substantive revisions to the *Education Code*. In 1988, the Council for Chief Business Officers formed a committee to review and update the manual. In so doing, the committee considered changes in the law, the emergence of a statewide management information system, and general cleanup of technical issues. The update was a cooperative effort between district representatives and Chancellor's Office staff and resulted in the 1993 edition of the *Budget and Accounting Manual*.

Project 2000 was begun in 1996 by the Fiscal Standards and Accountability Committee, a standing committee of the Association of Chief Business Officials Board of California Community Colleges to address changes in laws, regulations, and GAAP since 1993. The project was a joint effort of district representatives and Chancellor's Office staff to update the manual and provide additional guidance to promote consistency of financial reporting among California community colleges.

ACCOUNTING OVERVIEW

The following overview is provided to assist the reader's understanding of the conceptual framework of community college accounting.

Accounting: The Language of Business

There is no single, concise, comprehensive description of accounting. Accounting has been defined as “. . . the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results.” [Webster’s *Collegiate Dictionary, Tenth Edition, 1998*]

Accounting, then, is the special field of theory and practice concerned with the design and implementation of procedures for the accumulation and reporting of financial data. An accounting system is the total structure of records and procedures that identify, assemble, analyze, record and report information on the financial operations of a community college district or any of its funds, account groups, and organizational components.

Government versus Private Accounting: Measurement Focus and Basis of Accounting

Governmental accounting is founded upon the same basic concepts and conventions that underlie the accounting discipline as a whole. However, governmental accounting tends to focus on the uses of resources to attain the institution’s objectives, rather than upon profits or losses.

In general, in a private enterprise, products or services are sold directly to consumers who pay at least the cost of producing the products or providing the services. In contrast, the primary services provided by community colleges (instruction, community service, guidance and counseling, etc.) are paid for from a variety of revenue sources, most of which are not direct beneficiaries of the services.

The nonprofit nature of community colleges and the unique flow of revenue results in the use of the flow of current financial resources measurement focus used by other governmental entities. This measurement focus is intended to answer the question “Are there more or less resources that can be spent in the near future as a result of events and transactions of the period?”

To better answer this question, the modified accrual basis of accounting is used. Under the modified accrual basis, revenues are recognized only when they are earned, measurable, and available. Measurable is interpreted as the ability to provide a reasonable estimate of actual cash flow. Revenues are available if collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when an event or transaction is expected to draw upon current spendable resources.

However, certain community college activities may be similar to private enterprise in that they are funded in large part by direct charges to consumers (e.g., bookstore and cafeteria enterprise operations). Such activities use the flow of economic resources measurement focus to answer the question “Is the fund better or worse off economically as a result of events and transactions of the period?” To better answer this question, the full accrual basis of accounting is used to account for all revenues earned and expenses incurred during the period, regardless of the timing of the cash flows.

Fund Accounting

Because of the varied sources of revenue, some with restrictions and some without restrictions, governmental accounting systems should be organized and operated on a fund basis. 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 or attaining certain objectives in accordance with special regulations, restrictions, or limitations. [NCGA Statement 1, paragraph 17]

Fund accounting, therefore, is used as a control device to separate financial resources and ensure that they are used for their intended purposes with the fund as the basic recording entity for reporting specified assets and liabilities and related transactional movements of its resources.

Revenue and Expenditure Classification

Basic to all revenue and expenditure accounting is a systematic classification scheme for describing transactions. There can be no consistency and comparability in the recording of transactions without precise descriptions of the transaction elements.

Revenue classification is primarily by **source** and **purpose** (e.g., 8100 Federal Revenues; 8170 Vocational and Technical Education Act).

Expenditure classification is by **object** and by **activity**. Object classification relates to the commodity or service obtained (e.g., Object Account 1100, Instructional Salaries, Contract or Regular Status). Activity classification relates to the purpose of the expenditure (e.g., Activity Account 0100, Instructional Activities—Agriculture and Natural Resources).

Annual Financial Report and Audit

The annual financial report of the district is the vehicle for summarizing and communicating the results of budgetary decisions and transactions. The *Annual Financial and Budget Report* (CCFS-311) of each district contains, as specified by the Chancellor's Office, a statement of the actual revenues and expenditures for the fiscal year just completed, plus the estimated revenues and proposed expenditures for the succeeding fiscal year (CCR §58303).

The annual financial and compliance audit, as required by *Education Code* Section 84040, is the final examination of the annual financial statements' fairness and reliability. The audit is conducted by certified public accountants licensed by the State Board of Accountancy. In the event the governing board of a community college district fails to provide for an audit, the Board of Governors shall provide for such audit, and if the Board of Governors fails or is unable to make

satisfactory arrangement for such an audit, the Department of Finance shall make arrangements for the audit. The cost of any audit described above shall be paid from district funds.

The annual financial statements are the responsibility of the district. Audit adjustments must be recorded in the district's accounting system to ensure the accuracy and consistency of financial reports. Differences between the district's CCFS-311 and its audited financial statements should be reconciled and reported in the notes to the financial statements.

Education Code Section 84040 also provides that the Board of Governors must adopt criteria and standards for periodic assessment of the fiscal condition of community college districts. The Board of Governors must also take actions to improve the districts' fiscal conditions as necessary to encourage sound fiscal management practices.

BUDGETING OVERVIEW

General Requirements

Budgeting is an essential element of the financial planning, control and evaluation processes of governments. Every governmental unit prepares a comprehensive budget covering all governmental, proprietary, and fiduciary funds for each annual fiscal period. The accounting system provides the basis for appropriate budgetary control. [NCGA Statement 1]

The community college district budget is a plan of proposed expenditure for operations and estimated revenue for a given period of time (fiscal year). The budget represents the operational plans of the district in terms of economic decisions. Budget requirements and process are described in the *California Code of Regulations*, beginning with Section 58300.

Once the budget is adopted, the total amount designated as proposed expenditure for each major object of expenditure classification is the maximum allowed without additional governing board authorization for transfers between major classifications or from the reserve for contingencies in accordance with *California Code of Regulations* Section 58307. For a definition of the major object of expenditure classifications, refer to Classification of Expenditures by Object (Chapter 4).

Important Dates

Action Required	On or Before	Title 5 Section
Tentative Budget Adoption	July 1	58305
Newspaper Publication stating Budget is Available	as appropriate	58301
Public Hearing	September 15	58301
Final Budget Adoption	September 15	58305
Annual Financial and Budget Report (CCFS-311) Sent to State Chancellor	September 30	58305
Informational Copy of Budget Sent to County (if required)	September 30	58305

Chapter 2

Fund Structure

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CHAPTER 2

Fund Structure (Continued)

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GENERAL

This chapter details the uniform fund structure to be used by all community college districts for daily accounting and preparation of budgets and financial reports in accordance with *Education Code* Section 84030. The narrative discusses the purpose of fund accounting and prescribes minimum accounting requirements and special accounting applications.

The primary purpose of fund accounting is to segregate financial information. This is accomplished by accounting for financial transactions related to specific activities or objectives within separate funds.

Unlike typical private business accounting, the diverse nature of public operations and complexity of legal requirements preclude maintenance of financial transactions and balances in a single accounting entity. In public agency accounting, separate funds and accounts are required to maintain records of separately designated assets, liabilities, and balances. A governmental agency is, in effect, a combination of several distinct accounting entities functioning independently of each other.

A basic principle of fund accounting is the concept of grouping funds. A funds group consists of individual funds used to report sources and uses of resources in providing some major service or group of services. In general, funds of a similar nature and function should be assigned to the same funds group.

The community college fund structure presented here is based largely on concepts and principles contained in GAAFR. This structure allows districts to establish any number of funds, subfunds, or accounts for internal accounting, but requires for external financial reporting purposes that all accounts be consolidated into one of three groups:

- Governmental Funds,
- Proprietary Funds, or
- Fiduciary Funds,

Generally accepted accounting principles further require that all accounts reported within a single fund group use the same "basis of accounting" for timing the recognition of revenues, expenditures, and transfers. The proper timing of that recognition is discussed as part of the accounting requirements for each funds group.

Included is a discussion of memorandum accounts, commonly known as "General Fixed Assets" and "General Long-Term Debt." It is recommended that districts refer to GAAFR for further clarification of uses of these accounts. Community college districts **shall** maintain and report these data, at a minimum, in the detail specified in the Account Groups section of this chapter.

Fund code numbers have been assigned to each fund and applicable revenue and expenditure accounts. The use of these numbers is required for the statewide automated reporting system.

GOVERNMENTAL FUNDS GROUP

- 10 General Fund**
 - 20 Debt Service Funds**
 - 30 Special Revenue Funds**
 - 40 Capital Projects Funds**
-

General Description

The Governmental Funds Group is used to collect financial information on resources used, or available for use, in carrying out operations associated with the institution's educational objectives.

Governmental funds are used to segregate financial resources for attaining institutional objectives. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used; current liabilities are assigned to the fund from which they are to be paid. The difference between each governmental fund's assets and liabilities—the fund equity—is referred to as the “fund balance.”

The fiscal year for governmental funds is July 1 through June 30.

General Accounting Principles

- Governmental fund accounting uses the modified accrual basis of accounting. The emphasis is on determining the financial flow of operating revenues and expenditures, rather than net income. Consequently, the statement of revenues, expenditures, and changes in fund balance is one of the primary governmental fund operating statements. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers, and other changes in fund balance.
- Revenues and related receivables are recorded in the accounting period in which they are earned, available, and measurable unless otherwise specified. “Available” means collectible in the fiscal year accrued or soon enough thereafter to be used to pay liabilities of the fiscal year in which accrued.
- Expenditures and related accruals (current liabilities) are recognized in the accounting period in which the fund liability is incurred.
- A “liability” is a debt or other legal obligation (exclusive of encumbrances) arising out of transactions in the past that must be paid, renewed, or refunded at some future date. Accordingly, an encumbrance of funds, such as the issuance of a purchase order, does not

become a liability unless the service or product specified on the purchase order has been delivered.

- Deferred revenues should be recorded for all revenues that are collected in advance of when they are earned. For example, enrollment fees charged in the current fiscal year for courses beginning after the spring term shall be accounted for as deferred revenue.
- General fixed asset purchases are recorded as expenditures in the period acquired. However, the cost of the asset should also be recorded as a memorandum entry in the General Fixed Assets Account Group. No depreciation is recorded for assets in the General Fixed Assets Account Group.
- Proceeds from general long-term debt are recorded as revenues in the period received. The long-term portion of the related liability is recorded as a memorandum entry in the General Long-term Debt Account Group. Resources accumulated for repayment of the debt and the current portion of the debt are recorded as assets and liabilities, respectively, in the Debt Service Fund or other applicable governmental fund.

GOVERNMENTAL FUNDS GROUP**10 General Fund**

- 11 Unrestricted Subfund
 - 12 Restricted Subfund
-

Nature and Purpose

The General Fund is the primary operating fund of the district. It is used to account for those transactions that, in general, cover the full scope of operations of the district (instruction, administration, student services, maintenance and operations, etc.). All transactions shall be accounted for in the General Fund unless there is a compelling reason (e.g., legal or contractual requirement) to report them in another fund. Revenues received by or for a community college district from State apportionments or county or local taxes (other than moneys required to be placed in another fund) shall be deposited in the General Fund of the district.

Examples of activities that should **not** be accounted for in the General Fund include noninstructional expenditures of the district's child development, cafeteria, bookstore, or farm operations, which are accounted for within the Special Revenue or Enterprise Funds as determined by the district governing board (see discussion on Special Revenue and Enterprise Funds). Similarly, resources used for major capital outlay projects, including Scheduled Maintenance and Special Repairs (SMSR), are accounted for in a Capital Projects Fund and not the General Fund.

General purpose revenues received from the State may not be used to subsidize Community Service (EC §78300) or Contract Education (EC §78021) programs. Such programs must recover the actual costs, including administrative costs, of providing the programs from public or private contracts, contributions, donations or user fees.

The General Fund is held in the treasury of the county having jurisdiction over the community college district.

For purposes of flexibility, the district may establish any number of subfunds or accounts to constitute its General Fund; however, for financial reporting, these must be consolidated into either the Unrestricted Subfund (11) or Restricted Subfund (12).

Division of the General Fund into two subfunds reflects the need to differentiate truly discretionary revenue from restricted revenue, while preserving a complete accounting of the financial operation and support of educational programs. Accordingly, restricted revenues (such as those for categorically-funded programs) are accounted separately from other general purpose moneys, but classified as a component of the total fund that provides instructional and support services.

Accounting Principles

- The General Fund uses the modified accrual basis of accounting. Revenues and related receivables are recorded in the accounting period in which they are earned, available, and measurable. Expenditures and related accruals (current liabilities) are recognized in the accounting period in which the fund liability is incurred.
- The governing board may elect to set aside unrestricted moneys for specific future operating purposes. Such an allocation would be accounted for in the Unrestricted Subfund as “Fund Balance—Designated for Specific Future Purposes.”
- The governing board may elect to transfer unrestricted moneys to other funds, i.e., Debt Service Fund, Special Revenue Fund, Capital Projects Fund. Similarly, the governing board may elect to return any balances of designated moneys appearing in other fund groups to the General Fund, Unrestricted Subfund, if not prohibited by law or regulation. The movement of money between the Restricted and Unrestricted Subfunds is an intrafund transfer. The transfer between the General Fund and other funds (e.g., transfers to Capital Outlay Projects Fund for SMSR matching requirements) is an interfund transfer.
- Deferred revenues (a liability) should be recorded for all revenues which are collected in advance of when they are earned. For example, categorical or restricted moneys are recorded as revenue only to the extent they have been earned (expenses have been incurred for the intended purpose of the gift, grant, contract, etc.).
- See Governmental Funds Group for additional accounting principles.

General Fund Subfunds

11 Unrestricted Subfund

The Unrestricted Subfund is used to account for resources available for the general purposes of district operations and support of its educational program.

This subfund includes board-**designated** moneys which represent a commitment of unrestricted resources that are stipulated by the governing board to be used for a specific purpose, e.g., matching moneys for categorical programs. Such resources are not truly restricted since such designations can be changed at the board’s discretion. Because the governing board retains discretionary authority to redesignate these resources for some other purpose (assuming no legal obligation has been entered into), board-designated moneys are to be accounted for in the General Fund, Unrestricted Subfund. Resources with uses restricted by law, regulations, donors, or other outside agencies are to be accounted for in the Restricted Subfund.

12 Restricted Subfund

The Restricted Subfund is used to account for resources available for the operation and support of the educational programs that are specifically restricted by laws, regulations, donors, or other outside agencies as to their expenditure. Such **externally** imposed restrictions are to be contrasted with internally created designations imposed by the governing board on unrestricted moneys. In general, unrestricted moneys can be used for any legal purpose deemed necessary. Restricted moneys are from an external source that requires the moneys be used for specific purpose(s).

Moneys such as matching contributions for categorical programs are unrestricted, but may be designated by the governing board for those purposes. Moneys designated as matching contributions should be maintained in the General Fund, Unrestricted Subfund. Circumstances and evidence relative to restrictions may not always be clear. The district should seek Chancellor's Office, legal, and/or contracted auditor consultation as needed.

Categorical or restricted moneys are recorded as revenue in the Restricted Subfund only to the extent they have been earned (expenses have been incurred for the intended purpose of the gift, grant, contract, etc.). Moneys received prior to being earned (before expenses are incurred) are accounted for as deferred revenue (a liability) in the balance sheet accounts (see Chapter 5).

See Appendix D for specific examples of categorical and restricted programs.

GOVERNMENTAL FUNDS GROUP**20 Debt Service Funds**

- 21 Bond Interest and Redemption Fund
 - 22 Revenue Bond Interest and Redemption Fund
 - 29 Other Debt Service Fund
-

Nature and Purpose

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt Service Funds should be used if current financial resources are being accumulated for principal and interest payments on general long-term liabilities that will mature in future years. Revenues to these funds are primarily from special property tax levies or operational income from completed projects financed by revenue bonds, energy loans, or the like. Debt Service Funds are generally maintained in the appropriate county treasury. However, the repayment of emergency apportionments received pursuant to *California Code of Regulations* Section 58316 is accounted for in the General Fund, Subfund 11—Unrestricted.

Accounting Principles

- Debt Service Funds use the modified accrual basis of accounting with the following exception. Under modified accrual accounting, expenditures are recognized at the same time as the related liability. However, debt service principal and interest payments on general long-term debt should not be reported as expenditures in governmental funds until due because it is only when debt matures that it places a demand upon expendable available financial resources.
- Debt Service Funds are maintained on the same fiscal year as the General Fund.
- See Governmental Funds Group for additional accounting principles.

Debt Service Funds**21 Bond Interest and Redemption Fund**

The Bond Interest and Redemption Fund is the designated fund referred to in *Education Code* Sections 15146, 15234, 15235, 15250, 15251, and 15253 as the interest and sinking fund. This fund is to be used only to record transactions related to the receipt and expenditure of local revenues derived from the property tax levied for the payment of the principal and interest on outstanding bonds of the district.

Unless otherwise specified in the bond issue, any money paid into this fund from taxes and other sources and remaining after the payment of all bonds and coupons payable from this fund, or which is in excess of an amount sufficient to pay all unpaid bonds and coupons payable from this fund, shall be transferred to the district's General Fund upon order of the county auditor (EC §15234). Such funds are recharacterized as local property tax revenue for general operating support and are to be subtracted from total revenues in determining apportionment allocations.

Any other money remaining in this fund in excess of that needed to pay off all unpaid bonds and coupons payable from this fund and any other money remaining after the payment of all bonds and coupons payable from this fund, shall be transferred to the district's General Fund upon the order of the county auditor. (EC §15234)

The fund shall be established and maintained in the appropriate county treasury. Responsibility for this fund is vested with the county auditor.

22 Revenue Bond Interest and Redemption Fund

The Revenue Bond Interest and Redemption Fund is the designated fund to be used to record transfers from the Revenue Bond Project Fund (the operating fund) as may be required to pay the principal and interest for bonds issued under provisions of Chapter 5, Division 7, Part 49 of the *Education Code* Section 81901 et seq.

The Revenue Bond Interest and Redemption Fund shall be established and maintained in the appropriate county treasury.

Any moneys remaining in this fund after the revenue bond has been paid may, by governing board action and order of the county auditor, be transferred to the Revenue Bond Project Fund to be used for such other purposes incidental to the acquiring, constructing, furnishing, equipping, operating, and maintaining of such projects authorized under the provisions of *Education Code* Section 81901 et seq. (EC §81964)

This fund shall be established and maintained in the appropriate county treasury.

29 Other Debt Service Fund

This fund is used to report all other accounting for the accumulation of resources for, and the payment of, general long-term debt principal and interest. For example, fees collected for use of parking facilities built with student body funds under the authority of *Education Code* Section 76064 would be deposited in the General Fund and transferred to this fund to repay the debt. Additionally, repayment of energy loans would be reflected in this fund.

In addition, the funded portion of Certificates of Participation (COP) on deposit with a trustee may be recorded in this fund; districts should, however, record COP activity in the fund which

receives the original proceeds (generally the Capital Projects Fund). While COP are not a legal debt of the district, the capital lease payments represent a long-term financial obligation that must be recorded in the district's accounts. The trustee will maintain the funds in various trust accounts. Districts must account for all activity in the trust accounts in this fund. Proceeds from COP are recorded in the fund in which the related expenditures take place (generally the Capital Projects Fund).

After all obligations have been paid, any unexpended balance may be expended for the purpose established in the original obligation or, if no restriction is placed on the unexpended balance, may be transferred to the General Fund for expenditure.

This fund shall be established and maintained in the appropriate county treasury.

GOVERNMENTAL FUNDS GROUP**30 Special Revenue Funds**

- 31 Bookstore Fund
 - 32 Cafeteria Fund
 - 33 Child Development Fund
 - 34 Farm Operation Fund
 - 35 Revenue Bond Project Fund
 - 39 Other Special Revenue Fund
-

Nature and Purpose

Special Revenue Funds are used to account for the proceeds of specific revenue sources whose expenditures are legally restricted. In general, Special Revenue Funds encompass support services that are not directly related to the educational program of the college.

If recovery of the cost of providing such services is **not** the objective of the governing board, the activities may be recorded in Special Revenue Funds. However, if the district engages in business-type activities (e.g., bookstore and cafeteria), where the intent is to recover, in whole or in part, the cost of providing goods or services to beneficiaries, the activities should be reported in Enterprise Funds.

Activities such as cafeteria, child development, and farm operations may provide non-classroom instructional or laboratory experience for students and incidentally create goods or services that may be sold. In the process of creating the incidental goods or services, expenditures are incurred in addition to those necessary solely for the educational benefit of students. These expenditures are charged against revenue received as a direct result of the operations and, thus, not accounted for as part of the General Fund.

However, the expenditures for providing instructional activities related to services that are accounted for in Special Revenue Funds should be recorded in the General Fund. For example, a food service program that makes and sells goods to the public as part of the curriculum would record the direct cost of instruction (instructional salaries and wages and other related costs) in the General Fund and the cost of the materials used in the preparation of goods for sale in a Special Revenue Fund.

Accounting Principles

- Special Revenue Funds use the modified accrual basis of accounting. Revenues and related receivables are recorded in the accounting period in which they are earned, available, and measurable. Expenditures and related accruals (current liabilities) are recognized in the accounting period in which the fund liability is incurred.

- Special Revenue Funds must be maintained on the same fiscal year period as the General Fund.
- See Governmental Funds Group for additional accounting principles.

Special Revenue Funds

31 Bookstore Fund

The Bookstore Fund is the fund designated to receive the proceeds derived from the district's operation of a community college bookstore pursuant to *Education Code* Section 81676 when recovery of the cost of providing such services is **not** the objective of the governing board. **However, if the intent is to recover, in whole or in part, the cost of providing goods or services to beneficiaries, the activities should be reported in the Bookstore Enterprise Fund (51).**

All necessary expenses, including salaries, wages, and cost of capital improvement for the bookstore may be paid from generated revenue. Net proceeds from bookstore operations shall be expended in accordance with *Education Code* Section 81676.

The Bookstore Fund may be established and maintained in the appropriate county treasury or, as an alternative, the governing board may establish a bookstore bank account with a financial institution for each bookstore established. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

If the district and/or college contracts for its bookstore operations and the contractor assumes all responsibilities for the operation, then the revenues, except for those which must be placed in a debt service fund, shall be treated as General Fund revenues. If the operations are run by the associated students and then contracted out, the revenues would be treated as Associated Students Trust Fund revenues.

32 Cafeteria Fund

The term "cafeteria" as used in this section is considered synonymous with the term "food service."

The Cafeteria Fund is the fund designated to receive all moneys from the sale of food or for any other services performed by the cafeteria when recovery of the cost of providing such services is **not** the objective of the governing board. **However, if the intent is to recover, in whole or in part, the cost of providing goods or services to beneficiaries, the activities should be reported in the Cafeteria Enterprise Fund (52).** If vending is an integral part of the district's food service, the activity should be recorded in this fund. However, the instructional activity

associated with a program in food service, hotel management, or a related field, should be separately identified and recorded in the General Fund.

The food served by cafeterias shall be "sold to the patrons of the cafeteria at such a price as will pay the cost of maintaining the cafeteria, exclusive of the costs made a charge against the funds of the community college district by resolution of the governing board" (CCR §59013). "Costs made a charge against the funds of the community college district" may include the cost of housing and equipping the cafeteria and the cost of replacement of equipment and utilities if the governing board elects to subsidize such costs. The intent of the *California Code of Regulations* Section 59013 appears to be for the food service operation to be a cost recovery rather than a revenue-producing activity.

The Cafeteria Fund may be established and maintained in the appropriate county treasury or, as an alternative, the governing board may establish a cafeteria bank account with a financial institution for each cafeteria established. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

If the district and/or college contracts for its cafeteria operations and the contractor assumes all responsibilities for the operation, then the revenues, except for those which must be placed in a debt service fund, shall be treated as General Fund revenues. If the operations are run by the associated students and then contracted out, the revenues would be treated as Associated Students Trust Fund revenues.

33 Child Development Fund

The Child Development Fund is the fund designated to account for all revenues for, or from the operation of, child care and development services, including student fees for child development services. Costs incurred in the operation and maintenance of the child care and development services are paid from this fund. However, those segments of child care and development activities that are part of the instructional activity of the college or district must be accounted for in the General Fund.

This fund is established and maintained in the appropriate county treasury.

34 Farm Operation Fund

The Farm Operation Fund is the fund designated to receive all moneys from the sale of produce, livestock, and other products of any farm operation of the district. Costs incurred in the operation and maintenance of such a farm shall be paid from this fund in accordance with the direction of the governing board.

The Farm Operation Fund may be established and maintained in the county treasury or, as an alternative, the governing board may establish a farm bank account with a financial institution for

each farm established. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

The Farm Operation Fund shall be accounted for as an Enterprise Fund within the Proprietary Funds Group when it is the intent of the governing board to operate the farm as a business operation and to account for its total costs (direct and indirect, including depreciation) of operation.

35 Revenue Bond Project Fund

The Revenue Bond Project Fund is the fund designated to receive all revenues from the operation of any project (i.e., dormitories or other housing facilities, boarding facilities, student union or activity facilities, vehicle parking facilities, or any other auxiliary or supplementary facilities for individual or group accommodation) acquired or constructed by the governing board from district revenue bonds under the provisions of *Education Code* Section 81901 et seq.

Moneys in this fund are used to pay the costs of operation and maintenance of the projects and for any other purposes authorized by resolution of the board, subject to any restrictions provided by law or the indenture (EC §81962). Amounts required for interest on or redemption of bonds issued pursuant to *Education Code* Section 81901 et seq., are transferred from the Revenue Bond Project Fund to the Revenue Bond Interest and Redemption Fund for such purposes.

All revenues received from the operation of any such project shall be transmitted by the governing board to the appropriate county treasurer at least once a month. The county treasurer, on order of the county auditor, shall deposit such revenues in the county treasury to the credit of the district's Revenue Bond Project Fund.

Any balance remaining in this fund after payment of all costs, expenses, and charges authorized to be expended from this fund may be allocated and used for purposes incidental to the acquiring, constructing, furnishing, equipping, operating, and maintaining of the projects authorized under *Education Code* Section 81901 et seq., as may be determined by the governing board. (EC §81964.)

39 Other Special Revenue Fund

This fund is used to account for all other specific revenue sources that are legally restricted to expenditures for specified purposes that are not an integral part of the district's instructional or administrative and support operation (e.g., dormitory replacement).

This fund may be established and maintained in the county treasury or, as an alternative, the governing board may establish a bank account with a financial institution for each such fund established. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

GOVERNMENTAL FUNDS GROUP**40 Capital Projects Funds**

- 41 Capital Outlay Projects Fund
 - 42 Revenue Bond Construction Fund
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Nature and Purpose

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital outlay projects (other than those financed by proprietary and fiduciary funds). Resources accumulated for future acquisition or construction of capital projects are recorded in this fund.

Capital projects financed through proprietary or fiduciary funds are to be accounted for within the applicable proprietary or fiduciary fund.

The following are examples of expenditures that may be recorded in Capital Projects Funds.

- acquisition or construction of new capital facilities (e.g., land, buildings, site improvements).
- improvements or extensions to the life of existing capital facilities, including major repair and remodeling projects such as Scheduled Maintenance and Special Repair (SMSR) as defined in *Education Code* Section 84660.
- initial equipping of buildings (library books, furniture, fixtures, classroom supplies, etc.).
- significant capital equipment purchases.

Accounting Principles

- Capital Projects Funds use the modified accrual basis of accounting. Revenues and related receivables are recorded in the accounting period in which they are earned, available, and measurable. Expenditures and related accruals (current liabilities) are recognized in the accounting period in which the fund liability is incurred.
- Proceeds of long-term debt borrowings to be used for capital acquisition or construction are reported directly in the Capital Projects Fund. The net amount of proceeds typically differs from the face amount of the debt reported in the general long-term debt account group due to the fees charged by bond underwriters and any premium or discount on the bonds resulting from a difference between the stated rate and market rate of interest at the date of issuance. The difference between the net cash received and the gross bond proceeds is recorded as an expenditure for bond issuance costs.

- Grants restricted to capital purposes must be accounted for in Capital Projects Funds unless specifically required to be reported in another fund.
- Capital Projects Funds typically use object of expenditure codes in the 6000 series (Capital Outlay); however, other object codes may be used to account for the nature of expenditures (e.g., wages, materials, or other operating expenses) provided that such expenditures are directly related to the acquisition or construction of a capital project. For example, a 2000 object code (Classified and Other Nonacademic Salaries) may be used in a capital project fund to account for the work performed by district employees on a capital project.
- Capital Projects Funds are maintained on the same fiscal year as the General Fund.
- See Governmental Funds Group for additional accounting principles.

Capital Projects Funds

41 Capital Outlay Projects Fund

The Capital Outlay Projects Fund is used to account for the accumulation and expenditure of moneys for the acquisition or construction of significant capital outlay items, and Scheduled Maintenance and Special Repairs (SMSR) projects. In general, this fund shall be established and maintained in the appropriate county treasury and moneys shall be used only for capital outlay purposes. However, resources transferred from other funds (e.g., proprietary or fiduciary funds) to the Capital Outlay Projects Fund to support capital projects may be maintained in a financial institution other than the county treasury.

The Capital Outlay Projects Fund is used to account for the receipt and expenditure of proceeds from the sale of district bonds authorized pursuant to *Education Code* Section 15100 et seq. Such bond proceeds may only be used for the authorized purposes for which the bonds were issued (e.g., purchasing land and buildings, making alterations or additions to buildings, supplying buildings and grounds with furniture, equipment, or necessary apparatus). As legal and contractual requirements will vary from one project or class of projects to another, an individual capital outlay project subfund may be established for each authorized project or bond issue, as necessary. However, in reporting fund balances and operations in the *Annual Financial and Budget Report* (CCFS-311) all capital outlay project subfunds are to be combined.

Any premium or accrued interest received from the sale of bonds authorized by *Education Code* Section 15100 et seq., shall be deposited in the Bond Interest and Redemption Fund (see EC §15146). Payments of principal and interest for this type of bonded debt are made through the Bond Interest and Redemption Fund.

The Capital Projects Funds may also be used to account for the proceeds of Certificates of Participation (COP). COPs are a financing mechanism used by governmental entities to finance

capital construction and acquisition. While not a legal debt of the district, COPs are financial obligations that must be reported in the district's financial statements.

The accounting treatment for COPs is similar to accounting for capital leases. The gross proceeds are recorded as a source of funds (Account 8940, Proceeds of General Long-Term Debt) and held in the fund in which the money will be used (generally the Capital Projects Fund). Underwriting and other fees are recorded as expenditures and not a reduction of the proceeds from the issuance of debt. Capital lease payments are generally recorded as expenditures in the fund which received the proceeds and acquired or constructed the assets. The long-term portion of the net present value of capital lease payments (total payments less the portion representing interest) is recorded in the General Long-Term Debt Account Group.

In addition, the governing board by formal resolution, may provide for the accumulation of moneys over a period of years for specific capital outlay purposes (including district match for SMSR as defined in EC §84660) through interfund transfers of general purpose moneys to the Capital Outlay Projects Fund. State moneys for SMSR projects are recorded directly into this fund. SMSR is defined in *Education Code* Section 84660 as "unusual, nonrecurring work to restore a facility to a safe and continually usable condition for which it was intended." These items are divided into five funding categories; roofs, utility, mechanical, exterior, and other.

42 Revenue Bond Construction Fund

The Revenue Bond Construction Fund is the fund designated in *Education Code* Section 81961 for the deposit of proceeds from the sale of all community college revenue bonds authorized under the provisions of *Education Code* Section 81901. Such deposits are used to meet the costs of acquisition or construction and all expenses of authorized projects (i.e., dormitories or other housing facilities, boarding facilities, student union or student activity facilities, vehicle parking facilities, or any other auxiliary or supplementary facilities as authorized).

Proceeds from the sale of such bonds are deposited with the county treasurer and, upon order of the county auditor, credited to the district's Revenue Bond Construction Fund. Moneys in the fund are expended (pursuant to claims filed by the governing board with the county auditor or as provided in the indenture) for the purposes authorized by *Education Code* Section 81901 et seq., or for such other purposes as may be authorized by resolution of the governing board, subject to legal restrictions.

Moneys in the fund may be invested by the governing board, subject to such limitations as may be provided in the indenture providing for the issuance of the revenue bonds. All securities or other investments shall be held by the county treasurer. All interest or other earnings received shall be deposited in the county treasury to the credit of the fund from which it was earned (EC §81965).

Any surplus moneys remaining in the fund after all bonds have been fully paid are to remain available for acquisition of sites and constructing, equipping, or furnishing of facilities maintained

by the district, subject to any restrictions in the indentures providing for the issuance of the revenue bonds (EC §81966).

The Revenue Bond Construction Fund is one of three funds used in the revenue bond process. The Revenue Bond Construction Fund is used for acquisition or construction; the Revenue Bond Project Fund is used as the operating fund once the project has been acquired or constructed; and the Revenue Bond Interest and Redemption Fund is utilized for the payment of principal and interest on the revenue bond.

PROPRIETARY FUNDS GROUP

- 50 Enterprise Funds
 - 60 Internal Service Funds
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General Description

The Proprietary Funds Group is used to account for those ongoing governmental activities that, because of their income-producing character, are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to business or quasi-business activities are accounted for through these funds. The focus of proprietary fund accounting is on measuring the cost of providing services, and the degree to which this cost is being recovered through user charges.

Generally accepted accounting principles for the Proprietary Funds Group are similar to those employed in private sector accounting. GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," states that proprietary funds shall continue to follow FASB standards issued on or before November 30, 1989. However, from that date forward, proprietary funds have the option of either (1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or (2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance).

The Proprietary Funds Group consists of the Enterprise Funds and the Internal Service Funds.

General Accounting Principles

- The measurement focus is on determination of net income, financial position, and changes in cash flows.
- Revenues and expenses are recognized on the full accrual basis. Revenues shall be recognized in the accounting period in which they are earned and expenses shall be recognized in the period incurred, regardless of the timing of related cash flows.
- Fixed assets (e.g., building and equipment) and the related depreciation expense are recorded in the accounts of the applicable fund. Depreciation expense is the systematic allocation of the cost of an asset (net of its estimated salvage value) over its useful life to account for the estimated loss in value or service life of fixed assets because of wear and tear through use, elapse of time, inadequacy, or obsolescence.
- All debts associated with the business activities of the Proprietary Funds Group are recorded in the accounts of the applicable fund.

- Assets and liabilities should be classified in financial statements as current and noncurrent (assets) or long term (debts).
- Fund equity is comprised of contributed capital and retained earnings.

PROPRIETARY FUNDS GROUP**50 Enterprise Funds**

- 51 Bookstore Fund
 - 52 Cafeteria Fund
 - 53 Farm Operations Fund
 - 59 Other Enterprise Fund
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Nature and Purpose

Enterprise Funds are used to account for an operation when it is the intent of the governing board to operate as a business and to account for its total operating costs (direct and indirect, including depreciation). Such costs are financed or recovered primarily through user charges. Enterprise Funds may also be used when the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise Funds may be established and maintained in the county treasury or, as an alternative, the governing board may establish a bank account for each enterprise fund established. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

Accounting Principles

- District property, plant, and equipment may be reassigned from the governmental funds to an Enterprise Fund. Reassignment of assets without a corresponding transfer of money from the Enterprise Fund to the General Fund, should be recorded as contributed capital.
- The district may charge rent where it does not wish to reassign property, plant, and equipment. Such charges shall be treated as rental revenue to the General Fund and rent expense to the Enterprise Fund.
- Utilities and maintenance costs should be directly charged to the enterprise activity, where practical. However, if these costs are included in the rental charge the entire amount is treated as rent.
- Depreciation expense should be charged on all depreciable assets (e.g., buildings and equipment) used in an enterprise activity. Depreciation expense is the systematic allocation of the cost of an asset (net of its estimated salvage value) over its useful life to account for the estimated loss in value or service life of fixed assets because of wear and tear through use, elapse of time, inadequacy, or obsolescence.

- The liabilities for compensated absences such as accrued vacation are recognized at full value in Enterprise Funds.
- With adequate justification, Enterprise Funds may operate on a different fiscal year from the Governmental Funds.
- See Proprietary Funds Group for additional accounting principles.

Enterprise Funds

51 Bookstore Fund

The Bookstore Fund is the fund designated to receive the proceeds derived from the district's operation of a community college bookstore pursuant to *Education Code* Section 81676 when it is the intent of the governing board to recover, in whole or in part, the costs of providing the services (see also Bookstore Fund, 31 under Special Revenue Funds). All necessary expenses, including salaries, wages, and cost of capital improvement for the bookstore may be paid from generated revenue.

Net proceeds from bookstore operations shall be expended in accordance with *Education Code* Section 81676. Bookstore funds expended for capital projects, other than projects associated with proprietary or fiduciary activities, shall be accounted for in the Capital Outlay Projects Fund. Bookstore funds are transferred to the Capital Outlay Projects Fund by an interfund transfer.

If the district and/or college contracts for its bookstore operations and the contractor assumes all responsibilities for the operation, then the revenues, except for those which must be placed in a debt service fund, shall be treated as General Fund revenues. If the operations are run by the associated students and then contracted out, the revenues would be treated as Associated Students Trust Fund revenues.

52 Cafeteria Fund

The term "cafeteria" as used in this section is considered synonymous with the term "food service."

The Cafeteria Fund is the fund designated to receive all moneys from the sale of food or for any other services performed by the cafeteria when it is the intent of the governing board to recover, in whole or in part, the costs of providing the services (see also Cafeteria Fund, 32 under Special Revenue Funds). Costs incurred in the operation and maintenance of such cafeteria are paid from this fund. If vending is an integral part of the district's food service, the activity should be recorded in this fund.

The food served "shall be sold to the patrons of the cafeteria at such a price as will pay the cost of maintaining the cafeteria, exclusive of the costs made a charge against the funds of the community college district by resolution of the governing board" (CCR §59013). "Costs made a charge against the funds of the community college district" may include the cost of housing and equipping the cafeteria and the cost of replacement of equipment and utilities if the governing board elects to subsidize such costs. The intent of *California Code of Regulations* Section 59013 appears to be for the food service operation to be a cost recovery rather than a revenue-producing activity.

If the district and/or college contracts for its cafeteria operations and the contractor assumes all responsibilities for the operation, then the revenues, except for those which must be placed in a debt service fund, shall be treated as General Fund revenues. If the operations are run by the associated students and then contracted out, the revenues would be treated as Associated Students Trust Fund revenues.

53 Farm Operations Fund

The Farm Operation Fund is the fund designated to receive all moneys from the sale of produce, livestock, and other products of any farm operation of the district. Costs incurred in the operation and maintenance of such a farm shall be paid from this fund in accordance with the direction of the governing board.

59 Other Enterprise Fund

This fund is used to account for all other operations that are financed and operated like private business enterprises.

PROPRIETARY FUNDS GROUP**60 Internal Service Funds**

61 Self-Insurance Fund

69 Other Internal Services Fund

Nature and Purpose

Internal Service Funds are used to account for the financing of goods or services provided by one department or organizational unit to other units on a cost-reimbursement. While the use of Internal Service Funds is not required under GAAP, they may be useful to identify and manage costs associated with particular services (e.g., self-insurance programs, duplicating and printing services, data processing, purchasing, motor pools, and central stores) and allocating such costs to user departments. By using the full accrual basis of accounting and flow of economic resources measurement focus, they can measure and recover the full cost, including depreciation of fixed assets, of providing goods and services.

In order for Internal Service Funds to be effective, they must meet the following two criteria:

1. The services must be tangible, and
2. It must be possible to determine the extent to which the services benefit other units.

Accounting Principles

See individual funds.

Internal Service Funds**61 Self-Insurance Fund**

The Self-Insurance Fund is the fund designated by *Education Code* Section 81602 to account for income and expenditures of self-insurance programs authorized by *Education Code* Section 72506(d). This fund is maintained in the county treasury and used to provide for payments on deductible types of insurance policies, losses or payments arising from self-insurance programs, and losses or payments due to noninsured perils. A Self-Insurance Fund is **not** used to account for a district's participation in a Joint Powers Agreement (JPA). Payments made to the custodian or administrator of the fund shall be recorded to the appropriate district account in the same manner as payments to an insurance company. The district's participation in such a JPA should be footnoted in the financial statements. If a district is an administrator of a JPA, the activity should be recorded in Agency Fund—JPA Custodian Fund (Self-Insurance).

The Self-Insurance Fund shall operate as an Internal Service Fund using accounting principles specified in GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." In accordance with Internal Service Funds accounting, the Self-Insurance Fund shall charge other funds for their proportionate share of the estimated premiums, claims and expenses incurred plus contingencies, and reflect the receipt of money as revenue.

Cash placed in this fund may be invested and reinvested by the county treasurer, with the advice and consent of the governing board, in securities which are legal investments for surplus county funds. However, it is extremely important that reserves for self-insured risks be based on a realistic reserve formula.

Separate self-insurance funds may be established for each type of self-insurance or deductible activity (e.g., Workers' Compensation Self-Insurance Fund, Health Self-Insurance Fund, etc.); however, these separate funds must be consolidated into one Self-Insurance Fund for State reporting purposes.

Accounting Principles

- Self-insurance losses are to be accrued as liabilities and the related expense recorded, if: (1) it is "probable" that a potential loss or losses may have been incurred at the balance sheet date, and (2) the amount of loss can be "reasonably estimated." (See FASB Statement No. 5, "Accounting for Contingencies," for definitions of the terms "probable" and "reasonably estimated.") Claims that are incurred but not reported (IBNR) resulting from events that took place prior to the issuance of the financial statements should be accrued if the experience of the district or other information enables the district to make a reasonable estimate of such losses. In developing this estimate, the district may wish to consult with a professional insurance accountant or actuary.
- Cost recovery payments to the Self-Insurance Fund are recorded as revenues by the Self-Insurance Fund and expenditures of the sending funds.

Examples: A payment made by the General Fund to a Workers' Compensation Self-Insurance Fund is recorded as an expenditure from General Fund Object Account 3000, Workers' Compensation Insurance, and as revenue to Account 8830, Contract Services, within the Workers' Compensation Self-Insurance Fund. Object Account 5000, Insurance, would be used to record payments made to a Self-Insurance Fund for liability purposes.

- Common expenditures made by a Self-Insurance Fund include: payment of claims which are charged to Object Account 5000, Self-Insurance Claims and payments to independent contractors for administrative services which are recorded in Object Account 5000, Personal and Consultant Services. Other costs incurred by a Self-Insurance Fund are charged to the appropriate expenditure account that describes the expenditure.

- When the Self-Insurance Fund covers loss of general fixed assets, the Self-Insurance Fund shall compensate the fund that originally incurred the expense. Such moneys received shall be recorded as Other Financing Sources—Proceeds of General Fixed Assets (Controlling Account 8910) subsidiary classification Compensation for Loss of General Fixed Assets, in the receiving fund; and as Object Account 5000, Self-Insurance claims in the Self-Insurance Fund.
- All other losses or claims covered by the Self-Insurance Fund may be paid directly from the Self-Insurance Fund or other funds of the district with reimbursement from the Self-Insurance Fund. Such reimbursement shall be abated against the original object of expenditure category in the receiving fund.
- Costs of insurance to provide coverage over and above self-insurance capabilities are to be recorded as insurance expenses of the Self-Insurance Fund, if paid from this fund.
- If amounts held in a Self-Insurance Fund are considered to be in excess of amounts required (based on actuarial experience or other appropriate cost projections), current or future charges to other funds may be reduced.
- If all funds of a district are combined to reflect total district revenues and expenditures, the Self-Insurance Fund revenues and expenditures are excluded, since such inclusion would overstate the totals. However, aggregate balance sheets (the combined general ledgers of all funds) would include the Self-Insurance Fund.
- The balance of the Self-Insurance Fund is restricted and cannot be considered a part of the working cash available to other funds of the district.

69 Other Internal Services Fund

This fund shall be established to account for revenues and expenditures for other internal services, for example, retiree benefit funds. The governing board of any community college district may establish a fund to accumulate moneys from salary reduction agreements, other contributions for employee retirement benefit payments, or both. Such moneys shall be accounted for as an Other Internal Services Fund. The district shall maintain a separate accounting of each type of retiree benefit fund by establishing accounts known as *(name of district) Other Internal Services Fund, (type of retiree benefit fund) Retirees' Benefit Fund*. The district's share of moneys placed in this fund shall be treated as an expense to the sending fund and a revenue to the receiving fund. For specific financial reporting and disclosure requirements for pensions and post-employment health care, refer to GASB Statement Nos. 25, 26 and 27.

The district shall maintain a separate accounting of funds reported as Other Internal Services Fund. Such funds may be established and maintained in the county treasury or, as an alternative, the governing board may establish a separate bank account with a financial institution for each such fund established. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

FIDUCIARY FUNDS GROUP**70 Trust Funds****80 Agency Funds**

General Description

The Fiduciary Funds Group is used to account for assets held by the district in a trustee or agency capacity for individuals, private organizations, other governmental units, and/or other funds. Activities related to district operations should not be reported in fiduciary funds.

The Fiduciary Funds Group is comprised of trust and agency funds. There is no definitive guidance for distinguishing between trust and agency funds. They differ in degree rather than in kind. However, the primary distinction between trust funds and agency funds is that the district or college may exercise some discretion in the disbursement or expenditure of the moneys in the trust funds but does not have discretionary power or authority in agency funds. For example, if a district receives a contribution for a scholarship in which the district determines the recipient, it should be recorded in the Scholarship and Loan Trust Fund. However, if the same contribution provided that the donor determines the recipient of the scholarship, it should be recorded in the Scholarship and Loan Agency Fund.

An important accounting distinction between the two fund types is that revenues, expenditures/expenses and fund balance are reported in trust funds while agency funds recognize only increases and decreases in the liability to the owners of the assets.

If any of the following conditions are present, a trust fund is appropriate.

- There is a formal agreement granting the district discretionary authority.
- There are contractual or regulatory conditions restricting the use of the funds or requiring the district to exercise a management role or report the results of operations in its financial statements.
- There is a compelling reason to measure operations (revenues, expenditures/expenses, and fund balance) and report the results in the district's financial statements. Examples of compelling reasons may include the materiality of the revenues and expenditures/expenses, or the usefulness of the information to the readers of the financial statements.

As a general rule, districts should recognize all cash pass-through grants as revenue and expenditures or expenses in a governmental, proprietary, or trust fund pursuant to GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance."

Agency funds are characterized by a purely custodial relationship. As a result, there is no measurement of operations or fund balance; assets are always matched by the liability to the owners of those assets. Examples of fiduciary relationships in which agency funds are appropriate include deferred compensation plans and certain fiscal agent agreements or pass through grants in which the district serves only as a cash conduit, i.e., it has no administrative or direct financial involvement in the program.

Trust and agency funds include the following four subfund types: nonexpendable trust funds, expendable trust funds, agency funds, and pension trust funds.

General Accounting Principles

- Trust funds include expendable and nonexpendable trusts that use the modified and full accrual bases of accounting, respectively. In both expendable and nonexpendable trusts, the measurement of operations is reported.
- Agency funds use the modified accrual basis of accounting and do not report operations (revenues, expenditures/expenses, and fund balance). The district only recognizes increases and decreases in the liability to the third party.
- Depreciation is recognized in nonexpendable trust funds where expenses, net income, and/or capital maintenance are measured.

FIDUCIARY FUNDS GROUP**70 Trust Funds**

- 71 Associated Students Trust Fund
 - 72 Student Representation Fee Trust Fund
 - 73 Student Body Center Fee Trust Fund
 - 74 Student Financial Aid Trust Fund
 - 75 Scholarship and Loan Trust Fund
 - 76 Investment Trust Fund
 - 77 Deferred Compensation Trust Fund
 - 79 Other Trust Funds
-

Nature and Purpose

Trust funds are used to account for assets held on behalf of another party in which the district has some discretionary authority for decision making or responsibility for approving expenditures. Trust funds are appropriate when one or more of the following conditions is present.

- There is an agreement granting the district discretionary authority.
- There are contractual or regulatory conditions restricting the use of the funds or requiring the district to exercise a management role or report the results of operations in its financial statements.
- There is a compelling reason to measure operations (revenues, expenditures/expenses, and fund balance) and report the results in the district's financial statements. Examples of compelling reasons may include the materiality of the revenues and expenditures/expenses, or the usefulness of the information to the readers of the financial statements.

Trust funds consist of two subfund types that are applicable to community college districts: expendable and nonexpendable.

Accounting Principles

- **Expendable** trusts are those in which the principal and interest may be expended or disbursed. Such trusts use the same flow of current financial resources measurement focus and modified accrual basis of accounting used by governmental funds.
- **Nonexpendable** trusts are those in which the principal is required to remain intact. These trusts are accounted for on the full accrual basis. Fixed assets—and the related depreciation expense—and long-term debt are accounted for in nonexpendable trust funds.

The fixed assets and long-term debt associated with expendable trust funds should be recorded in the applicable trust fund rather than in the general fixed asset and general long term debt account groups per GASB's Codification Sections 1400.102 and 1500.102. If these assets are material, they should comply with GASB's Codification or their special status should be indicated by reporting them as separate amounts (i.e., "trust fund assets/liabilities") in the financial statements.

71 Associated Students Trust Fund

The Associated Students Trust Fund is used to account for moneys held in trust by the district for organized student body associations (excluding clubs) established pursuant to *Education Code* Section 76060. In a multi-college district, such a fund may be established for each college's student body. Organized student body associations formed as auxiliary organizations under *Education Code* Section 72670 et seq., fall under the *Auxiliary Organizations Requirements for Accounting, Reporting, and Auditing* manual. Copies are available from the Chancellor's Office.

To provide information useful for the general student population, it is important to include the operations of the Associated Students activities in the district's financial statements. By including this information, the student body can measure the operations of its Associated Students Trust Fund and compare its operations with similar activities of other districts. A secondary reason for including moneys held for Associated Students in trust funds is the responsibility that districts have for activities (EC §76060) and expenditures (EC §76063) of the student body association.

Moneys held in trust for individual student clubs formed under *Education Code* Section 76060 et seq., are accounted for as Agency Funds—*Student Clubs Agency Fund* because including the revenues and expenditures of such clubs in the district's financial statements generally would not provide meaningful information to the reader of statements. While student clubs operate under many of the same regulations as the Associated Students, they typically benefit a very small segment of the student population rather than the general student body. However, under certain circumstances, a district may have a compelling reason for accounting for such clubs as trust funds.

The funds of any student body organization established in the public schools of any community college district shall, subject to approval of the governing board, be deposited or invested in one or more of the following ways: in an insured bank, state-chartered savings and loan association, credit union, centralized State Treasury system, or other depository or investment as authorized by EC §76063.

In addition, the funds of a student body organization may be loaned or invested in the following ways: loaned, with or without interest, to any student body organization established in another community college of the district, for a period not to exceed three years; or invested in permanent improvements to any community college district property. (EC §76064)

Student body moneys shall be expended in accordance with procedures established by the student body organization consistent with *Education Code* Section 76063. Each disbursement shall be subject to the approval of:

- An employee of the district designated by the governing board;
- The academic employee who is the designated advisor of the particular student body organization; and
- A representative of the particular student body organization.

The governing board must provide for the supervision of all moneys raised by any student body or student organization using the name of the college. Pursuant to *Education Code* Section 76065, the cost of supervision may constitute a proper charge against the funds of the district or student body. That is to say, the district board may decide to expend district moneys to oversee operations of these organizations including provision of district personnel to maintain a continuing audit of student body moneys.

72 Student Representation Fee Trust Fund

The Student Representation Fee Trust Fund is used to account for moneys collected pursuant to *Education Code* Section 76060.5 that provides for a student representation fee of one dollar per semester if approved by two-thirds of the students voting in the election. The election shall not be sufficient to establish the fee unless the number of students who vote in the election equals or exceeds the average of the number of students who voted in the previous three student body association elections. The fee is to be expended to provide for the support of governmental affairs representatives who may be stating their positions and viewpoints before city, county, and district governments and before offices and agencies of the State government. The district may charge a fee to recover its actual cost of administering these fees up to, but not more than, 7 percent of the fees collected and deposited.

A student may, for religious, political, financial or moral issues, refuse to pay the student representation fee. The refusal must be in writing and submitted to college officials on the same form that is used for collection of fees at the time the student pays other fees.

Fees collected pursuant to *Education Code* Section 76060.5 shall be under the custody of the district's chief fiscal officer and, subject to approval of the governing board, shall be deposited or invested in one or more of the following ways: in an insured bank, state-chartered savings and loan association, credit union, centralized State Treasury system, or other depository or investment as authorized by *Education Code* Section 76063.

Student Representation Fee Trust Fund moneys shall be expended in accordance with procedures established by the student body organization consistent with the requirements of *Education Code* Section 76063. Each disbursement shall be subject to the approval of:

- An employee of the district designated by the governing board;
- The academic employee who is the designated advisor of the particular student body organization; and
- A representative of the particular student body organization.

73 Student Body Center Fee Trust Fund

The Student Body Center Fee Trust Fund is used to account for moneys collected by the district pursuant to *Education Code* Section 76375 for the purpose of establishing an annual building and operating fee to finance, construct, enlarge, remodel, refurbish, and operate a student center. The fee may not exceed \$1 per credit hour and may not exceed \$10 per student per fiscal year. The fee may be implemented only if approved by two-thirds of the students voting in a valid election for this purpose.

Fees collected pursuant to *Education Code* Section 76375 shall be the responsibility of the chief fiscal officer of the district. The district shall be reimbursed from these funds in an amount to cover the cost of custodial and accounting services provided by the district in connection with these funds. These funds shall be expended by the chief fiscal officer upon submission and approval of the appropriate claim schedule by the student body government or its designee.

The appropriate uses of the fee income and the student body center facility shall be the responsibility of the student government for whom the fee was collected.

Until needed for authorized purposes, all moneys collected pursuant to *Education Code* Section 76375 shall, subject to approval of the student government, be deposited or invested in one or more of the following ways: in an insured bank, state-chartered savings and loan association, credit union, centralized State Treasury system, or other depository or investment as authorized by *Education Code* Section 76375.

74 Student Financial Aid Trust Fund

The Student Financial Aid Trust Fund is used to account for the deposit and direct payment of government-funded student financial aid, including grants and loans or other moneys intended for similar purposes and the required district matching share of payments to students.

Moneys for college work-study programs are not accounted for in the Student Financial Aid Trust Fund. While the objective of college work-study programs is to provide financial assistance to students, services must be performed by students as a condition for receiving the money. Such expenditures are salaries, not financial aid. Thus, for accounting and reporting purposes, the disbursement of work-study moneys (excluding match) is recorded as General Fund, *Subfund 12—Restricted* expenditures for the activity descriptive of the services performed, rather than as

student financial aid expenditures. Expenditure of matching moneys is recorded in the same way, but as General Fund, *Subfund 11—Unrestricted* expenditures.

See Appendix D for examples of aid accounted for as part of the Student Financial Aid Trust Fund.

The Student Financial Aid Trust Fund may be established and maintained in the county treasury or, as an alternative, the governing board may establish separate bank accounts to be known as (*name of community college*) *Student Financial Aid Account*. If more than one bank account is established, the type of aid shall be identified in the account's title. If federal moneys are in the account, the word "Federal" must appear in the account name. Refer to Special Accounting Applications for additional requirements concerning separate bank accounts.

All expenses incurred in the administration of the Student Financial Aid Trust Fund are an expense of the General Fund. Moneys received by the district for administering student financial aid programs are to be recognized as income to the General Fund.

Moneys, other than district moneys, from governmental entities for direct aid to students are recorded as revenues to the Student Financial Aid Trust Fund. A district's matching portion of direct student financial aid is shown as an interfund transfer to the Student Financial Aid Trust Fund.

75 Scholarship and Loan Trust Fund

The Scholarship and Loan Trust Fund (referred to in CCR §59015) is used to account for such gifts, donations, bequests, and devises (subject to donor restrictions) which are to be used for scholarships or for grants in aid and loans to students. The Scholarship and Loan Trust Fund may be established and maintained in the county treasury or, as an alternative, the governing board may establish separate bank accounts. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

The Scholarship and Loan Trust Fund excludes categorical governmental moneys and their required match, which are recorded in the Financial Aid Trust Fund.

Donations to the district or college for grants, scholarships, and loans to students shall be recorded as revenues to the Scholarship and Loan Trust Fund. District moneys may be used for grants, scholarships and loans pursuant to Article XVI, Section 6 of the State Constitution. Such moneys, excluding matching funds for categorical programs, shall be recorded as interfund transfers to this fund.

All expenses in the administration of the fund including, but not limited to, operating costs, audits, and promotion of the fund are proper charges against the district's General Fund, *Subfund 11—Unrestricted* moneys. The annual budget of the district's General Fund shall include moneys for these expenses.

California Code of Regulations Section 59015 requires that these funds be audited annually.

76 Investment Trust Fund

The Investment Trust Fund is used to account for any cash bequests or gifts not required for the immediate needs of the district and that the district wishes to invest. This fund is for investment purposes only. Any principal or earnings must be returned to the fund from which the principal came before being expended.

The fund is established and maintained in the appropriate county treasury. If it is required that the gift or bequest be used for specific purposes, the governing board shall place the money in a separately named account within the fund.

Investment Trust Fund moneys shall only be used for the purposes of the gift or bequest, or invested in securities, warrants, or instruments of indebtedness specified in *Government Code* Section 53601.

Any security, warrant, or instrument of indebtedness purchased pursuant to this section may be sold and the proceeds invested in similar securities, warrants, or instruments, or placed in the Investment Trust Fund.

The governing board shall appoint a committee to provide investment advice.

77 Deferred Compensation Trust Fund

The Deferred Compensation Trust Fund is used to account for moneys held by a district in a trustee capacity for *Internal Revenue Code* Section 457 deferred compensation plans. The plan should be reported as an expendable trust fund in the financial statements in accordance with GASB Statement No. 32. Plans should apply the valuation provisions of GASB Statement No. 31 to plan investments listed in subparagraph 2a through e of that statement. All other plan investments should be reported at fair value.

Deferred compensation plans should not be reported in fiduciary funds if the district does not act in a fiduciary capacity (e.g., maintain control of plan assets or provide ongoing management or investing services). If the district does not act as a trustee or agent, amounts withheld from employee's salaries should be recorded as a liability in the General Fund until paid to the recognized trustee in accordance with the deferred compensation plan.

79 Other Trust Funds

Other Trust Funds are used to account for all other moneys held in a trustee capacity by the college or district for individuals, organizations, or clubs.

Such funds may be established and maintained in the appropriate county treasury, or as an alternative, the governing board may establish a bank account for each trust. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

FIDUCIARY FUNDS GROUP
80 Agency Funds

- 81 Student Clubs Agency Fund
 - 82 Scholarship and Loan Agency Fund
 - 83 Foundation Agency Fund
 - 84 Joint Powers Agreement (JPA) Custodian Agency Fund
 - 85 Deferred Compensation Agency Fund
 - 89 Other Agency Funds
-

Nature and Purpose

Agency funds differ from trust funds in the degree of discretion that may be exercised. In agency funds, the agreement or instrument allows the district or college little or no discretion. As a result, agency funds are purely custodial in nature (i.e., assets equal liabilities; no fund equity exists). Agency funds are appropriate when all of the following conditions are present.

- There is an agreement granting the district little or no discretionary authority.
- There are no contractual or regulatory conditions restricting the use of the funds or requiring the district to exercise a management role or report the results of operations in its financial statements.
- There is no compelling reason to measure operations (revenues, expenditures/expenses, and fund balance) and report the results in the district's financial statements. Examples of compelling reasons may include the materiality of the revenues and expenditures/expenses, or the usefulness of the information to the readers of the financial statements.

Generally accepted accounting principles require that agency funds be used to account for "pass-through" grants (GASB's *Codification of Governmental Accounting and Financial Reporting*, Section S40.119) and deferred compensation plans established in conformity with *Internal Revenue Code* Section 457 (*Codification*, Section D25.109). An agency fund may also function as an internal clearing account for grants, contributions, or revenues that must be allocated to more than one fund or when the user fund is not immediately known.

Accounting Principles

- Results of operations (revenues, expenditures and fund balance) are not recorded. The district only recognizes increases and decreases in the liability to the third party.
- Assets and liabilities are recorded on the modified accrual basis of accounting.

81 Student Clubs Agency Fund

This fund is used to account for moneys of student clubs formed under *Education Code* Section 76062. Student clubs that are organized under “associated students” should be accounted for as trust funds rather than agency funds.

Student club moneys are to be deposited in a bank or banks, subject to the approval of the governing board. Such accounts must be insured by the Federal Deposit Insurance Corporation and must be named (*name of college*) *Student Clubs Agency Fund*, (*name of club*) *Club Account* (EC §76063).

Student club moneys shall be expended in accordance with procedures established by the student club. Each disbursement shall be subject to the approval of:

- An employee of the district designated by the governing board;
- The academic employee who is the designated advisor of the particular student club organization; and
- A representative of the particular student club organization.

82 Scholarship and Loan Agency Fund

Moneys in this fund differ from moneys in the Scholarship and Loan Agency Trust Fund because the district does not have discretionary authority over these funds. The district does not have to evaluate or decide who should receive the loans or scholarships. Those decisions or processes are laid out in the written agreement or instrument of conveyance of the money to the district.

83 Foundation Agency Fund

This fund is used to account for the activities of organizations known as “foundations” or “booster” clubs, if the district or college is the accounting or fiscal agent for that organization.

84 Joint Powers Agreement (JPA) Custodian Agency Fund

Whenever a district acts as the custodian or fiscal agent of moneys through a Joint Powers Agreement, this fund is established. Activities generally covered through this type of agreement are for self-insurance type pools or other pooled purchasing arrangements. (EC §81603)

85 Deferred Compensation Agency Fund

The Deferred Compensation Agency Fund is used to account for moneys withheld from employees' salaries for recognized deferred compensation programs other than *Internal Revenue Code* Section 457 plans, which are accounted for in the Deferred Compensation Trust Fund, when the district acts in a fiduciary capacity.

Deferred compensation plans should not be reported in fiduciary funds if the district does not act in a fiduciary capacity (e.g., maintain control of plan assets or provide ongoing management or investing services). If the district does not act as a trustee or agent, amounts withheld from employee's salaries should be recorded as a liability in the General Fund until paid to the recognized trustee in accordance with the deferred compensation plan.

89 Other Agency Funds

Other agency funds are used to account for any other moneys for which the district is the fiscal agent. A written agreement between both parties clearly defining the roles and responsibilities of each must be executed.

The governing board shall adopt rules, responsibilities, and procedures to ensure the safeguarding of moneys within this fund and the appropriate distribution of moneys from this fund.

This fund may also function as an internal clearing account for grants, contributions, or revenues that must be allocated to more than one fund or when the user fund is not immediately known.

Such funds may be established and maintained in the appropriate county treasury, or as an alternative, the governing board may establish a bank account for each fund. Refer to Special Accounting Applications for requirements concerning separate bank accounts.

ACCOUNT GROUPS**90 Account Groups (NOT A FUND; Memorandum Only)**

- 91 General Fixed Assets Account Group
 - 92 General Long-Term Debt Account Group
-

Nature and Purpose

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. Account groups do not reflect available financial resources and related liabilities. Therefore, they are not funds, but accounting records of the general fixed assets and general long-term debt.

Accounting Principles

- Account groups are presented in the district's financial statements as memorandum entries only.

Account Groups**91 General Fixed Assets Account Group**

This account group is defined as:

A self-balancing group of accounts set up to account for fixed assets used in operations accounted for in the Governmental Funds Group.

The General Fixed Assets Account Group should account for all assets associated with the Governmental Fund Group having cost which exceed the minimum threshold for maintaining a trace inventory system (\$1,000) and have a useful life of one year or longer. (See expenditure Object 6400, Equipment.)

Fixed assets related to specific proprietary funds, trust funds and agency funds are accounted for through those funds. All other fixed assets of a community college district are accounted for through the General Fixed Assets Account Group.

Assets reported in the General Fixed Assets Account Group shall be reported at cost or fair market value at the time of donation. The cost of an asset includes all expenditures that are reasonable and necessary to put the asset into service including, but not limited to, acquisition price, shipping and transportation, tax and license, construction period interest and installation.

Fixed assets should include and identify the cost and related accumulated depreciation, where appropriate, acquired from grants, entitlements, or shared revenues.

Fixed assets should be reported in the following detail:

- Site and Site Improvements
- Buildings
- Machinery and Equipment
- Vehicles
- Library Books
- Furniture and Fixtures
- Other

92 General Long-Term Debt Account Group

This account group is defined as:

A self-balancing group of accounts set up to account for the unmatured, general long-term debt of a community college district and expected to be repaid from governmental funds.

Long-term debts related to specific proprietary funds, trust funds, or agency funds are accounted for through those funds. All other unmatured, general, long-term liabilities of the community college district are accounted for through the General Long-Term Debt Account Group.

Liabilities in this account group are to be reported in the following detail:

- Bonds Payable
- Revenue Bonds Payable
- Other Long-Term Liabilities
- Accumulated Employees' Vacation
- Accumulated Sick Leave (if vested)
- Post-Employment Benefits
- Capital Lease—Purchase Obligations
- Lease-Purchase Agreement—
Certificates of Participation (COP)
- Workload Balancing Programs,
commonly referred to as "load
banking" (if not funded)

The current portion of the above obligations, with the exception of Revenue Bonds Payable, should be reported as a liability in the General Fund. The accumulation of resources for retirement of long term liabilities should be recorded in Debt Service Funds.

Certificates of Participation (COP), though not a legally recognized debt of the district, may pose some long-term financial commitments that must be reported in the district's financial statements. The accounting treatment for COPs is similar to accounting for capital leases. The long-term portion of the net present value of the minimum capital lease payments (total payments less the portion representing interest) associated with COPs is recorded as a long-term obligation in the General Long-Term Debt Account Group.

SPECIAL ACCOUNTING APPLICATIONS

Separate Bank Accounts

It is the intent of the Board of Governors and the Chancellor's Office to encourage sound fiscal management practices among community college districts to facilitate the most efficient and effective use of moneys under district control. To that end, the Board of Governors has recognized district need to maintain authorized bank accounts for certain types of district/college functions and activities. Accordingly, the governing board of any community college district may, for the purpose of expediting business service transactions and in accordance with sound business practices, establish separate bank accounts for functions or revenue-producing activities or operations not directly associated with, but complementary to, the regular instructional and noninstructional functions of the district and colleges. Permissible operations include:

- Co-curricular activities (activities and events that are an extension of classroom instruction or related community college programs)
- The cafeteria
- The bookstore
- Farm operations
- Other Proprietary Funds
- Direct student financial aid (excluding work-study; see Student Financial Aid Funds)
- Scholarship and loan activities
- Self-insurance trust accounts
- The associated student body

All money on deposit by the district should be in a financial institution whose accounts are federally insured. Amounts in excess of the federal insurance limit should be collateralized by agreement with the financial institution.

Clearing Accounts

The governing board of any community college district may establish clearing accounts for the deposit and subsequent withdrawal of any miscellaneous receipts (including receipts from the sale of property or materials pursuant to *Education Code* Sections 81457 or 81458). All moneys in any such bank account shall be paid into the appropriate county treasury within a reasonable time period. However cashier's checks, certified checks, and money placed in the custody of the community college district as security that a bidder will faithfully perform a contract may be deposited in a bank account, but shall not be paid into the county treasury unless forfeited or not claimed by the bidder for a period of 12 months.

Annual Assessment of Need

All authorized separate bank accounts are to be annually presented to the governing board for its review and confirmation of continuing need.

Preconditions

Separate bank accounts must be established by governing board resolution. The resolution must state the necessity for the separate bank account, specific purposes for which the account will be used, and the district or college officials responsible as custodians.

The district's governing board resolution shall be submitted for informational purposes to the county superintendent of schools, county auditor, and county treasurer.

The names of the accounts must include at least the district/college name and some description of the purpose of the account (i.e., district/college name, Student Financial Aid Account).

Banks in which the district deposits federal moneys must be so notified in accordance with federal regulations:

Title 4 program regulations (excluding GSL) require an institution to provide this notification by including the word "Federal" in the name of all accounts in which federal moneys will be deposited.

All income derived from governing board-approved activities or functions shall be deposited in these accounts for authorized expenditure in accordance with rules and regulations of the governing board. The business services office shall assist the custodians in developing required accounting procedures and internal controls to safeguard all moneys in the accounts. The custodian of each account shall be responsible for the payment of all moneys received into the account.

It is the responsibility of each district to assess their risk and exposure and provide the appropriate insurance coverage, including appropriate bonding of custodians.

Financial Reporting

Bank accounts shall be reported in accordance with the prescribed community college fund structure and revenue and expenditure classifications established in this manual as follows:

Bank Accounts

Bookstore Account(s)
Cafeteria Account(s)
Clearing Account(s)
Co-curricular Activities Account(s)
Direct Student Financial Aid Account(s)
Farm Operations Account(s)

Reporting Funds

Bookstore Fund*
Cafeteria Fund*
General Fund, Other Agency Funds
General Fund
Student Financial Aid Trust Fund
Farm Operations Fund*

Other Enterprise Account(s)	Other Enterprise Fund
Other Internal Services Account(s)	Other Internal Services Fund
Retiree Benefits Account(s)	Other Internal Services Fund
Scholarship and Loan Activities Account(s)	Scholarship and Loan Trust Fund,
	Scholarship and Loan Agency Fund
Student Body Accounts	Fiduciary Funds
Self-Insurance Trust Account(s)	Self-Insurance Fund

*Under Special Revenue Funds or Enterprise Funds depending on governing board's intent.

If the district has an account not addressed in this list, Chancellor's Office advice should be sought.

Financial transactions must also be accounted for in a manner that meets the legal requirements imposed by any donors or granting agencies.

As determined by the district's business services office and governing board, the custodian must periodically prepare reports on the status of the account for review and inclusion in financial reports to the board.

All separately established bank accounts must be included in the annual audit of the district required by *Education Code* Section 84040.

Revolving Funds

The district is authorized to establish by governing board resolution, revolving funds for the use of the chief business officer and other designated officials in securing or purchasing services and/or materials, and for otherwise authorized purposes, including prepayments and salary advances.

The district may also establish a revolving fund in any bank whose deposits are insured by the Federal Deposit Insurance Corporation. Any check made payable to a vendor that permits the vendor to fill in the amount to be paid upon shipment of the purchase, shall state on its face that it is not valid for more than \$100.

Preconditions

What follows is a general description of the preconditions for establishing revolving funds.

Revolving funds must be established by governing board resolution. The resolution must state the necessity for the revolving fund, specific purpose for which the fund will be used (i.e., prepayment, securing or purchasing services or materials), the district or college officials who shall be responsible, and the amount to be maintained. A copy of the resolution shall be transmitted to the county auditor.

Revolving funds must be established in one or more banks insured by the Federal Deposit Insurance Corporation. Each fund shall be known as *The Revolving Fund of (name of district/college)*. The fund must be established to the custody of the officer for whom the fund is created and who is responsible for the accounting of all moneys and expenditures subject to such regulations as the governing board prescribes.

The official who has control of the revolving fund must be bonded by an authorized surety company in an amount not less than double the amount of the revolving fund.

An invoice shall be presented to the district at least monthly for the reimbursement of the fund in the same manner as other invoices are presented. Invoices must be supported by required receipts.

Financial Reporting

The revolving funds must be reported as part of the district's General Fund beginning and ending cash balances.

Investments

The district is authorized to invest excess cash in accordance with *Government Code* Section 53600 et seq. The chief fiscal officer shall annually render to the governing board a statement of investment policy.

Financial Reporting

The chief fiscal officer shall prepare a quarterly report of investments within 30 days following the end of each quarter (GC §53646). The report shall state compliance of the investment portfolio to the statement of investment policy, or the manner in which the portfolio is not in compliance. It shall also state the district's ability to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money may not be available.

Chapter 3

Accounting for Revenues and Other Financing Sources

Contents

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GENERAL

This chapter explains the procedures that community college districts are to use to account for revenues (additions to assets without any accompanying increase to liabilities). It prescribes the minimum accounting standards for classifying revenues and other financing sources and for abating revenues.

Detailed revenue accounting serves several important purposes, in that it:

- provides districts with a uniform method of recognizing and classifying revenues;
- provides districts a means of determining whether all revenues that should have been received, have, in fact, been received;
- captures information that districts must report in various financial statements; and
- facilitates district planning and budget preparation by providing historical information on sources of revenue.

In Governmental Funds and Expendable Trust Funds, revenues are recorded when they are earned, measurable, and available to pay liabilities of the current period. In Proprietary Funds and Nonexpendable Trust Funds, revenues are recognized when they are earned, regardless of the timing of related cash flows. Receivables are accrued for amounts that satisfy the applicable definition of revenue but are not received at the close of the accounting period. Amounts that are received that do not meet the definition of revenue (i.e., they are not earned) must be recorded as deferred revenues.

One notable exception to the rules for recognition of revenue is the treatment of enrollment fees charged for instructional periods after the close of the Spring term. Such fees must be recorded as deferred revenue, regardless of whether they are earned by the end of the fiscal year.

Revenue is to be distinguished from income (the excess of revenues over expenses). Income from the conduct of district operations such as the bookstore or cafeteria is accounted for within either the Governmental Funds Group—Special Revenue Funds or Proprietary Funds Group—Enterprise Funds (depending upon circumstances discussed in the previous chapter).

Likewise, non revenue receipts—moneys received for which the district incurs an obligation (liability)—such as moneys received through long-term loans, the sale of bonds, etc., are not to be accounted for as revenue, but as Other Financing Sources (Account 8900). The corresponding liability is to be reported in the General Long-Term Debt Account Group. Refer to *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) for details.

CLASSIFICATION OF REVENUES AND OTHER FINANCING SOURCES

Community college revenues and other financing sources are to be classified by fund and by source. Classification by fund is explained in the previous chapter. The classification by source presented here depicts major and subsidiary reporting classes that shall be used in recording such information. Districts may increase the detail of their revenue recording by creating further subdivisions to this classification as needed. Revenue accounts in this chapter apply to all funds except as otherwise noted.

Federal and State revenue classifications are used to record awards or financial assistance which are required to be included in Federal or State compliance reports. Office of Management and Budget (OMB) Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations* defines Federal awards as: "Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors." Therefore, contracts to provide instructional services to Federal or State agencies are recorded as Local Revenue, Account 8830, Contract Services, unless there is an external requirement to report them as Federal or State Revenue.

Accounts that are not numbered in this manual are required, but the district may assign the account number.

8100 Federal Revenues

- 8110 Forest Reserve
 - 8120 Higher Education Act
 - 8130 Workforce Investment Act (formerly Job Training Partnership Act)
 - 8140 Temporary Assistance for Needy Families (TANF)
 - 8150 Student Financial Aid
 - 8160 Veterans Education
 - 8170 Vocational and Technical Education Act (VTEA)
 - 8190 Other Federal Revenues
-

All revenues received or accrued from federal awards (whether distributed by State, federal, or local agencies) shall be recorded as Federal Revenues. Federal awards are defined in OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations* as: "Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors."

Account 8100, Federal Revenues, is the controlling account that summarizes amounts recorded in the following subsidiary accounts:

8110 Forest Reserve

Revenue from the State Controller's Office as allocation of timber sale proceeds from U.S. Forest Reserve Land, *Education Code* Section 2300 and *Government Code* Section 29484.

8120 Higher Education Act

Revenue from grants authorized by the Higher Education Act of 1965. Grants include Title III programs for institutional development (including Part A: Strengthening Institutions); Title IV programs to motivate and support students from disadvantaged backgrounds (including Upward Bound, Student Support Services, and Educational Opportunity Centers, and the Federal Work-Study Program); and Title VI programs for international education programs. Districts can determine if a particular grant is authorized by the Higher Education Act by searching the *Catalog of Federal Domestic Assistance* via the Internet at:

<http://www.gsa.gov/fdac/queryfdac.htm>.

Revenues for direct student financial aid and for administering student financial aid programs funded through Title IV of the Higher Education Act (including Pell Grants, Supplemental Educational Opportunity Grants, and the Perkins Loan Program) are to be recorded within Account 8150, Student Financial Aid.

8130 Workforce Investment Act (formerly Job Training Partnership Act)

Revenue from the provisions of the Workforce Investment Act (Public Law 105-220) for job training, employment opportunity, and other services to enhance the self-sufficiency of economically disadvantaged, unemployed, or underemployed persons. This account does **not** include the Employment Training Panel (ETP) or Economic Development programs. These funds are to be recorded within Account 8650, Reimbursable Categorical Programs.

8140 Temporary Assistance for Needy Families (TANF)

Revenue (federal portion) for additional fixed, variable and one-time costs to provide support services and instruction for welfare recipients under the State's CalWORKs Program. The State's matching share is recorded within Account 8620, General Categorical Programs.

8150 Student Financial Aid

Revenue for direct student financial aid (accounted for in the Student Financial Aid Trust Fund) or for administering student financial aid programs (accounted for in the General Fund).

Applicable assistance would include the Perkins Loans, Pell Grants Program, Supplemental Educational Opportunity Grants (SEOG), and Nursing Loans.

College work-study moneys are to be reported under the Higher Education Act.

8160 Veterans Education

Revenue for the operation of veterans outreach, recruitment, special counseling, and special educational programs. Includes any financial assistance for U.S. military veterans.

8170 Vocational and Technical Education Act (VTEA)

Revenue from Vocational and Technical Education Act grants for special studies, demonstration projects, supplemental services to special populations in identified educational programs, etc.

8190 Other Federal Revenues

Revenue from all other federal awards, as defined above, even if received through another State or local agency. This includes federal funds from the State Department of Rehabilitation for the WorkAbility II and III programs.

8600 State Revenues**8620 General Categorical Programs**

Child Development
 Extended Opportunity Programs and Services (EOPS)
 Disabled Students Programs and Services (DSPS)
 Temporary Assistance for Needy Families (TANF)
 California Work Opportunities and Responsibility to Kids
 (CalWORKs)
 Telecommunications and Technology Infrastructure Program (TTIP)
 Other General Categorical Programs

These accounts are used to record the receipt of restricted State revenue allocated by the Chancellor's Office or other State agencies for which districts receive funds without filing an application or claim. While these items are not necessary to receive such funds, expenditure reports may be required. Moneys are distributed periodically in accordance with provisions of law or as scheduled by the applicable office. These funds are restricted for specific purposes and are recognized as revenue only when earned. Advances are recorded as deferred revenue until earned.

Account 8620, General Categorical Programs, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Child Development

Revenue for child care and development services and programs pursuant to Chapter 2 of Part 6 of the *Education Code* (commencing with Section 8200). These revenues are accounted for in the Child Development Fund.

Revenue received as Campus Child Care Tax Bailout for former tax revenue derived from *Education Code* Sections 8329 and 8330 are recorded in Other General Categorical Programs and are also accounted for in the Child Development Fund.

Extended Opportunity Programs and Services (EOPS)

Revenue for providing allowable supplemental services through EOPS to encourage enrollment of students handicapped by language, social, and/or economic disadvantages (EC §69640).

Disabled Students Programs and Services (DSPS)

Revenue for providing allowable supplemental services and programs to disabled students (EC §84850).

Temporary Assistance for Needy Families (TANF)

Revenue (State portion) for additional fixed, variable and one-time costs to provide support services and instruction for welfare recipients under the State's CalWORKs Program. The federal share is recorded within Account 8140, Temporary Assistance for Needy Families (TANF).

California Work Opportunities and Responsibility to Kids (CalWORKs)

Revenue for providing educational services to CalWORKs recipients through work/study, childcare, curriculum development and redesign, and instruction for job development and placement.

Telecommunications and Technology Infrastructure Program (TTIP)

Revenue for the development and implementation of a comprehensive telecommunications infrastructure including model applications and faculty and staff development in the areas of telecommunications and technology.

Other General Categorical Programs

All other restricted State funds automatically allocated to districts for specific restricted purposes or programs not elsewhere identified, such as Campus Child Care Tax Bailout (EC §§8329 and 8330), Cooperative Agencies Resources Education (CARE), Board Financial Assistance Program (BFAP) Administrative Allowance, Matriculation, Faculty and Staff Development and Diversity, Instructional Equipment and Library Materials, Block Grants (on-going and one-time allocations), Foster Care/Parent Program, etc.

Districts shall identify and keep separate records of the receipt and expenditure of these moneys as required by law.

8600 State Revenues**8650 Reimbursable Categorical Programs**

Community College Construction Act
 Scheduled Maintenance and Special Repair Program
 Instructional Improvement Grant
 Other Reimbursable Categorical Programs

These accounts are used to record amounts received or accrued from the apportionment process or grants and contracts for which the district is required to submit an application or claim for reimbursement. These funds are restricted for specific purposes and are recognized as revenue only when earned. Advances are recorded as deferred revenue until earned.

Account 8650, Reimbursable Categorical Programs, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Community College Construction Act

Revenue for capital outlay projects funded through State appropriations as part of the Community College Construction Act (EC §81800 et seq., and CCR §57000 et seq.). These funds are deposited in the Capital Outlay Projects Fund.

Scheduled Maintenance and Special Repair Program

Revenue for approved scheduled maintenance and special repair projects as defined by *Education Code* Section 84660 et seq., and *California Code of Regulations* Section 57200 et seq. These funds are deposited in the Capital Outlay Projects Fund. If a district match is required it shall be transferred into the same fund for the designated project or purpose.

Instructional Improvement Grant

Revenue for developing, implementing, and testing alternative learning programs and services (EC §84381 et seq., and CCR §56650 et seq.).

“Loans” provided under the “Fund for the Improvement of Instruction” are nonrevenue receipts that are accounted for as Other Financing Sources—Proceeds of General Long-Term Debt.

Other Reimbursable Categorical Programs

All other revenue for specially funded projects where moneys are restricted for specific purposes such as Economic Development, Maintenance Allowance (CCR §54200), Employer-Based Training, Part Time Faculty Health Insurance and Office Hours, Hazardous Substances Removal, and any other restricted program funding not identified above.

8600 State Revenues**8680 State Non-Tax Revenues**

State Lottery Proceeds
State Mandated Costs
Other State Non-Tax Revenues

These accounts are used to record non-tax revenues received or accrued from the State.

State Lottery Proceeds

Revenue for the district's allocation of State Lottery proceeds (GC §8880 et seq.). Current year lottery revenue that is not received by the end of the fiscal year shall be accrued.

Lottery revenues are unrestricted General Fund revenues that "shall be used exclusively for the education of pupils and students." No funds shall be spent for acquisition of real property, construction of facilities, financing of research, or any other noninstructional purpose" (GC §8880.5).

Amounts expended from lottery revenues are excluded from the calculation of the Current Expense of Education for the purposes of determining compliance with the 50 Percent Law (EC §84362 and CCR §59200 et seq.). See Glossary: 50 Percent Law/Current Expense of Education.

State Mandated Costs

Revenues for reimbursement of State mandated costs resulting from passage of State legislation, (GC §17500 et seq.).

Reimbursements for State mandated costs are reported on a cash basis.

Other State Non-Tax Revenues

All other non-tax revenue received from the State.

8600 State Revenues

8690 Other State Revenues

This account is used to record all other amounts received or accrued from the State.

8800 Local Revenues

- 8810 Property Taxes
 - 8820 Contributions, Gifts, Grants, and Endowments
 - 8830 Contract Services
 - 8840 Sales and Commissions
 - 8850 Rentals and Leases
 - 8860 Interest and Investment Income
 - 8870 Student Fees and Charges
 - 8890 Other Local Revenues
-

All revenues received or accrued from local sources, other than those classified as federal or State revenues shall be recorded as Local Revenues. Revenues generated from instructional services performed under procurement contracts with federal or State agencies are recorded as Local Revenue, Account 8830, Contract Services unless there is an external requirement to report them as federal or State revenues. Account 8800, Local Revenues, is the controlling account that summarizes amounts recorded in Accounts 8810 through 8890.

8800 Local Revenues**8810 Property Taxes**

8811	Tax Allocation, Secured Roll
8812	Tax Allocation, Supplemental Roll
8813	Tax Allocation, Unsecured Roll
8814	Voted Indebtedness, Secured Roll
8815	Voted Indebtedness, Unsecured Roll
8816	Prior Years Taxes
8817	Education Revenue Augmentation Fund (ERAF)

These accounts are used to record amounts received as the district share of the one percent ad valorem property tax or of special taxes for voted indebtedness as authorized by statute. Property taxes are levied on the secured and unsecured rolls. *Education Code* Section 84751 prescribes that these forms of property tax shall be used in calculating a district's revenue level for each fiscal year.

In accordance with *Education Code* Section 84751(d), redevelopment property tax revenues received pursuant to *Health and Safety Code* Sections 33492.15, 33607.5, 33607.7 and 33676 (except those amounts allocated exclusively for educational facilities) are recorded in the applicable property tax account. Redevelopment property tax revenues allocated exclusively for educational facilities pursuant to these *Health and Safety Code* sections are recorded in Account 8890, Other Local Revenues.

Property tax revenues are recorded on the modified accrual basis of accounting. All property taxes that are earned, measurable, and available (received within 60 to 90 days after the end of the fiscal year) should be accrued to the extent that the county considers the revenues to be prior year assessments. Measurability is improved by coordinating with the county auditor to determine the amount of property tax to accrue at the end of the fiscal year (i.e., those taxes which are collected but unapportioned). Property tax revenues received that are more or less than the accrual established in the prior year and are not the result of an error, as described in the Governmental GAAP Guide, should be recorded as an increase or abatement to the current-year revenue and not an adjustment to the beginning fund balance.

Account 8810, Property Taxes, is the controlling account that summarizes amounts recorded in the following subsidiary accounts:

8811 Tax Allocation, Secured Roll

Revenue for the district's share of the one percent ad valorem property tax on the secured roll.

8812 Tax Allocation, Supplemental Roll

Revenue for taxes on the supplemental roll. These taxes are on property that has changed hands since the last secured roll was issued.

8813 Tax Allocation, Unsecured Roll

Revenue for the district's share of the one percent ad valorem property tax on the unsecured roll.

8814 Voted Indebtedness, Secured Roll

Revenue from tax levies for voted indebtedness (EC §§15250, 74290) on the secured roll of the district. These revenues are recorded and accounted for in the Debt Service Fund only.

8815 Voted Indebtedness, Unsecured Roll

Revenue from tax levies for voted indebtedness (EC §§15250, 74290) on the unsecured roll. These revenues are deposited and accounted for in the Debt Service Fund only.

8816 Prior Years Taxes

Revenue from tax levies of prior years and adjustments to taxes reported in prior years, including delinquent secured and unsecured property tax receipts, applicable penalties and interest, and any tax sale proceeds of prior years.

Note: Prior year property tax revenues are **not** to be treated as adjustments to beginning balance.

8817 Education Revenue Augmentation Fund (ERAF)

Revenue from secured tax collections for ERAF.

8800 Local Revenues

8820 Contributions, Gifts, Grants, and Endowments

Amounts received or accrued as contributions, gifts, grants, bequests, and endowments from private sources.

8800 Local Revenues

8830 Contract Services

Contract Instructional Services

Other Contract Services

These accounts record the amounts received or accrued for services rendered to local public or private agencies, companies, or individuals. Revenues generated from instructional services performed under procurement contracts with federal or State agencies are recorded as Contract Services.

Account 8830, Contract Services, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Contract Instructional Services

Revenue for contracted instructional services from other local public or private agencies (including federal and State agencies), companies, or individuals who are not employees of the district.

Other Contract Services

Revenue from all other contracted services, e.g., transfers received by the Self-Insurance Fund from other funds of the district. (See Chapter 2, Self-Insurance Fund.)

8800 Local Revenues

8840 Sales and Commissions

Amounts received or accrued from commissions, sales of tickets to sporting, arts, or cultural events, and the sale of other goods or services such as food, publications, farm products, bookstore merchandise, and advertising.

The proceeds from the sale of general fixed assets are recorded in Account 8910, Proceeds of General Fixed Assets, Sale of Equipment and Supplies.

8800 Local Revenues

8850 Rentals and Leases

Amounts received or accrued from the rental or lease of land and buildings no longer needed by the district (EC §81360 et seq.) or charges for the use of athletic facilities, buildings, etc., by civic groups, the general public, and public agencies, including other districts and schools (EC §82537 et seq.).

Amounts from the rental or lease of land, buildings, and/or equipment to an enterprise fund of the district are also included in this account. If the rental charge includes maintenance and/or utilities, the entire amount is treated as rent. The rent received shall be treated as revenues to the General Fund or appropriate fund.

8800 Local Revenues

8860 Interest and Investment Income

Amounts received or accrued as interest earned on moneys held with the county treasurer or on other investments, including premiums and accrued interest at the time of sale of bonds, etc.

Proceeds of the sale of bonds received at the time of sale as premiums or accrued interest must be deposited in the Governmental Funds Group—Debt Service Funds—Bond Interest and Redemption Fund (EC §15146).

Interest and investment income shall be credited to the fund earning the revenue. Interest received on restricted money shall include the same restrictions as the principal. The Attorney General has issued an opinion (CV 75/238, dated 1/8/76) that, in effect, requires that interest paid for cash on deposit in the county treasury from sources which have imposed restrictions on expenditures shall be prorated to those sources.

The requirements for final disposition of earned interest will vary depending on the source of the principal, laws and regulations, and written conditions of gifts, grants, and contracts. Unless otherwise provided in law, regulations, or other legal requirements, interest earned shall be restricted to the purpose of the fund.

Interest on delinquent secured and unsecured property tax receipts must be recorded in Account 8816, Prior Years Taxes.

8800 Local Revenues
8870-8885 Student Fees and Charges

8871	Child Development Services
8872	Community Service Classes
8873	Dormitory
8874	Enrollment
8875	Field Trips and Use of Nondistrict Facilities
8876	Health Services
8877	Instructional Materials Fees and Sales of Materials
8878	Insurance
8879	Student Records
8880	Nonresident Tuition
8881	Parking Services and Public Transportation
8883	Student Center Fee
8884	Student Representation Fee
8885	Other Student Fees and Charges

These accounts are used to record the amounts received or accrued from authorized student fees and charges.

Expressed statutory authority is required to charge any **mandatory** student fee; however, **optional** student fees or charges may under certain circumstances be charged pursuant to the authority of the "permissive code" as set forth in *Education Code* Section 70902(a). If a fee must be paid as a condition of admission to a college; or as a condition of registration, enrollment, or entry into classes; or as a condition of completing the required classroom objectives of a course, the fee is mandatory (required) in nature.

Account 8870, Student Fees and Charges, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

8871 Child Development Services

Revenue from student development services. These revenues are accounted for in the Child Development Fund.

8872 Community Service Classes

Revenue from student fees for community service classes in civic, vocational, literary, health, homemaking, technical, and general education. This revenue account includes fees charged for class materials for community service classes.

Fees charged to students for such classes may not exceed the cost of maintaining the classes (EC §78300).

Community service classes include those in the fields of music, drama, art, handicraft, science, literature, nature study, nature contacting, aquatic sports, and athletics, which provide instruction contributing to the physical, mental, moral, economic, or civic development of the individual or groups enrolled therein.

8873 Dormitory

Revenue from rental of dormitories (EC §81670).

Revenues derived from dormitories constructed from the sale of bonds shall be deposited in Governmental Funds Group—Special Revenue Funds—Revenue Bond Project Fund. (See Chapter 2 for authorized uses of such revenues.)

8874 Enrollment

Revenue from student charges for enrollment fees authorized by *Education Code* Sections 76300 and 76140(k) and *California Code of Regulations* Section 58500 et seq. Such fees are recorded as revenue in the current fiscal year if the related courses begin before the close of the spring term.

Enrollment fee revenue includes the full amount of the fees charged, regardless of whether the fees are collected. Accounts receivable must be established to record the revenue on enrollment fees charged for the spring term or earlier if such fees are not collected by year end. Uncollectible fees are accounted for as an expense of the district and not an abatement of enrollment fee revenue. Subsequent recovery of accounts that have been written-off should be recorded as Other Local Revenue and not enrollment fee revenue.

Enrollment fees charged for instructional periods after the close of the spring term are recorded as deferred revenue in the current fiscal year.

The “merchant discount” (credit card service fee) associated with enrollment fees paid by credit card is accounted for as an operating expense of the district and not a reduction of the enrollment fee revenue. Students may be charged an amount equal to the “merchant discount” provided that use of the card is optional and the charge is allowed by the operating regulations of the credit card issuer. Such a charge is separately identified from enrollment fees and accounted for as Other Student Fees and Charges.

8875 Field Trips and Use of Nondistrict Facilities

Revenue from student charges authorized by *California Code of Regulations* Section 55450 and *Education Code* Section 76395 for the cost of field trips and student use of nondistrict facilities for physical education.

8876 Health Services

Revenue from student health fees authorized by *Education Code* Section 76355 for the support of district health supervision and services.

8877 Instructional Materials Fees and Sales of Materials

Revenue from **mandatory** student charges authorized by *Education Code* Sections 76365 and 81458 and student charges that are **optional** in nature provided that the fee is not in conflict or inconsistent with existing law and are not inconsistent with the purposes for which community college districts are established.

Education Code Section 76365 (implemented by CCR §§59400-59408) allows districts to **require** students to furnish certain of their own materials if all of the following conditions are met. The material is tangible personal property, is owned or controlled by the student, and has continuing value outside of the classroom setting (e.g., textbooks, tools, equipment, clothing, and materials necessary for a student's vocational training and employment). However, such materials may not be exclusively available from the district unless they are provided at the district's actual cost and: (1) the material is otherwise generally available but there are health and safety reasons for the district being the provider, or (2) the material is provided in lieu of other generally available but more expensive materials that would otherwise be required.

Education Code Section 81458 authorizes districts to charge students taking noncredit classes for materials that are necessary for the making of articles. The materials shall be sold at not less than the cost to the district and the article becomes the property of the student.

8878 Insurance

Revenue from student charges for athletic insurance (EC §32221), field trip insurance (CCR §55451), malpractice insurance, and other permissive student insurance charges.

8879 Student Records

Revenue from student charges for district administrative costs related to providing copies of student records (EC §76223).

8880 Nonresident Tuition

Revenue from nonresident tuition fee authorized by *Education Code* Section 76140 and Capital Outlay charges authorized by *Education Code* Section 76141.

A student who is not a resident of California is required under the uniform student residency requirements (EC §68000 et seq., and CCR §54000 et seq.) to pay a tuition fee, as prescribed by *Education Code* Section 76140, unless otherwise exempted by statute.

Application fees charged to nonresident students in accordance with *Education Code* Section 76142 are reported as Other Student Fees and Charges and not Nonresident Tuition.

The nonresident tuition fee shall be set by the district's governing board not later than February 1 of each year for the Fall semester of the succeeding fiscal year. The district

shall provide nonresidents with notice of nonresident tuition fee changes during the spring term before the fall term in which the change will take effect (EC §76140).

In addition to the nonresident tuition fee established pursuant to *Education Code* Section 76140, a community college district may charge nonresident students who are both citizens and residents of a foreign country, an amount not to exceed the amount that was expended by the district for capital outlay in the preceding fiscal year divided by the total full-time equivalent students of the district in the preceding fiscal year pursuant to *Education Code* Section 76141. Any fee charged pursuant to this section shall not exceed 50 percent of the nonresident tuition fee established pursuant to *Education Code* Section 76140 and shall be expended only for purposes of capital outlay, maintenance, and equipment. Any student who can demonstrate economic hardship or who is a victim of persecution in the country in which the student is a citizen and resident is exempt from this fee.

8881 Parking Services and Public Transportation

Revenue from parking fees authorized by *Education Code* Section 76360 to be expended only for parking services or for reducing the costs to students and employees of using public transportation to and from the college.

8883 Student Center Fee

Revenue for the purpose of financing, constructing, enlarging, remodeling, refurbishing, and operating a student center (EC §76375). These revenues are accounted for in the Student Body Center Fee Trust Fund.

8884 Student Representation Fee

Revenue for the support of governmental affairs representatives (EC §76060.5). These revenues are accounted for in the Student Representation Fee Trust Fund.

8885 Other Student Fees and Charges

Revenue from all other authorized student fees and/or charges, e.g., transportation services (EC §76360), course audits (EC §76370), and application fees for nonresident applicants that are citizens and residents of a foreign country (EC §76142).

8800 Local Revenues

8890 Other Local Revenues

Amounts received or accrued from all other local sources, such as fees for applicant or employee identification cards (EC §88024), parking and traffic fines (*Vehicle Code* §40200.3), and fees for returned/NSF checks, etc.

Account 8890 also includes redevelopment property tax revenues allocated exclusively for educational facilities, which are exempt from inclusion in the calculation of a district's revenue level for each fiscal year pursuant to *Education Code* Section 84751(d).

8900 Other Financing Sources

- 8910 Proceeds of General Fixed Assets
 - 8940 Proceeds of General Long-Term Debt
 - 8980 Incoming Transfers
-

Other Financing Sources include incoming transfers as well as proceeds from long-term debt and sale of fixed assets. These moneys are considered nonrevenue receipts.

Accounting of Governmental Funds long-term debt does not require any appropriation or expenditure during the current accounting period, and consequently, such debt is not recorded as an account payable in the Governmental Funds. However, for accounting control it is recommended that districts maintain a General Long-Term Debt Account Group in accordance with *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR).

8900 Other Financing Sources

8910 Proceeds of General Fixed Assets

Compensation for Loss of General Fixed Assets
Sale of Equipment and Supplies
Sale of Land and Buildings

Account 8910, Proceeds of General Fixed Assets, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Compensation for Loss of General Fixed Assets

Amounts provided from sources such as joint powers arrangements and insurance carriers as compensation for the loss of general fixed assets.

Sale of Equipment and Supplies

Amounts provided from the sale of supplies and equipment no longer needed by the district (EC §81450 et seq.).

The proceeds received are to be credited to the fund from which the original acquisition expenditure occurred (EC §81453).

Sale of Land and Buildings

Amounts provided from the sale of land and buildings no longer needed as determined by the district governing board (EC §81360 et seq.).

Funds so derived must be used to meet district capital outlay needs. If the district governing board determines prior to sale that the district has no anticipated need for additional sites or building construction for a five-year period (EC §81363), the proceeds shall be deposited in the General Fund for discretionary purposes.

8900 Other Financing Sources**8940 Proceeds of General Long-Term Debt**

Sale of Bonds

Other General Long-Term Debt

These subsidiary accounts are used to record the proceeds from the sale of bonds or from other financing for more than one year. The gross proceeds from general long-term debt should be recorded in these accounts. Underwriting and other fees are recorded as expenditures and not a reduction of the proceeds from the issuance of debt.

The net proceeds are held in the fund in which the money will be used. Resources accumulated for the repayment of general long-term debt are held in the Debt Service Fund.

Account 8940, Proceeds of General Long-Term Debt, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Sale of Bonds

Proceeds provided from the sale of bonds at par value pursuant to *Education Code* Section 15100 et seq., and 81901 et seq.

The proceeds must be recorded and accounted for in the Revenue Bond Construction Fund or the Capital Outlay Projects Fund, as appropriate (EC §§15146 and 81961). Expenses incurred for the sale of bonds may be paid from the proceeds of bond sales (EC §15145).

Other General Long-Term Debt

Proceeds provided from financing on a long-term basis, such as for Emergency Apportionment (CCR §58316), energy loans, Instructional Improvement Loans (CCR §56680), Certificates of Participation (COP), etc.

8900 Other Financing Sources**8980 Incoming Transfers**

Interfund Transfers-In
Intrafund Transfers-In
Other Incoming Transfers

Incoming Transfers primarily include either residual equity transfers (transfers of resources [money] from one fund to another, such as transfers of the residual balance of a discontinued fund to the General Fund) or operating transfers (such as transfers of General Fund moneys to the Debt Service Fund for repayment of indebtedness or fund operating subsidy).

Moneys received from sources such as foundations, auxiliary organizations, and the student body are not to be considered transfers but are revenue under Account 8820, Contributions, Gifts, Grants, and Endowments, or Account 8830, Contract Services.

Account 8980, Incoming Transfers, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Interfund Transfers-In

Amounts, typically considered restricted, transferred in from other funds arising out of (1) binding legal agreements related to financing of facilities, such as amounts for debt retirement, interest, and required provisions for renewals and replacements of facilities not financed from other sources; or (2) grant agreements with government agencies, donors, and other organizations to match gifts and grants.

Incoming transfers from other funds at the discretion of the local governing board are typically considered unrestricted.

Intrafund Transfers-In

Amounts transferred within a fund. An example of an intrafund transfer is a transfer from the General Fund Unrestricted Subfund to the General Fund Restricted Subfund.

Other Incoming Transfers

All other transfers of money such as from lapsed or reorganized districts and from transfers not otherwise classified.

REVENUE ABATEMENTS

An abatement of revenue is the cancellation of part or all of any specific revenue previously recorded. Abatements generally occur when revenue is recorded before it is fully earned, measurable or available to pay liabilities of the current period.

When revenue received by a community college district must be returned to the source from which it is received or paid to another entity that is entitled to all or a portion of the receipts, the transaction shall be accounted as an abatement to revenue and not as a charge to an expenditure account. For example, the portion of parking citations that is remitted to the county for courthouse construction is recorded as an abatement of revenues from parking fines.

Revenue abatements are also recorded if a receivable is accrued that exceeds the actual amount of revenue received. However, abatements are generally only made to adjust estimated revenues to the actual revenues earned and not to adjust earned revenues to the amount collected. If a district has revenue that is uncollected, the full amount earned is recorded as revenue and the uncollectible amount is recognized as an expenditure. For example, if enrollment fees are charged and due from students, the full amount of enrollment fees must be recorded as revenue, regardless of whether they are collected.

Uniformity in accounting for abatements of revenue is an important part of establishing comparable fiscal records and reports.

Payments or cancellations of receivables that reduce previously recorded revenue must be accounted for by abating the revenue account originally credited for the fiscal year in which the revenue adjustment is made, irrespective of the fiscal year in which the revenue was originally recorded. In some cases such payments or cancellations of receivables may exceed the actual revenue for the fiscal year in which the abatement is made and thus result in negative balances in the accounts or entries reported.

The following kinds of transactions shall be accounted for as abatements of revenue:

- Refunds of receipts from federal, State or local sources, such as taxes, grants, rentals, and fees which were recorded as revenue prior to becoming fully earned;
- Payments to other entities for collections on behalf of the entity which were recorded as revenue when collected (e.g., surcharges on citations for courthouse construction);
- Cancellation of receivables over-accrued in a prior period. However, revenues (e.g., enrollment fees) that are determined to be uncollectible are to be recorded as an expense of the district and not an abatement of revenues;
- Conditional donations when the condition cannot be fulfilled by the district/college; and
- Reversal of payments made by checks with insufficient funds.

Accounting for Expenditures and Other Outgo

Contents

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GENERAL

This chapter explains procedures for community college districts to use in accounting for expenditures (payments for employee compensation, goods and services). This chapter prescribes the minimum accounting standards for classifying expenditures by fund, activity, and object, and for abating expenditures.

Detailed expenditure accounting serves several important purposes in that it:

- provides districts with a uniform method of recognizing and classifying expenditures;
- captures information that districts must report in various financial statements; and
- facilitates district planning and budget preparation by providing historical information on costs of activities and programs.

The classification of expenditures by fund, discussed in Chapter 2, Fund Structure, establishes the rules for determining the appropriate fund and the timing for recognition of the obligation.

Generally, districts account for expenditures in the accounting period in which the liability is incurred. Consequently, reported expenditures will include both actual disbursements and recorded liabilities.

Minimum accounting standards for classifying expenditures by categorical programs within the Governmental Funds Group are not prescribed by this manual. Districts have the additional responsibility to maintain appropriate expenditure control in order to satisfy particular funding source requirements. Examples of such programs include, but are not limited to:

Federal	Vocational and Technical Education Act (VTEA)
State	Extended Opportunity Programs and Services (EOPS)
Local	Parking Services

California Code of Regulations Section 58307 limits district expenditures to the amount appropriated for each major expenditure classification as approved by the district governing board through adoption of the district budget (CCR §58305) or as amended by subsequent intrabudget transfers or other budget revisions. Because of this statutory control language, the budget, and all documents dealing with appropriations, must be prepared according to the same classification plan as that employed to account for expenditures.

CLASSIFICATION OF EXPENDITURES BY ACTIVITY

The classification of expenditures by activity reflects the purpose of the expenditures; it shows the aspect of college-district operations benefited by the expenditure. Generally, all activities are classified as either instructional or administrative and support. Some expenditures may directly benefit more than one activity and are properly allocable to more than one activity. Expenditures allocable to one or more activities may include any combination of objects of expenditure, such as salaries, fringe benefits, supplies, other operating expenses, and capital outlay. In this manual, the word "salaries" has the same meaning as the term "salaries and wages." While certain activities are recorded in a specific fund, some activities may be charged to multiple funds. For example, Activity 6900, Ancillary Services, such as bookstore or cafeteria should be recorded in the appropriate Special Revenue or Enterprise fund, while Activity 6500, Operation and Maintenance of Plant, may be applicable in multiple funds.

Descriptions of authorized instructional activities are contained in the *Taxonomy of Programs (TOP)* manual. Although the TOP manual provides the mechanism for detailed reporting of instructional activities, districts are required, for State fiscal purposes, to report instructional expenditures using a four digit account code comprised of the TOP two digit Discipline in the first two positions and two zero placeholders in the last two positions. Districts are strongly encouraged to maintain TOP detail, at the local level, to four positions for all direct instructional activities.

Descriptions of authorized Administrative and Support Activities (ASA) are contained in this chapter. Districts are required, for State fiscal purposes, to report administrative and support expenditures using a four-digit account code comprised of the ASA codes identified in this chapter. Districts may create subsidiary activity categories as needed.

Local district autonomy in priority-setting, budgetary allocation, and expenditure is to be maintained.

INSTRUCTIONAL ACTIVITIES

0100	Agriculture and Natural Resources
0200	Architecture and Environmental Design
0400	Biological Sciences
0500	Business and Management
0600	Communications
0700	Computer and Information Science
0800	Education
0900	Engineering and Related Industrial Technologies
1000	Fine and Applied Arts
1100	Foreign Language
1200	Health
1300	Consumer Education and Home Economics
1400	Law
1500	Humanities (Letters)
1600	Library Science
1700	Mathematics
1800	Military Studies
1900	Physical Sciences
2000	Psychology
2100	Public Affairs and Services
2200	Social Sciences
3000	Commercial Services
4900	Interdisciplinary Studies
5900	Instructional Staff--Retirees' Benefits and Retirement Incentives

Expenditures incurred for instructional activities are classified by controlling accounts (CA) 0100 through 5900 as shown above. The direct costs of classroom instruction are recorded by discipline within Activities 0100 through 4900. Costs of instruction include expenses incurred in offering credit and noncredit courses approved, either individually or as a part of some larger program, by the Chancellor's Office. Also included are the salaries, benefits, and related expenses of those coordinators, supervisors, departmental chairpersons and their support staff whose duties are directly related to specific instructional activities. Directors or coordinators whose duties are not related to direct instructional activities, such as directors of EOPS and DSPS and their support staff, are not recorded in these activities but rather in the appropriate administrative and support activity to which their efforts are directed.

Activity 5900, Instructional Staff-Retirees' Benefits and Retirement Incentives, includes expenditures on behalf of retired faculty and prepayments for retirement incentives and benefits that cannot be identified to specific disciplines. Examples of these payments could be to a State retirement system, to a self insurance fund, joint powers agency or private insurer. Activity 5900 is to be used only to record amounts expended for a district's share of retirees' health and other benefit costs and for retirement incentive pay for instructors, and instructional aides whose salaries qualified for inclusion as salaries of classroom instructors (CCR §59204).

Also included in Activity 5900 are the prorated portions of the district's share of retirees' health and other benefit costs and retirement incentive pay for qualified staff who were not assigned full-time to instructional assignments. If staff performed instructional and noninstructional assignments in their last year of service, charges made to this activity shall be in the same proportion as the time assigned to instruction was to the total assigned hours for each individual (see Activity 6740, Noninstructional Staff—Retirees' Benefits and Retirement Incentives).

ADMINISTRATIVE AND SUPPORT ACTIVITIES

6000	Instructional Administration and Instructional Governance
6100	Instructional Support Services
6200	Admissions and Records
6300	Student Counseling and Guidance
6400	Other Student Services
6500	Operation and Maintenance of Plant
6600	Planning, Policymaking, and Coordination
6700	General Institutional Support Services
6800	Community Services and Economic Development
6900	Ancillary Services
7000	Auxiliary Operations
7100	Physical Property and Related Acquisitions
7200	Long-Term Debt and Other Financing
7300	Transfers, Student Aid, and Other Outgo
7900	Appropriation for Contingencies (for budgetary purposes only)

Expenditures incurred for administrative and support activities are classified by Activities 6000-7900 as shown above. The costs of administrative and support activities include expenses incurred in providing various noninstructional services to students, faculty, and the community, necessary to achieve the function of the institution.

The classification of Administrative and Support Activities presented here provides major and subsidiary reporting categories used in recording expenditures by activity. Districts may create subsidiary activity categories as needed.

While certain activities are recorded in a specific fund, some activities may be charged to multiple funds. For example, Activity 6900, Ancillary Services, such as bookstore or cafeteria should be recorded in the appropriate Special Revenue or Enterprise fund, while Activity 6500, Operation and Maintenance of Plant, may be applicable in multiple funds.

ADMINISTRATIVE AND SUPPORT ACTIVITIES
6000 Instructional Administration and Instructional Governance

- 6010 Academic Administration
 - 6020 Course and Curriculum Development
 - 6030 Academic/Faculty Senate
 - 6090 Other Instructional Administration and Instructional Governance
-

This activity is used to record all expenditures associated with the administrative management of instructional activities. It includes the costs associated with the first level of administration immediately above the instructor. Positions at this level are commonly called (associate) deans of instruction or, in larger districts, division chairpersons. This activity includes salaries, benefits, and related expenses of these individuals and their support staff as well as the prorated portion of salaries, benefits and other expenses of faculty while serving on division or institutional committees, such as the Academic/Faculty Senate.

The costs of supervisors or coordinators and their support staff whose duties are specifically related to instructional activities are not recorded in this activity but rather in the appropriate TOP instructional activity (Activities 0100-4900). Also, directors or coordinators whose duties are not directly related to instructional activities, such as directors of EOPS and DSPS and their support staff, are not recorded in this activity but rather in the appropriate administrative and support activity to which their efforts are directed.

Activity 6000, Instructional Administration, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

6010 Academic Administration

Expenditures for current academic operations, including scheduling and starting of classes, identification and requisition of needed materials and equipment, and evaluation of instructors, courses, and programs.

6020 Course and Curriculum Development

Expenditures for activities established to improve or significantly add to instructional offerings. Costs of curriculum committees are included within this category even though some of their efforts are spent on current-year course administration problems.

6030 Academic/Faculty Senate

Expenditures for the prorated portion of salary, benefits and other expenses of faculty while serving on behalf of the Academic/Faculty Senate. This includes the salary and

benefits of faculty released to serve on collective bargaining. Also included here would be support staff and other operating expenses.

6090 Other Instructional Administration and Instructional Governance

Expenditures for the prorated portion of salary, benefits and other expenses of faculty while serving on instructional administrative and governance assignments that do not fall in the above categories (e.g., accreditation). Also included here would be support staff and other related operating expenses.

ADMINISTRATIVE AND SUPPORT ACTIVITIES**6100 Instructional Support Services**

- 6110 Learning Center
 - 6120 Library
 - 6130 Media
 - 6140 Museums and Galleries
 - 6150 Academic Information Systems and Technology
 - 6190 Other Instructional Support Services
-

Activity 6100, Instructional Support Services, is the controlling account that is used to record expenditures for services directly provided by the following operations as supplement to the instructional effort within the appropriate subsidiary activity category:

6110 Learning Center (Learning Resource Center)

Expenditures for the operation of the learning center. A learning center is defined as the specific location set aside for the general student body and faculty to supplement instructional activities and provide educational enrichment for students. Activities in the learning center may generate Full-Time Equivalent Students (FTES) for State funding purposes if all requirements for generating FTES are met. Direct costs incurred in generating FTES must be reported in the appropriate instructional activity.

The center may contain audio-visual and computer equipment and nonprint media such as tapes, slides, films, records, and programmed materials to assist students in their studies and may be located within the college library. The library, as used in this section, is not synonymous with the learning center.

Examples of activities conducted in the learning center include, but are not limited to, tutorial, self-study, programmed instruction, and language laboratory.

6120 Library

Expenditures for the operation of the general college library.

The costs of department libraries and reference books primarily for the use of instructors and staff are recorded within the appropriate instructional activities.

6130 Media

Expenditures for general institutionwide media (audio-visual) services, facilities, and equipment.

Examples include costs of teleconferencing, television and radio facilities, equipment, and personnel associated with providing media services for instructional programs where the costs are not separately identifiable to any specific instructional activities. Costs of television and radio operations beyond those for instructional services and support are recorded within Activity 7000, Auxiliary Operations.

Costs of services readily identifiable to one or several instructional activities are identified within those activities.

6140 Museums and Galleries

Expenditures for the operation of museums or galleries for collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc.

6150 Academic Information Systems and Technology

Expenditures for instructional data processing and data management services. This activity is to be used if the district prorates or identifies instructional information systems expenditures and does not allocate such expenditures to individual instructional activities. (See Activity 6780, Management Information Systems.)

6190 Other Instructional Support Services

Expenditures for instructional support services not listed above.

ADMINISTRATIVE AND SUPPORT ACTIVITIES

6200 Admissions and Records

This activity is used to record all expenditures associated with student admissions and evaluations, including expenditures incurred in maintaining student records, statistics and reports, conducting transfer evaluations and registrations, and processing transcripts and degree certifications.

ADMINISTRATIVE AND SUPPORT ACTIVITIES**6300 Student Counseling and Guidance**

- 6310 Counseling and Guidance
 - 6320 Matriculation and Student Assessment
 - 6330 Transfer Programs
 - 6340 Career Guidance
 - 6390 Other Student Counseling and Guidance
-

This activity is used to record all costs associated with formal student counseling and career guidance, but not costs associated with instructors' informal counseling. Costs of applicable activities include those associated with assisting students to select an occupation, to plan a program of study, or to deal with personal problems or other matters that affect academic performance. Costs of special testing services used to determine a student's aptitude for certain professions shall also be recorded as Student Counseling and Guidance activity expenditures.

This activity includes, but is not limited to, the salaries, benefits, and related expenses of counselors and support staff; operating expenses of the counseling office; supplies and materials; and testing equipment used by the counselors and guidance personnel.

Activity 6300, Student Counseling and Guidance, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

6310 Counseling and Guidance

Expenditures for general counseling and guidance.

6320 Matriculation and Student Assessment

Expenditures for the costs of instituting effective processes and services that are supportive of and aid in the success and assessment of students in establishing and achieving their educational goals.

6330 Transfer Programs

Expenditures for the costs associated with helping students determine requirements to transfer to other institutions of higher education.

6340 Career Guidance

Expenditures for career guidance.

6390 Other Student Counseling and Guidance

Expenditures for counseling and guidance activities not identified above.

ADMINISTRATIVE AND SUPPORT ACTIVITIES
6400 Other Student Services

- 6420 Disabled Students Programs and Services (DSPS)
 - 6430 Extended Opportunities Programs and Services (EOPS)
 - 6440 Health Services
 - 6450 Student Personnel Administration
 - 6460 Financial Aid Administration
 - 6470 Job Placement Services
 - 6480 Veterans Services
 - 6490 Miscellaneous Student Services
-

This activity is used to record all expenditures associated with providing to students the services listed above as subsidiary detail of Controlling Account 6400. Such services are not recorded within any other activity classification.

It should be noted that these services generally are not programs and, therefore, not all program costs will necessarily be identified within any one activity. For example, the cost of processing a veteran's application for educational benefits should be recorded within Activity 6480, Veterans Services; but, the payment to the veteran should be recorded within Activity 7320, Student Aid.

The two major categorical programs, DSPS and EOPS, are treated separately within this activity because they are perceived and administered as separate entities within the district. The costs of other categorical programs are to be recorded in the applicable activity codes, such as Counseling and Guidance or Other Student Services. Costs of EOPS and DSPS directors and coordinators and their support staff are recorded in these activities.

Activity 6400, Other Student Services, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

6420 Disabled Students Programs and Services (DSPS)

Expenditures for administration of the DSPS program and for direct services to DSPS students, excluding grants or other direct aid to students. Payments are recorded within Activity 7320, Student Aid. These payments are made from the Student Financial Aid Trust Fund, not the General Fund.

6430 Extended Opportunities Programs and Services (EOPS)

Expenditures for administration of the EOPS program and for direct services to EOPS students, excluding grants or other direct aid to students. Payments are recorded within Activity 7320, Student Aid. These payments are made from the Student Financial Aid Trust Fund, not the General Fund.

6440 Health Services

Expenditures to provide medical, dental, psychiatric, and nursing services, as well as student health insurance.

Student Health Fee revenues are recorded in Account 8876, Health Services in the General Fund–Restricted Subfund. Health Services Fees collected are restricted to allowable health services expenditures in accordance with *Education Code* Section 76355(d) and *California Code of Regulations* Section 54700 et seq. Any health services expenditures above the fees collected are from General Fund–Unrestricted Subfund moneys.

Districts subject to the maintenance-of-effort requirement of *Education Code* Section 76355(e) must separately identify these costs within this activity.

6450 Student Personnel Administration

Expenditures for college or district administration of student personnel activities, including costs of the dean of students, supporting staff and other operating expenses.

6460 Financial Aid Administration

Expenditures to administer grants, scholarships, loans, and other financial aid to students, including costs of determining student financial need.

Actual aid payments are recorded within Activity 7300, Student Aid.

6470 Job Placement Services

Expenditures for services to assist students in obtaining employment, such as providing job referral, assisting students to develop job finding skills, and coordinating on-campus interviews with employers.

Included here would be economic development activities, such as working with the community in the area of job creation and workforce development.

6480 Veterans Services

Expenditures to provide services to veterans and their dependents.

Applicable services would include the dissemination of information and verification of eligibility for educational benefits.

6490 Miscellaneous Student Services

Expenditures for other services for special student groups or the general student population.

Services include student transportation and coordination or referrals for housing. Special student groups include economically disadvantaged, women, and minorities. Although the Chancellor's Office does not require separate accounting of other costs, districts may need to maintain detailed records to fulfill the reporting requirements of other funding agencies or to facilitate budget preparation.

The operation of housing facilities such as dormitories are reported within Activity 6900, Ancillary Services.

ADMINISTRATIVE AND SUPPORT ACTIVITIES**6500 Operation and Maintenance of Plant**

- 6510 Building Maintenance and Repairs
 - 6530 Custodial Services
 - 6550 Grounds Maintenance and Repairs
 - 6570 Utilities
 - 6590 Other Operation and Maintenance of Plant
-

This activity is used to record all expenditures associated with the routine operation and maintenance of buildings and grounds.

The following are expenditures that should **not** be charged to this activity, but instead should be charged to Activity 7100, Physical Property and Related Acquisitions.

- Purchase of land and buildings
- Initial equipping of buildings
- Purchase of equipment permanently affixed to buildings
- Construction of buildings
- Modifications that improve the functionality or extend the useful life of land or buildings
- Nonroutine repair and maintenance of buildings and other structures (e.g., scheduled maintenance and special repair items defined under *Education Code* Section 84660)
- Upgrades of telecommunications and information technology infrastructure

Repairs or replacements of equipment, including furniture, identifiable to specific activities are charged to those activities and not to Activity 6500, Operation and Maintenance of Plant.

Activity 6500, Operation and Maintenance of Plant, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

6510 Building Maintenance and Repairs

Expenditures for activities related to routine repair and maintenance of buildings and other structures, including preventive maintenance.

Repairs of items attached to and considered integral parts of buildings or other structures are also included.

6530 Custodial Services

Expenditures for custodial supplies and services.

6550 Grounds Maintenance and Repairs

Expenditures for the maintenance of landscapes and grounds.

Repairs of both grounds and grounds maintenance equipment, including underground systems such as sprinklers, are included. Repairs of underground systems not a part of the grounds, such as sewers, underground communications lines, and power lines, are reported within Activity 6590, Other Operation and Maintenance of Plant.

6570 Utilities

Expenditures for gas, water, electricity, telephone and other utilities necessary for the operation of the physical plant.

6590 Other Operation and Maintenance of Plant

Expenditures for all other plant maintenance and operation expenditures, including equipment repairs not assignable to any other activity.

Repairs of underground systems not a part of the grounds, such as sewers, underground communications lines, and power lines, are reported within this activity.

ADMINISTRATIVE AND SUPPORT ACTIVITIES

6600 Planning, Policymaking, and Coordination

This activity is used to record all expenditures associated with executive-level activities, such as board meetings or long-range planning, associated with management of a district. Applicable costs include expenditures for governing board and senior executive officers. Expenses for executive support staff, as well as expenditures for operating costs of the executive offices including legal services, analytical studies, institutional budget planning, and facilities development are also included.

ADMINISTRATIVE AND SUPPORT ACTIVITIES
6700 General Institutional Support Services

- 6710 Community Relations
 - 6720 Fiscal Operations
 - 6730 Human Resources Management
 - 6740 Noninstructional Staff-Retirees' Benefits and Retirement Incentives
 - 6750 Staff Development
 - 6760 Staff Diversity
 - 6770 Logistical Services
 - 6780 Management Information Systems
 - 6790 Other General Institutional Support Services
-

This activity is used to record all expenditures incurred in conducting district business services operations. Activity 6700, General Institutional Support Services, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

6710 Community Relations

Expenditures in developing and maintaining relationships with the general community, alumni, or other constituents, and conducting community fund raising activities.

6720 Fiscal Operations

Expenditures for budget control, audits, accounting, and fiscal management of contracts, grants, and investments.

6730 Human Resources Management

Expenditures for personnel management and maintenance of employee records.

6740 Noninstructional Staff-Retirees' Benefits and Retirement Incentives

Expenditures for a district's share of retirees' health and other benefit costs and retirement incentive pay for noninstructional staff. Costs of benefits for retired instructional staff are to be charged to Activity 5900, Instructional Staff-Retirees' Benefits and Retirement Incentives.

Included are the prorated portions of the district's share of retirees' health and other benefit costs and retirement incentive pay for qualified staff who were not assigned full-

time to noninstructional assignments. (See explanation of pro rated costs under Activity 5900, Instructional Staff-Retirees' Benefits and Retirement Incentives.)

6750 Staff Development

Expenditures for staff development, including amounts expended in accordance with the provisions of *Education Code* Section 87150 et seq. (Assembly Bill 1725/88). Sufficiently detailed records must be maintained to assure compliance with specific funding requirements of statutes and applicable regulations. Salary cost of attendance in staff development activities should be charged to the attendees regular salary activity. Costs such as transportation, tuition, etc. should be charged to Activity 6750.

6760 Staff Diversity

Amounts chargeable to enhancement of staff diversity, in accordance with the provisions of *Education Code* Section 87107 et seq. (Assembly Bill 1725/88), and applicable regulations.

6770 Logistical Services

Expenditures for campus security, fire protection, purchasing, warehouse and stores, environmental safety, insurance, central equipment and property management, garage and motor pool for staff transportation, and communication services such as reproduction, printing, noninstructional telecommunication services and mail services. As a district option, costs of services readily identified to one or more activities may be allocated accordingly. Monthly telephone usage and service charges are charged to Activity 6570, Utilities.

6780 Management Information Systems

Expenditures for noninstructional data processing and data management services. If a district prorates its information systems, the instructional portion could be allocated to the appropriate instructional activities or recorded within Activity 6150, Academic Information Systems and Technology.

6790 Other General Institutional Support Services

Expenditures for general institutional support services not listed above.

ADMINISTRATIVE AND SUPPORT ACTIVITIES
6800 Community Services and Economic Development

- 6810 Community Recreation
 - 6820 Community Service Classes
 - 6830 Community Use of Facilities
 - 6840 Economic Development
 - 6890 Other Community Services and Economic Development
-

This activity is used to record expenditures associated with providing general public services to the community-at-large or to business and special groups within the community. Applicable costs for community services include expenditures for conferences, lecture series, institutes, classes, and recreational activities, as well as the costs of providing facilities for the nonpartisan benefit of the community-at-large. Applicable costs for Economic Development include expenditures for education and services provided to the business community to advance California's economic growth and global competitiveness.

Activity 6800, Community Services and Economic Development, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

6810 Community Recreation

Expenditures to organize, promote and conduct community recreation programs sponsored by the district. **Governing boards shall not expend State general fund moneys for this purpose.**

6820 Community Service Classes

Expenditures as authorized by *Education Code* Section 78300 et seq., and implementing regulations in *California Code of Regulations* Section 55160 to provide instruction that contributes to the physical, mental, moral, economic, or civic development of individuals or groups enrolled therein, including the costs of contracted community service classes in music, drama, art, handicraft, science, literature, nature study, and athletics.

This excludes costs of courses approved by the Chancellor's Office either individually or as part of a credit or noncredit program, which are recorded within the applicable Instructional Activities 0100-4900. **Governing boards shall not expend State general fund moneys to establish and maintain community service classes.**

6830 Community Use of Facilities

Expenditures as authorized by *Education Code* Section 82537 et seq., to provide college buildings or grounds for public, literary, scientific, recreational, educational, or public agency meetings, or for the discussion of matters of general or public interest, subject to the limitations set forth in those sections.

6840 Economic Development

Expenditures pursuant to *Education Code* Section 66010.4(a)(3) and *Government Code* Section 15379.20 et seq., for services provided to the business community to advance California's economic growth and global competitiveness through education and services focusing on continuous workforce improvement, technology deployment, and business development. Expenditures for services to students should be recorded in the appropriate instructional or student services activity.

6890 Other Community Services and Economic Development

Expenditures for community services and economic development not identified above.

ADMINISTRATIVE AND SUPPORT ACTIVITIES
6900 Ancillary Services

- 6910 Bookstores
 - 6920 Child Development Centers
 - 6930 Farm Operations
 - 6940 Food Services
 - 6950 Parking
 - 6960 Student and Co-curricular Activities
 - 6970 Student Housing
 - 6990 Other Ancillary Services
-

This activity is used to record all expenditures for the operation of ancillary services (generally defined as self-sufficient entities providing services to students, faculty, and staff).

For most of the expenditures attributable to these activities, the appropriate Special Revenue Fund or Enterprise Fund, such as the Bookstore Fund, should be charged, rather than the General Fund. Examples of General Fund charges would be parking, co-curricular activities, and the incidental cost of administration or general support for these ancillary services activities.

Activity 6900, Ancillary Services is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

6910 Bookstores

Expenditures for the operation of district bookstores.

6920 Child Development Centers

Expenditures for day care centers; for learning laboratories for students enrolled in child development or child care programs; or for services to develop children's physical, mental, and educational skills.

6930 Farm Operations

Expenditures for farm operations.

6940 Food Services

Expenditures as authorized by *California Code of Regulations* Section 59013 for food vending machines and cafeteria operations.

6950 Parking

Expenditures as authorized by *Education Code* Section 76360 for parking services and facilities which include the administration of and direct services related to the purchase, construction, and operation and maintenance of parking facilities.

6960 Student and Co-curricular Activities

Expenditures for student and co-curricular activities that the district has elected to provide above and beyond the regular instructional program. Co-curricular activities are activities and events that are an extension of classroom instruction or related community college programs.

(Examples include the costs of such items as student newspapers, intramural athletics, intercollegiate athletics, and clubs.)

6970 Student Housing

Expenditures for the operation of dormitories and other housing facilities.

6990 Other Ancillary Services

Expenditures for all other ancillary services, including such items as student transportation services.

ADMINISTRATIVE AND SUPPORT ACTIVITIES**7000 Auxiliary Operations**

7010 Contract Education

7090 Other Auxiliary Operations

This Activity is used to record expenditures within certain operations auxiliary to the regular instructional program, such as the operation of commercial rental property for income, that portion of radio or television station operations beyond that necessary for instruction and instructional services, or certain contract education classes.

This activity is not to be confused with auxiliary organizations formed under *Education Code* Section 72670 et seq.

Activity 7000, Auxiliary Operations, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

7010 Contract Education

Expenditures to conduct contracted classes that do not generate FTES (CCR §58050).

Contract Education classes are distinguished from Community Service classes (Activity 6820) by their intent to exclusively serve selected clientele.

Contract Education classes that generate FTES are to be reported within the applicable Instructional Activities 0100-4900.

7090 Other Auxiliary Operations

Expenditures for all other Auxiliary Operations.

ADMINISTRATIVE AND SUPPORT ACTIVITIES**7100 Physical Property and Related Acquisitions**

This classification is used to record expenditures for capital outlay required in developing campus facilities. The following are examples of expenditures that should be charged to this activity:

- purchase of land and buildings
- initial equipping of buildings
- purchase of equipment permanently affixed to buildings
- construction of buildings
- modifications that improve the functionality or extend the useful life of land or buildings
- nonroutine repair and maintenance of buildings and other structures (e.g., scheduled maintenance and special repair items defined under *Education Code* Section 84660)
- upgrades of telecommunications and information technology infrastructure

The portion of the salaries and benefits of district personnel (e.g., Facilities and Information Technology managers, facilities planners, and support staff) related to the above expenditures are also charged to this activity.

If a district uses a day labor or force account, within the limits of the law, *Public Contract Code* Section 20650 et seq., for the above activities, the expenditures should be a direct charge to this activity.

Expenditures related to parking facilities are recorded within Activity 6950, Parking. Expenditures for equipment purchased for a specific instructional or administrative and instructional support activity are recorded within that particular activity, except for initial equipping of buildings. Expenditures included within Activity 6500, Operation and Maintenance of Plant, would also not be recorded here.

ADMINISTRATIVE AND SUPPORT ACTIVITIES

7200 Long-Term Debt and Other Financing

This activity is used to record expenditures for principal, interest, and other costs (e.g., service charges) associated with long-term debt and interest and other costs associated with short-term debt.

7210 Long-Term Debt

Expenditures for payments of principal, interest, and other related service fees for bonds or other indebtedness [Object 7100, Debt Retirement (Long Term Debt)]. This activity is also used to record the amount deducted from General Apportionment by the State Controller for repayment of emergency apportionment (CCR §58316).

7220 Tax Revenue Anticipation Notes (TRANS)

Expenditures for interest and related service fees for TRANS [Object 5000, Interest (Current Loans)].

7290 Other Financing

Expenditures for other financing.

ADMINISTRATIVE AND SUPPORT ACTIVITIES**7300 Transfers, Student Aid, and Other Outgo**

- 7310 Transfers
 - 7320 Student Aid
 - 7390 Other Outgo
-

This activity is used to record transfers, student aid, and other outgo. Activity 7300, Transfers and Student Aid, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

7310 Transfers

Amounts transferred from one fund to another (interfund transfers) and amounts transferred to/from the General Fund Unrestricted Subfund and the General Fund Restricted Subfund (intrafund transfer), as well as amounts transferred to the district from a lapsed or reorganized community college district.

Transfers made as a temporary loan or otherwise intended to be reimbursed shall not be recorded here but shall be accounted for in the balance sheet accounts as "Due To" or "Due From."

7320 Student Aid

Expenditures for direct financial aid payments to or for students, as well as maintenance allowance paid under *California Code of Regulations* Section 54200. Financial aid payments include direct financial aid (scholarships, grants, and loans) and payments to or for students for enrollment fees, books, supplies, and child care services, etc.

Work-study payments are reported as salaries within the activity receiving the benefit of the students' services.

7390 Other Outgo

Expenditures for other uses of funds such as bankruptcy losses, investment losses and other outgo.

ADMINISTRATIVE AND SUPPORT ACTIVITIES

7900 Appropriation for Contingencies (for budgetary purposes only)

This activity is an appropriation classification only; no expenditures shall be recorded within this activity.

This activity is used to record that portion of the current fiscal year's appropriation not designated for any specific purpose and held available for transfer to specific appropriations as needed during the fiscal year .

This activity is not to be confused with the General Reserve, which is a balance sheet account used to record the reserve budgeted to provide operating cash in the succeeding fiscal year until local property taxes and State funds become available.

Transfers to/from contingencies must be approved by a two-thirds vote of the board of trustees (CCR §58307).

CLASSIFICATION OF EXPENDITURES BY OBJECT

District expenditures are classified both by activity and by object. Classification of expenditures by activity is explained in the preceding section of this chapter. In this manual, the word "salaries" has the same meaning as the term "salaries and wages."

Expenditure classification by object is the accounting segregation of expenditures into seven major categories:

1. Academic Salaries
2. Classified Salaries and Other Nonacademic Salaries
3. Employee Benefits
4. Supplies and Materials
5. Other Operating Expenses and Services
6. Capital Outlay
7. Other Outgo

Costs may be incurred for expenditures that include more than one object. Such costs are prorated on an equitable basis to the objects or services received. For example, if a faculty employee provides classroom instruction half time and acts as a student counselor half time, that individual's salary must be prorated one-half to Object 1100, Instructional Salaries, Contract or Regular Status, and one-half to Object 1200, Noninstructional Salaries, Contract or Regular Status.

The classification by object presented here provides major and subsidiary reporting categories to be used in recording expenditures. Account numbers have not been prescribed for some subordinate reporting classes in order that districts have discretionary control over the assignment of account numbers. Districts may create subsidiary object categories as needed.

1000 Academic Salaries

- 1100 Instructional Salaries, Contract or Regular Status
 - 1200 Noninstructional Salaries, Contract or Regular Status
 - 1300 Instructional Salaries, Other
 - 1400 Noninstructional Salaries, Other
-

This object is used to record all expenditures for salaries of employees in academic positions that require minimum qualifications established by the Board of Governors pursuant to *Education Code* Section 87356. (See CCR §53400 and EC §§87001, 87002, and 87003 for definitions.) If an individual is occupying two positions, only one of which requires minimum qualifications, then only that portion of the individual's salary related to the position requiring minimum qualifications shall be reported within Object 1000, Academic Salaries.

The employment status of Academic Employees is determined pursuant to *Education Code* Section 87477.

Object 1000, Academic Salaries, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

1100 Instructional Salaries, Contract or Regular Status

Expenditures for the full or prorated portions of salaries of all employees in contract or regular faculty positions. Contract employee means an employee of a district who is employed on the basis of a contract in accordance with *Education Code* Sections 87601, 87605, 87608, or 87608.5. Regular employee means an employee of a district who is employed in accordance with *Education Code* Sections 87601, 87608, 87608.5, or 87609.

This object also includes the following expenditures:

- Prorated salaries of contract or regular instructors working a reduced load or whose assignment includes both instructional and noninstructional duties.
- Pro-rated salaries of administrators having a teaching assignment as part of their regular work assignment
- Salaries of instructors on sabbatical leave
- Extra duty days or assignments paid as a part of an instructor's regular salary

Salaries of instructors designated as temporary employees pursuant to *Education Code* Section 87477 and overload and stipend pay for instructors designated as contract employees or as regular employees are recorded within Object 1300, Instructional Salaries, Other, or Object 1400 Noninstructional Salaries, Other, as appropriate.

Authorized duties of academic employees whose salaries are to be reported in this object account include, but are not limited to:

- Classroom instruction to students
- Preparation for and evaluation of classroom work
- Extracurricular activities that arise out of, or are extensions of, classroom work
- Duties ordinarily assigned to faculty personnel in connection with the custody and control of students in situations other than in the classroom (work experience programs or field trips)
- Intermittent duties as assigned either individually or in connection with committee work, in-service training, or institutes whose purpose is the evaluation or improvement of the educational program in the district

1200 Noninstructional Salaries, Contract or Regular Status

Expenditures for the full and prorated portions of salaries of employees in contract or regular noninstructional academic positions.

Districts shall record such noninstructional salaries within the applicable subobject:

Educational Administrators

Expenditures for the salaries of educational administrators. *Education Code* Section 87002 and *California Code of Regulations* Section 53402 define "educational administrator" as an administrator who is employed in an academic position designated by the governing board of the district as having direct responsibility for supervising the operation of or formulating policy regarding the instructional or student services program of the college or district. Educational administrators include, but are not limited to, chancellors, presidents, and other supervisory or management employees designated by the governing board as educational administrators. This subobject may include the salaries of chief business officers, chief human resources officers, chief information system officers, etc., if these positions are designated by the governing board as being educational administrator positions.

Other

Expenditures for the salaries of academic employees, other than educational administrators, in contract or regular noninstructional academic positions. This includes librarians, counselors, community college health professionals, disabled students programs and services professionals, extended opportunity programs and

services professionals, and faculty on noninstructional assignments. Sabbatical Leave for these employees is also included.

1300 Instructional Salaries, Other

Expenditures for the full or prorated portions of salaries of instructors who have **not** been designated as contract or regular employees. Included are the salaries of instructors designated as temporary employees pursuant to *Education Code* Section 87477 and overload and stipend pay for instructors designated as contract employees or as regular employees.

1400 Noninstructional Salaries, Other

Expenditures for the full and prorated portions of salaries of noninstructional academic employees who have **not** been designated as contract or regular employees.

Districts shall record such noninstructional salaries within the applicable subobject:

Educational Administrators

Expenditures for the salaries of educational administrators. *Education Code* Section 87002 and *California Code of Regulations* Section 53402 define "educational administrator" as an administrator who is employed in an academic position designated by the governing board of the district as having direct responsibility for supervising the operation of or formulating policy regarding the instructional or student services program of the college or district. Educational administrators include, but are not limited to, chancellors, presidents, and other supervisory or management employees designated by the governing board as educational administrators. This subobject may include the salaries of chief business officers, chief human resources officers, chief information system officers, etc., if these positions are designated by the governing board as being educational administrator positions.

Other

Expenditures for the salaries of academic employees, other than educational administrators, in positions **not** designated as contract or regular noninstructional academic positions. This includes librarians, counselors, disabled students programs and services professionals, extended opportunity programs and services professionals, and faculty on noninstructional assignments.

2000 Classified and Other Nonacademic Salaries

- 2100 Noninstructional Salaries, Regular Status
 - 2200 Instructional Aides, Regular Status
 - 2300 Noninstructional Salaries, Other
 - 2400 Instructional Aides, Other
-

This object is used to record all expenditures for salaries of employees in positions that **do not** require minimum qualifications established by the Board of Governors pursuant to *Education Code* Section 87356. This includes the salaries of employees in the classified service as defined in *Education Code* Section 87001.5 and those positions and employees specifically exempted by *Education Code* Sections 88003 and 88076 from the classified service. These exempted positions include, but are not limited to, full-time and part-time students employed part time in any college work-study program or in a work experience education program conducted by a district and which is financed by State or federal funds, professional experts employed on a temporary basis for a specific project, and apprentice positions.

Object 2000, Classified and Other Nonacademic Salaries, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

2100 Noninstructional Salaries, Regular Status

Expenditures for the full and prorated portions of salaries of employees in regular classified and other regular nonacademic positions. *Education Code* Section 88001 defines "regular" as a classified employee who has probationary or permanent status.

This object may include, but is not limited to, the salaries of administrators not designated as academic administrators by the district governing board, professionals, supervisors, purchasing agents, clerical, maintenance workers, custodians, gardeners, telephone operators, security personnel, and data processing staff.

Districts shall record such nonacademic salaries within the applicable subobject:

Administrators and Supervisors

Expenditures for salaries of administrators and supervisors as defined in *Education Code* Section 84362.

Other

Expenditures for salaries of employees in regular classified positions that are not designated as administrators and supervisors.

2200 Instructional Aides, Regular Status

Expenditures for the full and prorated portions of salaries paid to instructional aides (defined in EC §88243) who have been designated as regular employees. Overtime paid to instructional aides who have regular status is recorded within Object 2400, Instructional Aides, Other.

These expenditures must be separated into the following subobjects:

Direct Instruction

Expenditures for the full and prorated portions of salaries paid to employees who are (a) assigned by governing board designation the basic title of "Instructional Aide" or any other appropriate title that denotes that the employees' duties include instructional tasks, and (b) employed to assist instructors in classroom instruction tasks during any portion of their duties (per *Education Code* Section 84362, the 50 Percent Law). Employees providing students with assistance and training in computer labs can be classified as instructional aides if they qualify under *Education Code* Section 84362.

An employee shall be deemed to be under the supervision of an instructor for the purpose of *Education Code* Section 84362 if the employee performs duties under the direction of an instructor.

Other

Although *Education Code* Section 88240 et seq. (and related regulations in CCR §59200 et seq.), are liberal in their definition of instructional aide, the intent of *Education Code* Section 84362 (the 50 Percent Law) restricts instructional aide salaries, that may be claimed as "salaries of classroom instructors" to salaries for the direct instruction of students. Therefore, instructional aide salaries must be segregated into those that participate in direct instruction of students and all others.

2300 Noninstructional Salaries, Other

Expenditures for the full and prorated portions of salaries of nonacademic employees that **do not** have regular status or who are paid for special work in excess of their regular work schedule, as well as overtime paid to nonacademic employees who have regular status. This object may include, but is not limited to, the salaries of student help, clerical staff, administrative personnel, professional staff, maintenance workers, custodians, gardeners, food service staff, telephone operators, transportation staff, and security personnel.

Districts shall record such nonacademic salaries within the appropriate subobject:

Administrators and Supervisors

Expenditures for the salaries of nonacademic administrators and supervisors as defined in *Education Code* Section 84362.

Other

Expenditures for the salaries of employees in classified positions or other nonacademic positions that are not designated as administrators and supervisors.

2400 Instructional Aides, Other

Expenditures for the full and prorated portions of salaries of instructional aides (defined in EC §88243) that **do not** have regular status as well as overtime paid to instructional aides who have regular status.

Such instructional aide salary expenditures must be separated into the following subobjects:

Direct Instruction

Expenditures for the full and prorated portions of salaries paid to employees who are (a) assigned by governing board designation the basic title of "Instructional Aide" or any other appropriate title which denotes that the employees' duties include instructional tasks, and (b) employed to assist instructors in classroom instructional tasks during any portion of their duties (per *Education Code* Section 84362, the 50 Percent Law). Employees providing students with assistance and training in computer labs can be classified as instructional aides if they qualify under *Education Code* Section 84362.

An employee shall be deemed to be under the supervision of an instructor for the purpose of *Education Code* Section 84362 if the employee performs duties under the direction of an instructor.

Other

Although *Education Code* Section 88240 et seq., are liberal in their definition of instructional aide, the intent of *Education Code* Section 84362 (the 50 Percent Law) restricts instructional aide salaries that may be claimed as "salaries of classroom instructors" to those for the direct instruction of students. Therefore, instructional aide salaries must be segregated into those that participate in the direct instruction of students and all others.

3000 Employee Benefits

- 3100 State Teachers' Retirement System (STRS) Fund
 - 3200 Public Employees' Retirement System (PERS) Fund
 - 3300 Old Age, Survivors, Disability, and Health Insurance
 - 3400 Health and Welfare Benefits
 - 3500 State Unemployment Insurance
 - 3600 Workers' Compensation Insurance
 - 3700 Local/Alternative Retirement Systems
 - 3900 Other Benefits
-

This object is used to record all expenditures for the employer's share of contributions to retirement plans, as well as the costs of health and welfare benefits for current and retired employees and their dependents.

Districts may adopt either the cash basis or accrual basis for accounting for post-retirement benefits. If the district uses the cash basis for accounting, an actuarial study shall be conducted to determine the unfunded liability associated with retiree health benefits. At a minimum the total cost of the unfunded liability shall be disclosed in the footnotes of the district's audited financial statements.

Using the accrual basis, funded and unfunded liabilities associated with providing post-retirement benefits to active employees and retirees are reflected in the district's financial records, as well as the cost associated with the annual funding requirements. With this accounting method, districts may charge categorical programs for the projected future benefit costs for current employees assigned to the program. The benefit costs for retirees who were employed by the district in a categorical program may not be charged to such program funds. No matter which method is used, the employer's share of health and welfare benefit costs for all retired employees of the district is recorded within the appropriate subobject account in Object 3400, Health and Welfare Benefits.

Both STRS and PERS accounts may typically reflect employer contributions for academic and classified staff. PERS and STRS permit any employee who has been covered by one system and who takes a position covered by the other to choose which to be covered by. For example, if an instructor has been in STRS for a number of years and then obtains a classified position covered by PERS, the employee may elect to continue under STRS and retain the accrued credits under that system rather than starting anew under PERS.

Object 3000, Employee Benefits, is the controlling account that summarizes expenditures in the following subsidiary object categories:

3100 State Teachers' Retirement System (STRS) Fund

Expenditures for payments to STRS on behalf of employees.

STRS expenditures shall be separated into the following accounts:

Academic Instructors and Instructional Aides (Direct Instruction)

Expenditures as retirement contributions for employees providing or assisting in providing instruction to students. Applicable costs are for instructors and direct instruction-related instructional aides whose salaries are reported within Objects 1100, 1300, 2200 (Direct Instruction), and 2400 (Direct Instruction).

Classified and Other Nonacademic Employees

Expenditures for retirement contributions for classified and other nonacademic employees whose salaries are reported within Objects 2100, 2200 (Other), 2300, and 2400 (Other).

Instructional aide costs recorded here are those that are not related to direct instruction.

Administrators and Supervisors

Expenditures for applicable retirement contributions for administrators and supervisors as defined in *Education Code* Section 84362(2). (See Appendix B for definitions of these terms.)

Other

Expenditures for applicable retirement contributions for employees in classified positions or other nonacademic positions that are not designated as administrator and supervisors.

Other Academic Employees (Noninstructional)

Expenditures for retirement contributions for employees whose position is academic but who are noninstructional.

Related salaries are recorded within Objects 1200 and 1400.

Educational Administrators

Expenditures for applicable retirement contributions for educational administrators (EC §87002, CCR §53402(c)).

Other

Expenditures for applicable retirement contributions for academic employees other than educational administrators.

The remaining classifications of employee benefit objects of expenditures are based upon the same definitions of employee types that distinguish particular State Teachers' Retirement System Fund expenditures. Rather than reiterate these definitions within each following classification, the remaining employee benefit objects are presented without narrative. Districts shall record benefits for non-STRS employees with the same disaggregations as used in the STRS employee benefit object code narrative above.

3200 Public Employees' Retirement System (PERS) Fund

Academic Instructors and Instructional Aides (Direct Instruction)

Classified and Other Nonacademic Employees

Administrators and Supervisors

Other

Other Academic Employees (Noninstructional)

Educational Administrators

Other

3300 Old Age, Survivors, Disability, and Health Insurance (OASDHI also known as OASDI or FICA). (Includes OASDHI Medicare for STRS employees not otherwise covered by OASDHI.)

Academic Instructors and Instructional Aides (Direct Instruction)

Classified and Other Nonacademic Employees

Administrators and Supervisors

Other

Other Academic Employees (Noninstructional)

Educational Administrators

Other

3400 Health and Welfare Benefits

Academic Instructors and Instructional Aides (Direct Instruction)

Classified and Other Nonacademic Employees

Administrators and Supervisors

Other

Other Academic Employees (Noninstructional)

Educational Administrators

Other

The employer's share of health and welfare benefit costs for all current and retired employees of the district is recorded within the appropriate subobject account in Object 3400.

3500 State Unemployment Insurance

Academic Instructors and Instructional Aides (Direct Instruction)

Classified and Other Nonacademic Employees

Administrators and Supervisors

Other

Other Academic Employees (Noninstructional)

Educational Administrators

Other

3600 Workers' Compensation Insurance

Academic Instructors and Instructional Aides (Direct Instruction)

Classified and Other Nonacademic Employees

Administrators and Supervisors

Other

Other Academic Employees (Noninstructional)

Educational Administrators

Other

3700 Local/Alternative Retirement Systems

Academic Instructors and Instructional Aides (Direct Instruction)

Classified and Other Nonacademic Employees

Administrators and Supervisors

Other

Other Academic Employees (Noninstructional)

Educational Administrators

Other

3900 Other Benefits

Academic Instructors and Instructional Aides (Direct Instruction)

Classified and Other Nonacademic Employees

Administrators and Supervisors

Other

Other Academic Employees (Noninstructional)

Educational Administrators

Other

The employer's share of other benefits, including golden handshakes, for all employees and retirees employees of the district are recorded within the appropriate subobject account in Object 3900.

Employer's matching of Tax Sheltered Annuities and cash payments in lieu of health benefits shall be recorded within this object.

4000 Supplies and Materials

Software
Books, Magazines and Periodicals
Instructional Supplies and Materials
Noninstructional Supplies and Materials

This object is used to record all expenditures for instructional and noninstructional supplies and materials, including costs of freight, sales/use tax and handling charges.

Supplies and materials are items that are expendable and quickly consumed or easily broken, damaged, or lost. For distinguishing between supplies and equipment see Appendix E.

Included in this object are instructional, office, library, medical, food and food service supplies as well as tests, periodicals, magazines, pictures, maps, computer software, and other expendable items having a useful life of less than one year. Also included are supplies and materials used in the care and upkeep of equipment, buildings and grounds and other like items.

Object 4000, Supplies and Materials, is the controlling account that summarizes expenditures in the following subsidiary object categories:

Software

Expenditures for software purchases with a useful life less than one year or a purchase price less than \$200. Expenditures for payments to firms providing Internet access, on-line services, and software licensing are recorded within Object 5000, Contract Services. For additional information, see Appendix E, Guidelines for Distinguishing Between Supplies and Equipment.

Books, Magazines and Periodicals

Expenditures for books, magazines, periodicals other than those purchased for the district's library. Books purchased for a department/division library are to be recorded within this object as a supply. See Object 6300, Library Books.

Instructional Supplies and Materials

Expenditures for supplies to be used by students, faculty and other personnel in connection with an instructional program.

Noninstructional Supplies and Materials

Expenditures for supplies and materials used in institutional support services.

5000 Other Operating Expenses and Services

Audit
Contract Services
Depreciation
Dues and Membership
Election
Insurance
Interest
Legal
Personal and Consultant Services
Postage
Rents and Leases
Repairs and Maintenance
Self-Insurance Claims
Travel and Conference Expenses
Utilities and Housekeeping Services
Other

This object is used to record all expenditures for services, leases, rents, travel, and other operating expenses.

Object 5000, Other Operating Expenses and Services, is the controlling account that summarizes expenditures in the following subsidiary object categories:

Audit

Expenditures for the annual financial and compliance audits conducted pursuant to *Education Code* Section 84040(b) and other audit costs.

Contract Services

Expenditures for payments to firms providing Internet access, on-line services, and software licensing. This object also includes contract services for another entity such as a joint powers agency to administer a self-insurance fund for the district.

Depreciation

Expenditures for the depreciation of exhaustible, income producing assets.

This object is for use only in the Proprietary Funds Group and, in some cases, in the Fiduciary Funds Group.

Dues and Membership

Expenditures as fees for district membership in any authorized society, association, or organization and for membership fees of the governing board, its members, or its employees who are required to join a society, association, or organization because of their position.

Election

Expenditures for election services provided by the county (*Elections Code* §10002).

Insurance

Expenditures for all forms of fire, casualty or liability insurance for the district. Also included are costs of property appraisals for insurance purposes, any bonds safeguarding the district against losses resulting from the actions of its employees, and insurance for students participating in intercollegiate athletics.

Payments to a self-insurance fund are described in Chapter 2, Fund Structure. Excluded are the employer's share of benefits recorded within Object 3000, Employee Benefits. Those items of health, dental, and workers' compensation insurance expenses are employee benefits, not insurance to the benefit of the district.

Interest (Current Loans)

Expenditures for interest on Tax Revenue Anticipation Notes (TRAN) or other loans used to finance operating expenses.

Legal

Expenditures as assessments for other than capital improvements (including State assessments for non use of school sites), advertisements of bond issues and other advertisements required by law, judgments, and lawyers' fees.

(Assessments for capital improvements to sites are recorded within Object 6100, Site Improvement.)

Personal and Consultant Services

Expenditures as payments for contracts for personal or consultant services provided by an individual or firm. This object includes expenditures for the cost of surveys and appraisals. Appraisals and surveys in connection with site purchases shall be recorded within Object 6100, Sites and Site Improvements.

Postage

Expenditures for sorting, handling, shipping and postage of mail and documents.

Rents and Leases

Expenditures as payments for rent or lease of land, athletic fields, equipment, and buildings; payments to independent vendors for transportation.

Amounts expended for lease purchase agreements are recorded within Object 6000, Capital Outlay.

Repairs and Maintenance

Expenditures for payments to independent vendors for repairs and maintenance to buildings or equipment, including maintenance agreements on equipment.

(Expenditures for lease purchase agreements are recorded within Object 6000, Capital Outlay.)

Self-Insurance Claims (Self-Insurance Fund Only)

Expenditures for payments and/or accrued costs for claims to a self-insurance fund.

This account is for use only by districts maintaining a Self-Insurance Fund. Payments to an insurance joint powers agency are treated as insurance expense in the General Fund or applicable special fund, such as the Bookstore Fund; they are not to be shown as a Self-Insurance Fund.

Travel and Conference Expenses

Expenditures for per diem and actual, necessary expenditures incurred by employees, board members, and other district representatives for authorized meetings, transportation (including mileage allowance), meals, and lodging.

Utilities and Housekeeping Services

Expenditures as payments for water, fuel, light, power, telephone, waste disposal, laundry, dry cleaning, and other similar expenses, including contracts for these services.

Other

Expenditures for bad debt expense, loan costs, physical examinations, fingerprinting, damage to personal property, cash variances, advertisements not required by law and all other operating costs not identifiable within any other Object 5000 category.

6000	Capital Outlay
6100	Sites and Site Improvements
	Sites
	Site Improvement
6200	Buildings
6300	Library Books
6400	Equipment
	Additional
	Replacement

This object is used to record all Capital Outlay expenditures. Included are amounts paid for the acquisition of fixed assets or additions to fixed assets; land or existing buildings; improvements of grounds; building construction, remodeling, or additions; and equipment.

Lease purchases (agreement constitutes a purchase) shall be recorded appropriately as Sites, Buildings, or Equipment. A lease without option or intent to purchase is recorded within Object 5000, Rents and Leases

Object 6000, Capital Outlay, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

6100 Sites and Site Improvements

Expenditures for this subobject shall be recorded by the prescribed subsidiary account:

Sites

Expenditures for the purchase of land and incidental expenses of site acquisition, such as appraisal fees, title search and title insurance, surveys, and condemnation proceedings and fees.

If the site is not acquired, the incidental costs must be recorded within Object 5000, Other Operating Expenses and Services.

Site Improvement

Expenditures for the costs of developing new sites or improving existing sites.

Applicable expenditures include:

- landscaping grading, seeding, and planting trees and shrubs;
- constructing sidewalks, roadways, retaining walls, sewers, and storm drains;

- installing hydrants;
- treating soil and surfacing athletic fields and tennis courts;
- furnishing and installing fixed playground apparatus, flagpoles, gateways, fences, and underground storage tanks that are not parts of building service systems;
- demolition work in connection with improvement of sites; and
- special assessments against the district for capital improvements, such as streets, curbs, sewers, drains, and pedestrian tunnels on or off district property.

6200 Buildings

Expenditures for the costs of construction or purchase of new buildings, additions to existing buildings, and replacement of obsolete buildings.

Costs of construction include, but are not limited to, advertising; architectural and engineering fees; blueprinting and inspection services; demolition work in connection with construction of new buildings; tests and examinations; installation of plumbing, electrical, sprinkling, or warning devices; and the installation of built-in fixtures, such as heating and ventilating and their attachments.

Costs of purchase include fees for inspection, transfer title insurance, etc.

6300 Library Books

Expenditures for the purchase of books, magazines, periodicals and non-print media for the college library.

The purchase of books, magazines, periodicals and non-print media for department/division libraries shall be recorded within Object 4000, Books, Magazines and Periodicals under the appropriate Instructional Activity.

6400 Equipment

Expenditures for the purchase of tangible property with a purchase price at least \$200 and a useful life of more than one year, other than land or buildings and improvements thereon.

See Appendix E, Guidelines for Distinguishing Between Supplies and Equipment.

Districts shall maintain an historical inventory, audit trace inventory system, or any other acceptable inventory system that contains the description, name, identification numbers,

original cost, date of acquisition, location, and time and mode of disposal for all items of equipment that cost or had a market value at time of acquisition in excess of one thousand dollars (\$1,000). Items of equipment in the inventory system, as well as any additions, should be accounted for in the General Fixed Assets Account Group.

Built-in fixtures are an integral part of the building or building service system and are reported in Object 6200, Buildings.

Expenditures for equipment purchases shall be recorded by the prescribed subsidiary account:

Additional

Expenditures for the purchase of new equipment, or equipment of different quality or capacity, or restoration of equipment (necessitated by casualty loss).

Replacement

Expenditures for the identical replacement of equipment (necessitated by normal use) on a piece-for-piece basis to perform the same function(s).

Equipment, that differs in capacity, function, or quality shall be considered additional equipment.

7000 Other Outgo

- 7100 Debt Retirement (Long-Term Debt)
- 7200 Intrafund Transfers-Out
- 7300 Interfund Transfers-Out
- 7400 Other Transfers
- 7500 Student Financial Aid
- 7600 Other Student Aid
- 7900 Reserve for Contingencies

This object is used to record other expenses and nonexpenditure disbursements.

Object 7000, Other Outgo, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

7100 Debt Retirement (Long-Term Debt)***Debt Reduction***

Expenditures for the costs of redeeming long-term bonds or other indebtedness sold for authorized purposes under *Education Code* Section 15100 or 81901 et seq., such as for purchasing land, constructing or purchasing buildings, equipping buildings, etc. This object is also used to record the amount deducted from General Apportionment by the State Controller for repayment of emergency apportionment (CCR §58316). The interest portion of the deduction is recorded below.

Debt Interest and Other Service Charges

Expenditures as the costs of interest and related service fees for bonds or other indebtedness.

Interest on loans to finance operating expenses (e.g., Tax Revenue Anticipation Notes) is to be recorded within Object 5000, Other Operating Expenses and Services, Subobject Interest (Current Loans).

7200 Intrafund Transfers Out

Intrafund transfers are the transfer of moneys within a fund of a district. An example of an intrafund transfer would be a transfer from the General Fund Unrestricted Subfund to the General Fund Restricted Subfund.

7300 Interfund Transfers-Out

Interfund transfers are money that is taken from one fund and added to another fund without an expectation of repayment. Generally, moneys can be transferred only when the use of the moneys in the receiving fund is not inconsistent with any restriction on its use in the sending fund. An example of an interfund transfer would be the required match for scheduled maintenance that is transferred from the General Fund to the Capital Outlay Projects Fund.

It should be noted that moneys held in any fund may be temporarily transferred from one or more funds to another fund to be used for the payment of obligations, provided no provisions to the contrary exist. Such transfers are not reported here, but are reflected in the balance sheet accounts "Due to Other Fund" and "Due from Other Funds."

Payments to self-insurance funds are described in Chapter 2, Fund Structure.

7400 Other Transfers

Amounts expended or transferred for extraordinary situations such as transfers from reorganized or lapsed district to another district, loss on investments or joint ventures, such as material, prior-year assessments to self-insurance programs, JPA's or consortiums.

7500 Student Financial Aid

Expenditures for student aid in the form of grants, fellowships, scholarships, tuition reduction, etc.

Payments to students for services rendered, such as work-study, are expensed as classified salaries, chargeable to the activity benefited by the student's work.

Other payments to or for students, such as child care vouchers and bookstore vouchers, are to be recorded within object 7600, Other Student Aid.

7600 Other Student Aid

Amounts paid to/for students for non-cash assistance, such as bus tickets, auto repairs related to commuting to college classes, child care vouchers, bookstore vouchers. These amounts are often provided to participants in EOPS, DSPS or other categorical programs.

Expenditures for student aid in the form of grants, fellowships, scholarships, tuition reduction, etc., are to be recorded within Object 7500 Student Financial Aid.

7900 Reserve for Contingencies

This category is an appropriation classification only; no expenditures shall be recorded in this object.

This object includes amounts equal to that portion of the current fiscal year's appropriation that are not designated for any specific purpose, but are held in reserve to fund other appropriation items as may be needed during the fiscal year.

California Code of Regulations Section 58307 states:

“District Budget Limitations on Expenditure

The total amount budgeted as the proposed expenditure of the district for each major classification of district expenditures listed in the district budget forms prescribed by the board shall be the maximum amount which may be expended for that classification of expenditures for the school year. Transfers may be made from the reserve for contingencies to any expenditure classification or between expenditure classifications at any time by written resolution of the board of trustees of a district. A resolution providing for the transfer from the reserve for contingencies to any expenditure classification must be approved by a two thirds vote of the members of the governing board; a resolution providing the transfer between expenditure classifications must be approved by a majority of the members of the governing board.”

EXPENDITURE ABATEMENTS

An abatement of expenditure is the return or cancellation of part or all of an expenditure previously recorded. Abatement of expenditure applies to both current expenses and capital outlay expenditures from all funds. Tuition receipts, fees, and rentals cannot be treated as abatement of expenditure. This definition must be observed in making all decisions as to whether a receipt is reported as income or as an abatement of expenditure.

The basic distinction is that an abatement of expenditure must always represent a receipt (or an accrual) that cancels a part or the whole of a determinable item of previous expenditure. If a receipt cannot be substantiated as a cancellation of a specific expenditure, it must be reported as revenue.

Applicable receipts must be accounted for by abating the object of expenditure account originally charged in the fiscal year received, irrespective of the fiscal year in which the original expenditure was recorded.

Whenever abatements of any particular type are numerous and, especially, if considerable amounts are involved, it is recommended that the credits be made to a "contra" account instead of directly to the expenditure account. The contra account should be identified as "Abatements of _____" (inserting the name of the expenditure account to which it relates). It should be maintained adjacent to the corresponding expenditure account in the expenditure (or appropriation) subsidiary ledger. The contra account will receive only credit entries for abatements. By this procedure, the undesirable features of a "mixed" account are avoided and gross expenditures, abatements, and net expenditures can be determined easily at any time.

The following shall be accounted for as abatement of expenditure:

- Receipts from sales of supplies and new materials at cost to other governmental units, including community college districts;
- Refunds of overpayments from instructors and other employees or from vendors and other payees;
- Refunds for return of containers, including oil drums, wire spools, and the like;
- Refunds from a transportation company for unused portions of transportation fare books, tickets, and the like;
- Refunds of gasoline tax for nonhighway use;
- Canceled warrants (excludes outdated and unclaimed warrants which remain a liability of the district);
- Abatements against salary for temporary disability payments offset against regular salary.
- Cancellation of payables over-accrued in a prior period.

Accounting for Balance Sheet (Assets, Liabilities, and Equity)

Contents

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GENERAL

This chapter explains the classification of balance sheet accounts that community college districts are to use for financial reporting purposes. The balance sheet is the basic financial statement that discloses the assets, liabilities, and equity of district funds as of a specified date.

The balance sheet of each fund is combined by fund type (Governmental, Proprietary, and Fiduciary) and account group (GFAAG and GLTDAG) for reporting in the district's consolidated balance sheet to disclose the district's financial condition at a particular point in time. Assets and liabilities are generally listed in order of liquidity from most (cash) to least (capital assets) liquid. Alternatively, assets may be reported in the following subgroups: current assets, non-current assets, capital assets, current liabilities, and long-term liabilities.

All financial transactions can be stated in terms of their effect on the equation:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Assets are resources owned or held by a fund that have a probable future economic benefit. For example, cash is used to purchase future goods and services while capital assets are used to perform specific functions that benefit future periods.

Liabilities are debts or other legal obligations arising from past financial transactions that must be liquidated, renewed or refunded at some future date. Liabilities do not include encumbrances, which are budgetary commitments of funds that do not become legal obligations until delivery of the product or services.

Equity is the difference between the assets and liabilities of a fund.

The 9000 series of accounts records the results of financial transactions and their effect on the balance sheet. The following is the basic balance sheet chart of accounts; each account with its subordinate classifications, is defined in the remainder of this chapter.

Assets

Current Assets

- 9100 Cash, Investments, and Receivables
- 9200 Inventories, Stores, and Prepaid Items

Non-Current Assets

- 9300 Fixed Assets
- 9400 Other Debits

Liabilities

Current Liabilities

- 9500 Current Liabilities and Deferred Revenues

Long-Term Liabilities

- 9600 Long-Term Liabilities

Equity

9700 Fund Balance

- 9710 Fund Balance Reserved
- 9750 Fund Balance Designated
- 9790 Fund Balance Unrestricted

9800 Other Equity

- 9810 Contributed Capital
- 9850 Retained Earnings
- 9890 Investment in General Fixed Assets

Normally, asset accounts are debit balances, and liability and equity accounts are credit balances. Contra accounts may be used to record offsetting entries to asset, liability or equity accounts. Such contra accounts have the opposite balance as their counterparts (e.g., contra-assets have credit balances and contra-liability and contra-equity accounts have debit balances). For example, Asset account-Accumulated Depreciation-Buildings is a contra-asset account used to record the cost associated with the expiration of the estimated service life of buildings. Similarly, Equity account-Encumbrances is a contra-equity account used to reserve the portion

of Fund Equity that is committed (e.g., by purchase orders) for future expenditures upon vendor performance, such as for the delivery of goods or services.

The classifications presented here provide major and subordinate reporting categories. Account numbers have not been prescribed for subordinate classifications in order that districts have discretionary control over the assignment of account numbers.

ASSETS**9100 Cash, Investments, and Receivables**

Cash Awaiting Deposit
Cash in Bank(s)
Cash in County Treasury
Cash with Fiscal Agent
Revolving Funds
Investments
Accounts Receivable
Due from Other Funds
Student Loans Receivable

These accounts record the results of financial transactions and their effect on available cash, investments of surplus cash, and moneys due.

Account 9100, Cash, Investments, and Receivables, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Cash Awaiting Deposit

Cash receipts not yet deposited in the county treasury or bank accounts, including money held in clearing accounts awaiting deposit in the county treasury.

Cash in Bank(s)

Cash maintained in separate bank accounts or other commercial depositories. All money deposits should be in a financial institution whose accounts are federally insured. Amounts in excess of the federal insurance limit should be collateralized by agreement with the financial institution.

Cash in County Treasury

Cash maintained in the treasury of the county having jurisdiction over the district, including amounts processed through the county superintendent of schools, if applicable.

Cash with Fiscal Agent

Cash held in an institution (usually a commercial bank or trust company) designated by the district to act as a fiduciary and as the custodian of moneys related to debt financing (e.g., Tax Revenue Anticipation Notes and bond issues).

Revolving Funds

Cash maintained in a special bank account set aside for the purpose of making change or immediate payments of small amounts. Examples include imprest, petty cash, and change funds.

Invoices for these payments are accumulated and the account is reimbursed at least monthly from district funds to maintain the cash account at the predetermined amount.

Investments

Surplus moneys (not required for immediate use) invested in investment pools (e.g., Local Agency Investment Fund) or other investment instruments such as stocks, bonds, notes, Treasury bills, certificates, debentures, or other obligations issued by the federal government or by banks for cooperatives. Refer to *Government Code* Section 53600 et seq., for a definition of appropriate investment instruments and reporting requirements.

Such investments are to be carried on the books at the current fair value as prescribed by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

Accounts Receivable

The amount due from firms, corporations, governmental units, and individuals, including outstanding salary and travel advances to employees.

Amounts due from students (e.g., fees), with the exception of student loans, are included as Accounts Receivable.

Property tax revenues from assessments attributable to the fiscal year being reported that are not received by year-end are recorded as accounts receivable to the extent that they are both measurable and available. Such revenues are considered available if they are expected to be collected soon enough to be used to pay liabilities of the current period (usually 60 to 90 days). Contact the county auditor to determine the amount to record as a receivable. Property tax revenues received that are more or less than the accrual established in the prior year and are not the result of an error, as described in the Governmental GAAP Guide, should be recorded as an increase or abatement to the current-year revenue and not an adjustment to the beginning fund balance.

Amounts due from other funds of the district are not recorded as Accounts Receivable, but are recorded as "Due From Other Funds."

Due from Other Funds

The amount due from other funds of the district. At any point in time, this amount must equal the amount due to other funds within each reporting entity; however, if funds operate on different fiscal years, the due to and due from accounts between the funds may not be equal.

Student Loans Receivable

The amount due from outstanding loans to students under all loan programs. All other amounts due from students (e.g., fees) are recorded as accounts receivable.

ASSETS**9200 Inventories, Stores, and Prepaid Items**

Inventories and Stores
Prepaid Items

These accounts record financial transactions and their effect on asset accounts for the cost of materials, supplies, and resale merchandise purchased and kept on hand for future consumption or sale. In addition, the accounts record prepayment for goods and services to be provided and consumed in a future period.

Account 9200, Inventories, Stores, and Prepaid Items, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Inventories and Stores

The cost of all materials, supplies, and consumable items kept in storage for future consumption or sale.

Prepaid Items

The cost of services or goods paid for in advance but not yet received such as prepaid rent, prepaid interest and premiums on unexpired insurance .

The portion of a payment in advance that provides benefits beyond the current reporting period is recorded as Prepaid Items. In subsequent periods, prepaid amounts are reduced and recorded as expenditures as the benefits are received (e.g., as insurance coverage expires).

ASSETS**9300 Fixed Assets**

- Sites
 - Site Improvements
 - Accumulated Depreciation—Site Improvements
 - Buildings
 - Accumulated Depreciation—Buildings
 - Library Books
 - Equipment
 - Accumulated Depreciation—Equipment
 - Work in Progress
-

These accounts record the results of financial transactions and their effect on assets of a long-term character that are intended to continue to be held or used (fixed assets). These assets are of a permanent nature and have continuing value, such as land, buildings, machinery, furniture, and other equipment. The following accounts are found only in the General Fixed Assets Account Group (GFAAG) and Proprietary Funds Group—Enterprise Funds (EF) and Internal Service Funds (ISF) as noted. Fixed assets with contra depreciation allowances, are accounted in the Proprietary Funds and Fiduciary Funds groups. For the Governmental Funds Group, the financial acquisitions of fixed assets are recognized as expenditures in the period of the financial transaction; therefore, the General Fixed Assets account with its contra account, Investment in General Fixed Assets, are maintained as an account group. These entries are memorandum only.

For each subordinate classification within this Fixed Assets account group, a detailed accountability by items shall be maintained as to its acquisition, disposition dates, fund cost, and description. The detailed accounting shall be memorandum only. If such historical records have not been maintained previously, the district should begin work toward compliance with this requirement by documenting current acquisitions, and a reasonable recognition needs to be made for the past acquisitions of fixed assets. Fixed assets acquired through donations shall be recorded at fair market value.

Account 9300, Fixed Assets, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Sites

The cost of sites or land owned by the district (applicable to GFAAG, EF, and ISF).

Site Improvements

The cost of all permanent improvements, other than buildings, which add value to land (applicable to GFAAG, EF, and ISF). See the corresponding section of Accounting for Expenditures and Other Outgo, Object of Expenditure 6100 for clarification.

Accumulated Depreciation—Site Improvement

The accumulation of periodic credits made to record the expiration of the estimated service life of improvements other than buildings (applicable to EF and ISF) (Credit).

Buildings

The cost of permanent structures purchased or constructed by the district and improvements thereto (applicable to GFAAG, EF, and ISF).

Accumulated Depreciation—Buildings

The accumulation of periodic credits made to record the expiration of the estimated service life of buildings (applicable to EF and ISF) (Credit).

Library Books

The cost of books purchased for the college library (applicable to GFAAG).

Equipment

The cost of tangible property of a permanent nature, other than land or buildings and improvements thereon (applicable to GFAAG, EF, and ISF). Examples include machinery, tools, trucks, cars, furniture, and furnishings.

Equipment is defined as having a purchase price of \$200 or more and a useful life of one year or longer. The threshold for maintaining equipment in a trace inventory system and for recording the asset in the General Fixed Assets Account Group is \$1,000 and a useful life of one year or longer. Equipment purchased with funds from categorical programs, grants or contracts (e.g., VTEA) may be subject to specific additional or conflicting requirements. Consult the specific grant or contract literature for compliance requirements.

Accumulated Depreciation—Equipment

The accumulation of periodic credits made to record the expiration of the estimated service life of machinery and equipment (applicable to EF and ISF) (Credit).

Work in Progress

The cost of construction work undertaken but not yet completed (applicable to GFAAG and EF).

ASSETS**9400 Other Debits**

Amount Available in Debt Service Funds
Amount to be Provided

These two memorandum accounts apply only to the General Long-Term Debt Account Group (GLTDAG). The sum of the two must equal the total outstanding balance of general long-term debt.

Account 9400, Other Debits, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Amount Available in Debt Service Funds

The fund balance available in Debt Service Funds for the retirement of general long-term debt.

While the GLTDAG is used to record, as a memorandum entry, the general long-term debt of a district, Debt Service Funds are used to accumulate resources for the purpose of retiring long-term obligations. Therefore, the fund balance (difference between the assets and liabilities) of the Debt Service Funds is the amount of resources available to retire long-term liabilities of the GLTDAG.

Amount to be Provided

The amount needed to be provided from taxes or other general revenues in a future period to retire the outstanding general long-term debt. This account records the amount of unfunded debt only and excludes any applicable interest. Over time, the debt balance will be reduced to zero by the accumulation of funds and redemption of debt by the Debt Service Funds.

LIABILITIES
9500 Current Liabilities and Deferred Revenue

Accounts Payable
 Accrued Salaries and Wages Payable
 Compensated Absences Payable - Current
 Due to Other Funds
 Temporary Loans
 Current Portion of Long-Term Debt
 Deferred Revenue

These accounts are used to record the results of financial transactions and their effect on current liabilities, obligations for payments, and deferred revenue moneys advanced by other parties. In Governmental Funds, only the current portion of liabilities is recorded. The current portion is the amount that normally would be liquidated with expendable available financial resources (usually defined as less than two to twelve months).

The long-term portion of liabilities are recorded in separate accounts identified in the 9600 series of accounts. In Governmental Funds and similar Trust Funds, the long-term portion is recorded in the General Long-Term Debt Account Group (GLTDAG). Proprietary Funds and Nonexpendable Trust Funds use the full accrual basis of accounting, which results in recognition of the total liability in these funds.

If a district accumulates resources to retire, in whole or in part, its long-term liabilities (e.g., compensated absences), the resources may be recorded in a Debt Service Fund, or other appropriate fund. This results in an increase in the Amount Available in Debt Service Funds and a decrease in Amount to be Provided accounts in the GLTDAG. One alternative to this method is to record a liability equal to the accumulated resources in the same fund as the amount available for retirement of long-term debt, rather than in the GLTDAG, since the liabilities will be liquidated with the fund's "expendable available financial resources."

Account 9500, Current Liabilities and Deferred Revenue, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Accounts Payable

The amount due to individuals, firms, corporations, or governmental units for services or goods received prior to the end of the fiscal year. Amounts due to other funds of the district and temporary loans are not recorded as Accounts Payable.

Accrued Salaries and Wages Payable

The amount owed to employees for salaries, wages, and the related benefits.

Compensated Absences Payable - Current

The amount of vested leaves of absence (e.g., vacation and Workload Balancing Programs commonly referred to as "load banking") expected to be paid in the current period. GASB Statement No. 16, "Accounting for Compensated Absences," requires that a liability be accrued as compensated absences are earned if:

1. The leave is attributable to past service; and
2. It is probable that the district will compensate the employees through paid time off or some other means, such as cash payments at termination or retirement.

Examples of compensated absences include accumulated hours attributable to vacation and workload balancing programs. In general, accumulated sick leave or eligibility for sabbatical leave are not recognized as a liability unless they satisfy both of the GASB No. 16 criteria. Most sabbatical programs are contingent on performance of an approved plan and, therefore, do not meet the first criteria. In addition, despite the possibility that sick leave may be converted to years of service at retirement, it is not considered a vested benefit that requires a cash payment at termination or retirement.

To calculate the liability for compensated absences, the accumulated hours of earned leave is multiplied by the pay rates in effect at the balance sheet date. The result is then increased by the amount of salary-related costs paid by the employer (i.e., payroll taxes, worker's compensation insurance, pension contributions, and other benefits). In the case of a Workload Balancing Program, there may be an alternative rate, other than the employee's current pay rate, that is used for determining the liability.

To determine the current portion of compensated absences, a district may use a calculated standard usage rate or use the actual rate at which compensated absences accrue for a period of one year. The district may wish to consult with its contracted district auditor for assistance in determining the current portion of its liability for compensated absences.

For compensated absences attributable to the General Fund, only the current portion of the liability is recorded in the fund. The long-term portion is recorded in the General Long-Term Debt Account Group. However, in proprietary and fiduciary funds, both the current and long-term portions are recorded in the funds.

To avoid reporting the current salary "banked" by all employees participating in a Workload Balancing Program as taxable income in the period in which it is earned, the district should adopt strict guidelines related to employees' access to amounts credited to their accounts. In addition, cash payments to employees should be disallowed, except in cases when the cash-out is driven by rules beyond the employee's control (e.g., termination, critical emergencies, or payout of nominal residual balances).

In cases where the individual has control over when income is received, the IRS applies Internal Revenue Regulation 1.451-2(a), which reads as follows:

“Income although not actually reduced to a taxpayer’s possession is constructively received by him in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time, or so that he could have drawn upon it during the taxable year if notice of intention to withdraw had been given. However, income is not constructively received if the taxpayer’s control of its receipt is subject to substantial limitations or restrictions.”

Under this regulation, income is taxable at the earliest date that the income could have been received. Therefore, if employees are allowed to “cash-out” all or a portion of their banked load, the IRS will determine that the income is taxable at the earliest time the election could be made. The earnings of all employees participating in the Workload Balancing Program would then be reported as income and subject to taxes when such excess services are rendered.

Due to Other Funds

Amounts due to other funds of the district. This amount must equal the amount due **from** other funds within each reporting entity at any given point in time. However, if funds operate on different fiscal years, the due to and due from accounts between the funds may not be equal.

Temporary Loans

The amount borrowed for short periods of time and usually evidenced by notes payable. These loans may be unsecured or secured by specific revenues to be collected, such as tax anticipation notes (TAN or TRAN). Tax Revenue Anticipation Notes are used by some districts to assure adequate cash flow during the fiscal year if local tax receipts or State funds are not timed to meet the district’s operational needs.

Current Portion of Long-Term Debt

The amount of long-term debt (e.g., bonds, COP, etc.) to be extinguished within the next fiscal period. When establishing the amount for the Current Portion of Long-Term Debt, the related long-term portion shall be reduced by an equal amount.

Deferred Revenue

Grants, contracts, fees, categorical allowances, or apportionment amounts received that are unearned as of the end of the fiscal year but that will be recorded as income subsequently, when earned. Examples of Deferred Revenues include enrollment fees for subsequent periods and categorical or other restricted revenues received but not spent or obligated by year-end that will be available the next year.

LIABILITIES**9600 Long-Term Liabilities**

Bonds Payable
Revenue Bonds Payable
Certificates of Participation
Lease/Purchase or Capital Lease
Compensated Absences - Long-Term
Post-Employment Benefits - Long-Term
Other Long-Term Liabilities

These accounts record the results of financial transactions and their effect on long-term liabilities (debt with a maturity date of more than one year) and are applicable only to the General Long-Term Debt Account Group (GLTDAG) and the Proprietary Funds Group—Enterprise Fund (EF) as noted below. The Governmental Funds Group spending measurement focus is centered on current liabilities. Since noncurrent (long-term) liabilities do not affect net current assets until a future period, such long-term amounts are not recognized as Governmental Funds Group expenditures or liabilities.

The liability for all general long-term debt is recorded as a memorandum entry in the GLTDAG. The accumulation of resources for the purpose of retiring general long-term debt is recorded in the Debt Service Funds (see “Other Debits” accounts in Asset section). As general long-term obligations mature and become payable within the next reporting period, the liability transfers from the GLTDAG to either the General Fund (GF) or Debt Service Funds (DSF). In the GLTDAG, a memorandum entry reduces the liability and related debit accounts. In the GF or DSF, the entry to record the expenditure prior to payment results in an increase in the appropriate current liability account.

Account 9600, Long-Term Liabilities, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Bonds Payable

The face value of general obligation bonds outstanding, which are not due within one year.

Revenue Bonds Payable

The face value of revenue bonds outstanding, which are not due within one year.

Certificates of Participation (COP)

The net present value of the minimum capital lease payments, which are not due within one year.

Capital lease payments are recorded as expenditures in the fund which received the proceeds and acquired or constructed the assets.

Lease/Purchase or Capital Lease

The net present value of the minimum lease payments, which are not due within one year.

When lease payments are made the total payment is recorded in the fund that acquired the asset, while only the amount representing principal (net of imputed interest) is recorded in the GLTDAG.

Assets acquired through lease-purchase agreements are required to be capitalized and the related liability recorded—if they meet any one of the following criteria:

1. Ownership is transferred to the lessee by the end of the lease term.
2. There is a bargain purchase option.
3. The lease term is 75 percent or more of the estimated economic life of the leased property.
4. The value of the minimum lease payments is 90 percent or more of the fair value of the leased property at the inception of the lease.

Compensated Absences - Long-Term

The amount of vested leaves of absence (e.g., vacation and Workload Balancing Programs commonly referred to as “load banking”) which are not expected to be paid within one year. See Compensated Absences in Current Liabilities section for description.

Post-Employment Benefits

The noncurrent portion of post-employment retirement benefits may also be included in this account if the district uses the accrual basis for accounting for post-employment benefits. Under the accrual basis, costs are recognized as employees are rendering the service to earn or be eligible to receive the post-employment benefit. If the district uses the accrual basis of accounting for post-employment benefits, categorical programs may be charged for the cost of providing future benefit to employees who are working in categorically funded programs. An actuarial study should be conducted on a periodic basis to determine the present value of the district’s total future post-employment benefit

cost for all eligible district employees and the related cost associated with an individual employee. The amount of the funded liability is typically set aside in an Internal Service Fund while the unfunded liability is recorded in the General Long-Term Debt Account Group.

If the cash basis is used to account for post-employment benefits, the cost may **not** be charged to categorical programs. In addition, the unfunded liability must be disclosed, at a minimum, in the notes to the financial statements.

Other Long-Term Liabilities

The noncurrent portion of other long-term liabilities such as Emergency Apportionment (CCR §58316), Energy Loans (EC §81663) and Instructional Improvement Loans (CCR §56684), as well as the noncurrent portions of liabilities for judgments and claims. Descriptive account titles should be used in accounting for such items.

EQUITY

9700 Fund Balance
9800 Other Equity

The total liabilities plus the equity of a fund equals the total assets of the fund. Fund Balance is used by Governmental and Expendable Trust Funds. Fund Balance consists of three main parts: Fund Balance Reserved, Fund Balance Designated, and Fund Balance Unrestricted. Other Equity is used by Proprietary Funds, Nonexpendable Trust Funds, and the General Fixed Asset Account Group. Other Equity consists of Contributed Capital, Retained Earnings, and Investment in General Fixed Assets.

EQUITY**9700 Fund Balance****9710 Fund Balance Reserved**

Noncash Assets
 Amounts Restricted by Law for Specific Purposes
 Reserve for Encumbrances (Credit)
 Encumbrances (Debit)
 Reserve for Debt Service

9750 Fund Balance Designated

Designated for Commitments by Contract or Other Legal Obligation
 Designated for Self Insurance Programs
 Designated for Payments Resulting from Court Orders
 Designated for Specific Future Purposes

9790 Fund Balance Unrestricted

Fund balance accounts are used to record the difference between assets and liabilities in Governmental and Expendable Trust Funds. The primary distinction between the three subcategories is the nature and source of the restrictions, if any, placed on how the available fund balance may be used.

In general, a fund's beginning fund balance should equal the ending fund balance of the prior period. According to the 1995 Governmental GAAP Guide, the only reason for making an adjustment to the beginning fund balance is the "Correction of an error in the financial statements of a prior period." Errors may result from: mathematical mistakes, mistakes in the application of accounting principles, oversight or misuse of facts that existed at the time the financial statements were prepared, or a change from an accounting principle that is not generally accepted to one that is generally accepted. Materiality should be considered in determining whether an adjustment to beginning fund balance is necessary.

Revenues received or expenditures paid that are more or less than the accrual established in the prior year and are not the result of an error, as described above, should be recorded as an increase or abatement to the current-year revenue or expenditure and not an adjustment to the beginning fund balance.

9710 Fund Balance Reserved

Fund Balance Reserved includes that portion of the fund balance that is (1) legally restricted to a specific future use or (2) not available for appropriation or expenditure.

The nature and source of restriction in the Fund Balance Reserved account is external (i.e., the restriction is due to factors beyond the control of the district).

Account 9710, Fund Balance Reserved, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Noncash Assets

The amount of noncash assets that are not readily available to meet current operational needs.

Investments (i.e., stocks and bonds) that are not readily liquid or are otherwise unmarketable should be reported at the current fair value.

Revolving funds and investments that are of a short-term nature and thus readily liquid are **not** to be included here.

Noncash assets shall be identified by subcategory:

- Investments
- Student Loans Receivable
- Stores and Inventories
- Prepaid Items

Amounts Restricted by Law for Specific Purposes

The amount of available resources restricted as to use by law or source. Examples include unexpended revenues received, and not deferred, from student loan programs, redevelopment agency taxes and international student capital outlay fees.

Restricted amounts do not include amounts set aside (i.e., designated) by action of the governing board but include only amounts restricted by law, court action, or donor. Board-imposed designations are not restrictions in the sense applied here.

Reserve for Encumbrances (Credit)

This account is used to represent the amount of fund balance committed for payment of Encumbrances. It is used to recognize contingent liabilities in the form of purchase orders, contracts and salary commitments and are chargeable to the appropriation, for which a part of that appropriation balance should be reserved.

Encumbrances (Debit)

An amount equal to that portion of the fund balance that has been committed for expenditures upon vendor performance, such as for the delivery of goods or services (includes purchase orders, contracts, salaries, and the like). Encumbrances is used in budgeting and does not represent GAAP expenditures or liabilities, but represents the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

Reserve for Debt Service

The amount restricted by debt service agreements to be held as reserves for future retirement of debt.

9750 Fund Balance Designated

Fund Balance Designated is the portion of unreserved fund balance for which the governing board has indicated by its resolution plans for use in a future period. Such board designations reflect an "intent," which may be changed by subsequent resolution.

Account 9750, Fund Balance Designated, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Designated for Commitments by Contract or Other Legal Obligation

The amount of contract or other legal obligation designated by board action to come from the unreserved fund balance.

Designated for Self-Insurance Programs

The amount designated by board action to come from the unreserved fund balance for the district's self-insurance program. Such amounts become available for other future district operations.

Designated for Payments Resulting from Court Orders

The amount required to be paid by court orders and designated by board action to come from the unreserved fund balance.

Designated for Specific Future Purposes

The amount designated by board resolution to come from the unreserved fund balance for the following:

- Capital Outlay
- General Reserve (See definition)
- Leases and Lease-Purchases
- Personal Services and/or Consulting Contracts
- Revolving Funds
- Other

9790 Fund Balance Unrestricted

Account 9790, Fund Balance Unrestricted, is used for any portion of the fund balance not reserved or designated, as defined above, and available for future appropriations.

EQUITY**9800 Other Equity**

- 9810 Contributed Capital
 - 9850 Retained Earnings
 - 9890 Investment in General Fixed Assets
-

Other equity accounts are used to record the difference between assets and liabilities of Proprietary Funds, Nonexpendable Trust Funds and the General Fixed Asset Account Group (GFAAG).

9810 Contributed Capital

Account 9810, Contributed Capital, is used to record the permanent contribution of monetary or nonmonetary assets to a proprietary fund. Examples of transactions recorded in the Contributed Capital account include permanent transfers of cash or general fixed assets or receipt of a grant that is externally restricted to capital acquisition or construction.

9850 Retained Earnings

Account 9850, Retained Earnings, is used to record the difference between assets and the sum of liabilities and contributed capital in proprietary funds and nonexpendable trust funds. This account represents the accumulated earnings in these funds.

9890 Investment in General Fixed Assets

Account 9890, Investment in General Fixed Assets, is a memorandum account in the GFAAG which represents the district's equity in general fixed assets. This account group includes all applicable Governmental Funds, but not Proprietary Funds nor Fiduciary Funds. The balance of this account is subdivided according to the source of the moneys from which asset acquisitions are financed. The entries are memorandum only.

The display of the GFAAG is a necessary part of the annual financial reports of the districts.

Appendix A

Chart of Accounts

FUND TITLES

GOVERNMENTAL FUNDS GROUP

- 10 General Fund**
 - 11 Unrestricted Subfund
 - 12 Restricted Subfund
- 20 Debt Service Funds**
 - 21 Bond Interest and Redemption Fund
 - 22 Revenue Bond Interest and Redemption Fund
 - 29 Other Debt Service Fund
- 30 Special Revenue Funds**
 - 31 Bookstore Fund
 - 32 Cafeteria Fund
 - 33 Child Development Fund
 - 34 Farm Operation Fund
 - 35 Revenue Bond Project Fund
 - 39 Other Special Revenue Fund
- 40 Capital Projects Funds**
 - 41 Capital Outlay Projects Fund
 - 42 Revenue Bond Construction Fund

PROPRIETARY FUNDS GROUP

- 50 Enterprise Funds**
 - 51 Bookstore Fund
 - 52 Cafeteria Fund
 - 53 Farm Operations Fund
 - 59 Other Enterprise Fund
- 60 Internal Service Funds**
 - 61 Self-Insurance Fund
 - 69 Other Internal Services Fund

• = Account Code determined by district.

Chart of Accounts**FUND TITLES (Continued)****FIDUCIARY FUNDS GROUP****70 Trust Funds**

- 71 Associated Students Trust Fund
- 72 Student Representation Fee Trust Fund
- 73 Student Body Center Fee Trust Fund
- 74 Student Financial Aid Trust Fund
- 75 Scholarship and Loan Trust Fund
- 76 Investment Trust Fund
- 77 Deferred Compensation Trust Fund
- 79 Other Trust Funds

80 Agency Funds

- 81 Student Clubs Agency Fund
- 82 Scholarship and Loan Agency Fund
- 83 Foundation Agency Fund
- 84 Joint Powers Agreement Custodian Agency Fund
- 85 Deferred Compensation Agency Fund
- 89 Other Agency Funds

ACCOUNT GROUPS**90 Account Groups (NOT A FUND; Memorandum Only)**

- 91 General Fixed Assets Account Group
- 92 General Long-Term Debt Account Group

(The previous version of the Chart of Accounts noted that underlined accounts were illustrative pending statewide automated reporting. The underlines have been removed with the implementation of the Electronic CCFS-311.)

• = Account Code determined by district.

Chart of Accounts**REVENUE TITLES****8100 FEDERAL REVENUES**

- 8110 Forest Reserve
- 8120 Higher Education Act
- 8130 Workforce Investment Act (formerly Job Training Partnership Act)
- 8140 Temporary Assistance for Needy Families (TANF)
- 8150 Student Financial Aid
- 8160 Veterans Education
- 8170 Vocational and Technical Education Act (VTEA)
- 8190 Other Federal Revenues

8600 STATE REVENUES**8610 General Apportionments**

- Apprenticeship Apportionment
- State General Apportionment
- Other General Apportionments

8620 General Categorical Programs

- Child Development
- Extended Opportunity Programs and Services (EOPS)
- Disabled Students Programs and Services (DSPS)
- Temporary Assistance for Needy Families (TANF)
- Calif. Work Opportunities and Responsibility to Kids (CalWORKs)
- Telecom. and Tech. Infrastructure Program (TTIP)
- Other General Categorical Programs

8650 Reimbursable Categorical Programs

- Community College Construction Act
- Scheduled Maintenance and Special Repair Program
- Instructional Improvement Grant
- Other Reimbursable Categorical Programs

8670 State Tax Subventions

- Homeowners' Property Tax Relief
- Timber Yield Tax
- Other State Tax Subventions

8680 State Non-Tax Revenues

- State Lottery Proceeds
- State Mandated Costs
- Other State Non-Tax Revenues

Chart of Accounts

• = Account Code determined by district.

REVENUE TITLES (Continued)

- 8600 STATE REVENUES (Continued)**
- 8690 Other State Revenues**
-
- 8800 LOCAL REVENUES**
- 8810 Property Taxes**
- 8811 Tax Allocation, Secured Roll
 - 8812 Tax Allocation, Supplemental Roll
 - 8813 Tax Allocation, Unsecured Roll
 - 8814 Voted Indebtedness, Secured Roll
 - 8815 Voted Indebtedness, Unsecured Roll
 - 8816 Prior Years Taxes
 - 8817 Education Revenue Augmentation Fund (ERAF)
-
- 8820 Contributions, Gifts, Grants, and Endowments**
- 8830 Contract Services**
- Contract Instructional Services
 - Other Contract Services
- 8840 Sales and Commissions**
- 8850 Rentals and Leases**
- 8860 Interest and Investment Income**
- 8870- Student Fees and Charges**
- 8885**
- 8871 Child Development Services
 - 8872 Community Service Classes
 - 8873 Dormitory
 - 8874 Enrollment
 - 8875 Field Trips and Use of Nondistrict Facilities
 - 8876 Health Services
 - 8877 Instructional Materials Fees and Sales of Materials
 - 8878 Insurance
 - 8879 Student Records
 - 8880 Nonresident Tuition

Chart of Accounts**REVENUE TITLES (Continued)****8800 LOCAL REVENUES (Continued)**

• = Account Code determined by district.

8870- Student Fees and Charges (Continued)

8885

- 8881 Parking Services and Public Transportation
- 8883 Student Center Fee
- 8884 Student Representation Fee
- 8885 Other Student Fees and Charges

8890 Other Local Revenues

8900 OTHER FINANCING SOURCES

8910 Proceeds of General Fixed Assets

- Compensation for Loss of General Fixed Assets
- Sale of Equipment and Supplies
- Sale of Land and Buildings

8940 Proceeds of General Long-Term Debt

- Sale of Bonds
- Other General Long-Term Debt

8980 Incoming Transfers

- Interfund Transfers-In
- Intrafund Transfers-In
- Other Incoming Transfers

(The previous version of the Chart of Accounts noted that underlined accounts were illustrative pending statewide automated reporting. The underlines have been removed with the implementation of the Electronic CCFS-311.)

• = Account Code determined by district.

Chart of Accounts
EXPENDITURE BY ACTIVITY TITLES

INSTRUCTIONAL ACTIVITIES

0100	Agriculture and Natural Resources
0200	Architecture and Environmental Design
0400	Biological Sciences
0500	Business and Management
0600	Communications
0700	Computer and Information Science
0800	Education
0900	Engineering and Related Industrial Technologies
1000	Fine and Applied Arts
1100	Foreign Language
1200	Health
1300	Consumer Education and Home Economics
1400	Law
1500	Humanities (Letters)
1600	Library Science
1700	Mathematics
1800	Military Studies
1900	Physical Sciences
2000	Psychology
2100	Public Affairs and Services
2200	Social Sciences
3000	Commercial Services
4900	Interdisciplinary Studies
5900	Instructional Staff—Retirees' Benefits and Retirement Incentives

• = Account Code determined by district.

Chart of Accounts**EXPENDITURE BY ACTIVITY TITLES (Continued)****ADMINISTRATIVE AND SUPPORT ACTIVITIES**

- 6000 Instructional Administration and Instructional Governance**
 6010 Academic Administration
 6020 Course and Curriculum Development
 6030 Academic/Faculty Senate
 6090 Other Instructional Administration and Instructional Governance
- 6100 Instructional Support Services**
 6110 Learning Center
 6120 Library
 6130 Media
 6140 Museums and Galleries
 6150 Academic Information Systems and Technology
 6190 Other Instructional Support Services
- 6200 Admissions and Records**
- 6300 Student Counseling and Guidance**
 6310 Counseling and Guidance
 6320 Matriculation and Student Assessment
 6330 Transfer Programs
 6340 Career Guidance
 6390 Other Student Counseling and Guidance
- 6400 Other Student Services**
 6420 Disabled Students Programs and Services (DSPS)
 6430 Extended Opportunities Programs and Services (EOPS)
 6440 Health Services
 6450 Student Personnel Administration
 6460 Financial Aid Administration
 6470 Job Placement Services
 6480 Veterans Services
 6490 Miscellaneous Student Services
- 6500 Operation and Maintenance of Plant**
 6510 Building Maintenance and Repairs
 6530 Custodial Services
 6550 Grounds Maintenance and Repairs
 6570 Utilities
 6590 Other Operation and Maintenance of Plant
- 6600 Planning, Policymaking, and Coordination**
- Chart of Accounts**

• = Account Code determined by district.

EXPENDITURE BY ACTIVITY TITLES (Continued)**ADMINISTRATIVE AND SUPPORT ACTIVITIES (Continued)****6700 General Institutional Support Services**

- 6710 Community Relations
- 6720 Fiscal Operations
- 6730 Human Resources Management
- 6740 Noninstructional Staff—Retirees' Benefits and Retirement Incentives
- 6750 Staff Development
- 6760 Staff Diversity
- 6770 Logistical Services
- 6780 Management Information Systems
- 6790 Other General Institutional Support Services

6800 Community Services and Economic Development

- 6810 Community Recreation
- 6820 Community Service Classes
- 6830 Community Use of Facilities
- 6840 Economic Development
- 6890 Other Community Services and Economic Development

6900 Ancillary Services

- 6910 Bookstores
- 6920 Child Development Centers
- 6930 Farm Operations
- 6940 Food Services
- 6950 Parking
- 6960 Student and Co-curricular Activities
- 6970 Student Housing
- 6990 Other Ancillary Services

7000 Auxiliary Operations

- 7010 Contract Education
- 7090 Other Auxiliary Operations

7100 Physical Property and Related Acquisitions**7200 Long-Term Debt and Other Financing**

- 7210 Long-Term Debt
- 7220 Tax Revenue Anticipation Notes (TRANS)
- 7290 Other Financing

• = Account Code determined by district.

Chart of Accounts

EXPENDITURE BY ACTIVITY TITLES (Continued)

ADMINISTRATIVE AND SUPPORT ACTIVITIES (Continued)

- 7300 Transfers, Student Aid, and Other Outgo**
 - 7310 Transfers
 - 7320 Student Aid
 - 7390 Other Outgo

- 7900 Appropriation for Contingencies (for budgetary purposes only)**

(The previous version of the Chart of Accounts noted that underlined accounts were illustrative pending statewide automated reporting. The underlines have been removed with the implementation of the Electronic CCFS-311.)

• = Account Code determined by district.

Chart of Accounts
EXPENDITURE BY OBJECT TITLES

- 1000 ACADEMIC SALARIES**
- 1100 Instructional Salaries, Contract or Regular Status**
 - 1200 Noninstructional Salaries, Contract or Regular Status**
 - Educational Administrators
 - Other
 - 1300 Instructional Salaries, Other**
 - 1400 Noninstructional Salaries, Other**
 - Educational Administrators
 - Other
- 2000 CLASSIFIED AND OTHER NONACADEMIC SALARIES**
- 2100 Noninstructional Salaries, Regular Status**
 - Administrators and Supervisors
 - Other
 - 2200 Instructional Aides, Regular Status**
 - Direct Instruction
 - Other
 - 2300 Noninstructional Salaries, Other**
 - Administrators and Supervisors
 - Other
 - 2400 Instructional Aides, Other**
 - Direct Instruction
 - Other
- 3000 EMPLOYEE BENEFITS**
- 3100 State Teachers' Retirement System (STRS) Fund**
 - Academic Instructors and Instructional Aides (Direct Instruction)
 - Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
 - Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other

• = Account Code determined by district.

Chart of Accounts**EXPENDITURE BY OBJECT TITLES (Continued)****3000 EMPLOYEE BENEFITS****3200 Public Employees' Retirement System (PERS) Fund**

- Academic Instructors and Instructional Aides (Direct Instruction)
- Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
- Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other

3300 Old Age, Survivors, Disability, and Health Insurance

- Academic Instructors and Instructional Aides (Direct Instruction)
- Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
- Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other

3400 Health and Welfare Benefits

- Academic Instructors and Instructional Aides (Direct Instruction)
- Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
- Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other

3500 State Unemployment Insurance

- Academic Instructors and Instructional Aides (Direct Instruction)
- Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
- Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other

Chart of Accounts**EXPENDITURE BY OBJECT TITLES (Continued)****3000 EMPLOYEE BENEFITS (Continued)**

• = Account Code determined by district.

- 3600 Workers' Compensation Insurance**
- Academic Instructors and Instructional Aides (Direct Instruction)
 - Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
 - Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other
- 3700 Local/Alternative Retirement Systems**
- Academic Instructors and Instructional Aides (Direct Instruction)
 - Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
 - Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other
- 3900 Other Benefits**
- Academic Instructors and Instructional Aides (Direct Instruction)
 - Classified and Other Nonacademic Employees
 - Administrators and Supervisors
 - Other
 - Other Academic Employees (Noninstructional)
 - Educational Administrators
 - Other
- 4000 SUPPLIES AND MATERIALS**
- Software
 - Books, Magazines and Periodicals
 - Instructional Supplies and Materials
 - Noninstructional Supplies and Materials

Chart of Accounts

EXPENDITURE BY OBJECT TITLES *(Continued)*

- 5000 OTHER OPERATING EXPENSES AND SERVICES *(Continued)***
- Audit
 - Contract Services
 - Depreciation
 - Dues and Membership
 - Election

• = Account Code determined by district.

- Insurance
- Interest
- Legal
- Personal and Consultant Services
- Postage
- Rents and Leases
- Repairs and Maintenance
- Self-Insurance Claims
- Travel and Conference Expenses
- Utilities and Housekeeping Services
- Other

6000 CAPITAL OUTLAY**6100 Sites and Site Improvements**

- Sites
- Site Improvement

6200 Buildings**6300 Library Books****6400 Equipment**

- Additional
- Replacement

7000 OTHER OUTGO**7100 Debt Retirement (Long-Term Debt)**

- Debt Reduction
- Debt Interest and Other Service Charges

7200 Intrafund Transfers-Out**Chart of Accounts****EXPENDITURE BY OBJECT TITLES (Continued)****7000 OTHER OUTGO (Continued)****7300 Interfund Transfers-Out****7400 Other Transfers****7500 Student Financial Aid****7600 Other Student Aid****7900 Reserve for Contingencies**

• = Account Code determined by district.

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Chart of Accounts

BALANCE SHEET ACCOUNT TITLES

ASSETS

- 9100 Cash, Investments, and Receivables**
- Cash Awaiting Deposit
 - Cash in Bank(s)
 - Cash in County Treasury
 - Cash with Fiscal Agent
 - Revolving Funds
 - Investments
 - Accounts Receivable
 - Due from Other Funds
 - Student Loans Receivable
- 9200 Inventories, Stores, and Prepaid Items**
- Inventories and Stores
 - Prepaid Items
- 9300 Fixed Assets**
- Sites
 - Site Improvements
 - Accumulated Depreciation—Site Improvements
 - Buildings
 - Accumulated Depreciation—Buildings
 - Library Books
 - Equipment
 - Accumulated Depreciation—Equipment
 - Work in Progress
- 9400 Other Debits**
- Amount Available in Debt Service Funds
 - Amount to be Provided

LIABILITIES

- 9500 Current Liabilities and Deferred Revenue**
- Accounts Payable
 - Accrued Salaries and Wages Payable
 - Compensated Absences Payable - Current
 - Due to Other Funds
 - Deferred Revenue

Chart of Accounts

• = Account Code determined by district.

BALANCE SHEET ACCOUNT TITLES (Continued)**LIABILITIES (Continued)**

- Temporary Loans
- Current Portion of Long-Term Debt
- 9600 Long-Term Liabilities**
 - Bonds Payable
 - Revenue Bonds Payable
 - Certificates of Participation (COPs)
 - Lease/Purchase or Capital Lease
 - Compensated Absences - Long-Term
 - Post-Employment Benefits - Long-Term
 - Other Long-Term Liabilities

EQUITY**9700 Fund Balance****9710 Fund Balance Reserved**

- Noncash Assets
 - Investments
 - Student Loans Receivable
 - Stores and Inventories
 - Prepaid Items
- Amount Restricted by Law for Specific Purposes
- Reserve for Encumbrances
 - Encumbrances
- Reserve for Debt Service

9750 Fund Balance Designated

- Designated for Commitments by Contract or Other Legal Obligation
- Designated for Self-Insurance Programs
- Designated for Payments Resulting from Court Orders
- Designated for Specific Future Purposes
 - Capital Outlay
 - General Reserve
 - Leases and Lease-Purchases
 - Other
 - Personal Services and/or Consulting Contracts
 - Revolving Funds

9790 Fund Balance Unrestricted**Chart of Accounts****BALANCE SHEET ACCOUNT TITLES (Continued)**

• = Account Code determined by district.

EQUITY (Continued)

9800	Other Equity
9810	Contributed Capital
9850	Retained Earnings
9890	Investment in General Fixed Assets

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• = Account Code determined by district.

Glossary¹

50 Percent Law. The "50 Percent Law", as defined in *Education Code* Section 84362 and *California Code of Regulations* Section 59200 et seq., requires California Community College districts to spend each fiscal year 50% of the current expense of education for payment of salaries of classroom instructors. The intent of the statute is to limit class size and contain the relative growth of administrative and noninstructional costs. The *Annual Financial and Budget Report* (CCFS-311) includes actual data on the district's current expense of education and compliance with the 50% Law. (See Current Expense of Education.)

Abatement. A complete or partial cancellation of an item of income or expenditure.

Academic employee. A district employee who is required to meet minimum academic standards as a condition of employment.

Account code. A sequence of numbers and/or letters assigned to ledger accounts to classify transactions by fund, object, activity, etc..

Accounting. (1) The special field concerned with the design and implementation of procedures for the accumulation and reporting of financial data. (2) The process of identifying, measuring, and communicating financial information to permit informed judgments and decisions by users of the information.

Accounting period. Any period of time at the end of which a district determines its financial position and results of operations.

Accounting procedures. All processes which identify, record, classify, and summarize financial information to produce reports and to provide internal control.

Accounting system. The total structure of records and procedures which identify, record, classify, and report information on the financial operations of an agency through its funds, account groups, and organizational components.

Accounts payable. A short-term liability account reflecting amounts due to others for goods and services received prior to the end of an accounting period (includes amounts billed, but not paid).

¹ Most of these definitions are from *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR).

Accounts receivable. An asset account reflecting amounts due from others for goods and services provided prior to the end of an accounting period (includes amounts advanced but not repaid).

Accrual basis. The method of accounting which calls for recognizing revenue/gains and expenses/losses in the accounting period in which the transactions occur regardless of the timing of the related cashflows. (Contrast with Cash Basis.)

Activity. A set of institutional functions or operations related to an academic discipline or a grouping of services.

Actuarial basis. A basis used in computing the amount of contributions to be made periodically to a fund or account so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund. The factors considered in arriving at the amount of these contributions include the length of time over which each contribution is to be held and the rate of return compounded on such contribution over its life.

Ad Valorem Tax. A tax on the value of a product or property.

Administrator. For the purpose of *Education Code* Section 84362, "Administrator" means any employee in a position having significant responsibilities for formulating district policies or administering district programs.

Agency Fund. A fund used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by the county for a college district.

Allocation. Division or distribution of resources according to a predetermined plan.

Amortization. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

Amount Available in Debt Service Fund. An "other debit" account in the General Long-Term Debt Account Group designating the amount of assets available in Debt Service Funds for the retirement of outstanding amounts in the General long-term liabilities.

Amount to Be Provided. An "other debit" account in the General Long-Term Debt Account Group that represents the amount to be provided from taxes of other general revenues to retire outstanding general long-term liabilities.

Annual Appropriation Limit (Gann Limit). In California, all governmental jurisdictions, including community college districts, must compute an annual appropriation limit based on the amount in prior years adjusted for changes in population, cost-of-living, and other factors, if applicable (Article XIII-B of the *State Constitution*).

Annuity. A series of equal money payments made or received at equal intervals during a designated period of time.

Apportionment. Allocation of State or federal aid, district taxes, or other moneys to community college districts or other governmental units.

Apportionment notice. A document notifying community college districts of moneys deposited on their behalf with the county treasurer.

Appraisal. An estimate of value made by the use of systematic procedures based upon physical inspection and inventory, engineering studies, and other economic factors.

Appropriation. A legal authorization granted by a legislative or governing body to make expenditures and incur obligations for a specified time and purpose.

Appropriation for contingencies (formerly termed *Undistributed Reserve*). That portion of current fiscal year's budget not appropriated for any specific purpose and held subject to intrabudget transfer, i.e., transfer to other specific appropriations as needed during the fiscal year.

Appropriation ledger. A set of accounts for amounts allocated or budgeted. Such accounts usually show the amount originally appropriated, transfers to or from other accounts, amounts charged against the appropriation, encumbrances, unencumbered balances, and other related information.

Arbitrage. Classically, the simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

Assessed valuation. Value placed upon personal and real property by a governmental unit as a basis for levying taxes.

Assessment. (1) The process of making the official valuation of property for purposes of taxation. (2) The valuation placed upon property as a result of this process.

Assessment roll. In the case of real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner are usually listed. In the case of personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property, and its assessed value.

Asset. A probable future economic benefit obtained or controlled by an entity as a result of past transactions or events. (See also Current assets and Fixed assets.)

Associated Students Fund. The fund designated to account for moneys held in trust by the district for student body associations.

Audit. An examination of financial statements and related documents, records, and accounts for the purpose of determining the propriety of transactions, whether transactions are recorded properly and whether statements drawn from accounts reflect an accurate picture of financial operations and financial status. Audits may also include reviews of compliance with applicable laws and regulations, economy and efficiency of operations and effectiveness in achieving program results. The general focus of the annual audit conducted on the district is usually a financial statement examination and compliance review.

Audit report. The report prepared by an auditor. As a rule, the report includes: (a) a statement of the scope of the audit; (b) explanatory comments (if any) concerning exceptions by the auditor as to application of generally accepted auditing standards; (c) opinions; (d) explanatory comments (if any) concerning verification procedures; (e) financial statements and schedules; and (f) sometimes statistical tables, supplementary comments, and recommendations.

Auditor's opinion. A statement signed by an auditor which states that she or he has examined the financial statements of the entity in accordance with generally accepted auditing standards (with exceptions, if any) and expresses an opinion on the financial position and results of operations of some or all of the constituent funds and balanced account groups.

Available cash. Cash on hand or on deposit in a given fund that is unencumbered and can be utilized for meeting current obligations.

Average Daily Attendance (ADA). The student workload unit formerly used as the basis for computation of State support for California Community Colleges. An ADA represents 525 class (contact) hours of student instruction/activity. The term ADA has been replaced by Full-time Equivalent Students (FTES). For details on ADA or FTES, see the Chancellor's Office *Student Attendance Accounting Manual* and form CCFS-320.

Balance sheet. A basic financial statement that shows assets, liabilities, and equity of an entity as of a specific date conformity with GAAP.

Basis of Accounting. A term used to refer to *when* revenues, expenditures, expenses, and transfers—and the related assets and liabilities—are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

Bond. Most often, a written promise to pay a specified sum of money, called the face value, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate.

Bond discount. The excess of the face value of a bond over the price (exclusive of accrued interest) for which it is acquired or sold.

Bond Interest and Redemption Fund. The fund designated to account for receipt and expenditure of property tax revenue specified for payment of the principal and interest on outstanding bonds of the district. (See Revenue Bond Interest and Redemption Fund.)

Bond premium. The excess of the purchase or sale price of a bond, exclusive of accrued interest, over its face value.

Bonded debt. The portion of district indebtedness represented by outstanding bonds.

Bonds authorized and unissued. Legally authorized bonds that have not been sold.

Book value. Value as shown in the "book" of accounts. In the case of assets subject to reduction by valuation allowances, "book value" refers to cost or stated value less any appropriate allowance. A distinction is sometimes made between "gross book value" and "net book value," the former designating value before allowances and the latter after their deduction. In the absence of any modifier, however, "book value" is synonymous with "net book value."

Books of original entry. The ledgers in which transactions are formally recorded for the first time (e.g. the cash journal, check register, or general journal). With automated bookkeeping methods, one transaction may be recorded simultaneously in several records, one of which may be regarded as the book of original entry. Memorandum books, check stubs, files of duplicate sales invoices, etc., whereon first or prior business notations may have been made, are not books of original entry in the accepted meaning of the term, unless they are also used as the medium for direct posting to the ledgers.

Bookstore Fund. The fund designated to account for operation of the college store.

Budget. A plan of financial operation for a given period consisting of an estimate of expenditures and the proposed means of financing them.

Budget document. The instrument used by the budget-making authority to present a comprehensive financial program to the governing authority (form CCFS-311 for California Community Colleges). Included is a balanced statement of revenues and expenditures (both actual and budgeted), as well as other exhibits.

Budgetary control. The management of business affairs in accordance with an approved plan of estimated income and expenditures.

Budgeting. The process of allocating available resources among potential activities to achieve the objectives of a organization.

Building Fund. See Capital Outlay Projects Fund.

Cafeteria Account. Receipts and disbursements of the cafeteria operation processed through a bank.

Cafeteria Fund. The fund designated to account for food services.

Capital assets. See fixed assets.

Capital outlay. The acquisition of or additions to fixed assets, including land or existing buildings, improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings, or equipment.

Capital Outlay Projects Fund. The fund designated to account for the accumulation of receipts and disbursements for the acquisition or construction of capital outlay items. A fund established under Capital Projects Funds.

Capital Projects Funds. Category of funds in the Governmental Funds Group used to account for the acquisition or construction of capital outlay items.

Cash. An asset account reflecting currency, checks, money orders, bank deposits, and banker's drafts either on hand or on deposit with an official or agent designated as custodian of cash. Any restrictions or limitations as to the use of cash must be indicated.

Cash advance. Money received or paid out before the goods or services.

Cash basis. Method of accounting in which income and expenditures are recorded only when cash is actually received or disbursed.

Cash collections awaiting deposit. Receipts on hand awaiting deposit in the county treasury or bank.

Cash discount. An allowance received or given for payment made on an account within a stated period. The term is not to be confused with "trade discount."

Cash in bank. Cash balances in bank accounts.

Cash in County Treasury. Cash balances in the county treasury.

Cash with Fiscal Agent. An asset account reflecting deposits with fiscal agents, such as a commercial bank or a trust company, designated by the district to act as a fiduciary and as the custodian of moneys relating to debt financing.

Certified Public Accountant. An accountant to whom a state has granted a certificate showing that he or she has met prescribed educational, experience, and examination requirements designed

to insure competence in the practice of public accounting. The accountant holding such a certificate is permitted to use the designation Certified Public Accountant.

Chart of Accounts. A systematic list of accounts applicable to a specific entity.

Check. A written order on a bank to pay on demand a specific sum of money to the order of the named payee(s) out of money on deposit to the credit of the maker (payor).

Child Development Fund. The fund designated to account for child development services.

Classification. Assignment of items into a system of categories.

Classification by activity. Categorization of district activities according to the unique function or purpose served.

Classified employee. A district employee who is not required to meet minimum academic standards as a condition of employment.

Clearing accounts. Accounts used to accumulate total receipts or expenditures for later distribution among the accounts to which such receipts or expenditures are properly allocable or for recording the net differences under the proper account (See also revolving cash account, prepaid expenses, and petty cash).

Code. (1) A distinguishing reference number or symbol. (2) A statement of the laws of a specific field; e.g., *Education Code (EC)*, *Penal Code (PC)*, *Civil Code (CC)*, *Labor Code (LC)*, etc.

Coding. A system of numbering or otherwise designating accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used reveals quickly certain required information. An example is the numbering of monthly recurring journal entries to indicate the month and the nature of the entry and the numbering of invoices or vouchers so that the number reveals the date of entry.

Community services. Educational, cultural, and recreational services which an educational institution may provide for its community in addition to its credit and noncredit programs. Community college districts receive no direct State apportionment for community services.

Compensated Absences. Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

Contingent liabilities. Items which may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. All contingent liabilities should be

disclosed within the basic financial statements, including the notes thereto when there is a reasonable possibility a loss may have occurred.

Contracted services. Services rendered by personnel who are not on the payroll of the college system, including all related expenses covered by the contract.

Contributed Capital. The permanent fund capital of a proprietary fund. Contributed capital forms one of two classifications of equity found on the balance sheet of a proprietary fund. Contributed capital is created when a residual equity transfer is received by a proprietary fund, when a general fixed asset is "transferred" to a proprietary fund or when a grant is received that is externally restricted to capital acquisition or construction. Contributions restricted to capital acquisition and construction and fixed assets received from developers and customers, as well as amounts of tap fees in excess of related costs, also would be reported in this category.

Controlling account. A summary account, usually maintained in the general ledger, in which is recorded the aggregate of debit and credit postings to a number of identical, similar, or related accounts called subsidiary accounts. Its balance equals the sum of the balances of the detailing accounts.

Cost. The amount of money or other consideration exchanged for goods or services. Cost may be incurred even before money is paid; that is, as soon as liability is incurred.

Cost accounting. The method of accounting which provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

Cost of Goods Sold. The dollar amount incurred for materials, labor, etc., used in producing a good sold during the period. For example, amount paid for lumber, labor, and utilities used to manufacture a chair would be the cost of that item.

Credit. The right side of a double-entry accounting entry. A credit reduces assets or expenditures and increases income, liabilities, or fund balance.

Current assets. Assets that are available or can be made readily available to pay for the cost of operations or to pay current liabilities.

Current Expense of Education (CEE)—EC §84362, CCR §§59200 et seq. The Unrestricted General Fund expenditures of a community college district in Objects of Expenditure 1000 through 5000 and 6400 (Equipment Replacement Subobject) for activity codes 0100 through 6700. Excluded from the current expense of education are expenditures for student transportation, food services, community services, lease agreements for plant and equipment, and other costs specified in law and regulations. Amounts expended from State Lottery proceeds are also excluded. (See 50 Percent Law.)

Current liabilities. Amounts due and payable for goods and services received prior to the end of the fiscal year. Current liabilities are paid within a relatively short period of time, usually within a year.

Current loan. A loan payable in the same fiscal year in which the money was borrowed.

Current taxes. Taxes levied and becoming due within one year.

Data processing. (1) The preparation and handling of information and data from source media through prescribed procedures to obtain such end results as classification, problem solution, summarization, and reports. (2) The preparation and handling of financial information wholly or partially by mechanical or electronic means. (See Electronic Data Processing [EDP].)

Debit. The left side of a double-entry accounting entry. A debit increases assets or expenditures and reduces income, liabilities, or fund balance.

Debt limit. The maximum amount of bonded debt for which an entity may legally obligate itself.

Debt service. Expenditures for the retirement of principal and interest on long-term debt.

Deferred charges. Expenditures that are not chargeable to the fiscal period in which they are made, but that are carried as an asset on the balance sheet pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time and are not regularly recurring costs of operations which are paid for prior to their occurrence. Examples include discounted bonds sold and prepaid expenses, such as insurance.

Deferred Revenue. Revenue received prior to being earned such as bonds sold at a premium, advances received on federal or State program grants, or enrollment fees received for a subsequent period.

Deficit. 1. The excess of liabilities over assets. 2. The excess of expenditures or expenses over revenues during an accounting period.

Delinquent taxes. Taxes remaining unpaid on or after the date on which a penalty for nonpayment is attached (see also prior years' taxes).

Depreciation. Expiration in the service life of fixed assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

Designated income. Income received for a specific purpose.

Direct activity charges. Charges for goods or services that exclusively benefit the activity.

Direct expenses or costs. Expenses specifically traceable to specific goods, services, activities, programs, functions, units, or departments. Direct expenses or costs differ from indirect expenses or costs in that the latter cannot be specifically traced and so must be allocated on some systematic and rational basis.

Disbursements. Payments by currency, check, or warrant (the term is not synonymous with expenditures).

Double entry. A system of bookkeeping that maintains equality of debits and credits.

Due from " " Fund. An asset account used by the lender fund to reflect short-term obligations owed by another fund.

Due to " " Fund. A liability account used by the borrowing fund to reflect short-term obligations owed to another fund.

Interest income. A sum of money received or due to be received for the use of money loaned or invested.

Educational Administrator. *Education Code* Section 87002 and *California Code of Regulations* Section 53402(c) define "educational administrator" as an administrator who is employed in an academic position designated by the governing board of the district as having direct responsibility for supervising the operation of or formulating policy regarding the instructional or student services program of the college or district. Educational administrators include, but are not limited to, chancellors, presidents, and other supervisory or management employees designated by the governing board as educational administrators.

Effective interest rate. The rate of earning on a bond investment based on the actual price paid for the bond, the coupon rate, the maturity date, and the length of time between interest dates, in contrast with the nominal interest rate.

Electronic data processing (EDP). Data processing by means of electronic equipment. (See data processing.)

Eminent domain. The power of a government to acquire private property for public purposes. It is frequently used to obtain real property which cannot be purchased from owners in a voluntary transaction. Where the power of eminent domain is exercised, owners are compensated by the government in an amount determined by the courts.

Employee benefits. Amounts paid by an employer on behalf of employees. Examples are group health or life insurance payments, contributions to employee retirement, district share of O.A.S.D.I. (Social Security) taxes, and worker's compensation payments. These amounts are not

included in the gross salary, but are over and above. While not paid directly to employees, they are a part of the total cost of employees.

Encumbrances. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

Enterprise Funds. A subgroup of the Proprietary Funds Group used to account for operations when the governing board has decided either that the total cost of providing goods and services on a continuing basis (expenses including depreciation) be financed or recovered primarily through user charges; or that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Entitlement. The amount of payment to which an entity is entitled pursuant to an allocation formula contained in applicable statutes

Entry. (1) The record of a financial transaction in its appropriate book of account. (2) The act of recording a transaction in the books of account.

Equipment. Tangible property with a purchase price of at least \$200 and a useful life of more than one year, other than land or buildings and improvements thereon. See Appendix E, Guidelines for Distinguishing Between Supplies and Equipment.

Estimated revenue. Expected receipt or accruals of moneys from revenue or nonrevenue sources during a given period.

Expendable Trust Fund. A Trust Fund whose resources, including both principal and earnings, may be expended. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

Expenditures. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and share revenues. Accounts kept on an accrual basis include all charges whether cash has been paid or not. Accounts kept on a cash basis include only actual cash disbursements.

Expense of Education. This includes all General Fund expenditures, restricted and unrestricted, for all objects of expenditure 1000 through 5000 and all expenditures of activity from 0100 through 6700.

Expenses. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

Face value. The value stated on a negotiable instrument. As applied to securities, the amount stated in the security document.

Farm Operation Fund. The fund designated to account for the operation of the college farm.

Fees. Amounts collected from or paid to individuals or groups for services or for use of facilities.

Fidelity bond. A written promise to indemnify an employer for losses arising from theft, defalcation, or misappropriation of moneys by government officers and employees.

Fiduciary Funds Group. A group of funds used to account for assets held by the district in a trustee or agent capacity on behalf of individuals, private organizations, student organizations, other governmental units, and/or other funds.

Financial and Compliance Audit. An examination leading to the expression of an opinion on (1) the fairness of presentation of the audited entity's basic financial statements in conformity with GAAP, and (2) the audited entity's compliance with the various finance-related legal and contractual provisions used to assure acceptable governmental organizational performance and effective management stewardship. Public sector oversight bodies typically require independent auditors to include responses to standardized legal compliance audit questionnaires in financial and compliance audit reports.

Fiscal year. A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. For governmental entities in the State of California, the period beginning July 1 and ending June 30.

Financial Resources. Cash and other assets that, in the normal course of operations, will become cash.

Fiscally Independent/Fiscally Dependent Government. A government is fiscally independent if it can (1) determine its budget without another government having the substantive authority to approve and modify that budget, (2) levy taxes or set rates or charges without substantive approval by another government and (3) issue bonded debt without substantive approval by another government. A government is fiscally dependent if it is unable to complete one or more of these procedures without the substantive approval of another government.

Fixed assets. Long-lived tangible assets having continuing value such as land, buildings, machinery, furniture, and equipment.

Fixed costs. Costs of providing goods and services that do not vary proportionately to enrollment or to the volume of goods or services provided (e.g., insurance and contributions to retirement systems).

Fixtures. Attachments to buildings that are not intended to be removed and cannot be removed without damage to the buildings. Those fixtures with a useful life presumed to be as long as that of the building itself are considered a part of the building; all others are classified as equipment.

Flow of Current Financial Resources. A measurement focus that recognizes the net effect of transactions on current financial resources by recording accruals for those revenue and expenditure transactions which have occurred by year end that are normally expected to result in cash receipt or disbursement early enough in the following year either (a) to provide financial resources to liquidate liabilities recorded in the fund at year end or (b) to require the use of available expendable financial resources reported at year end.

Flow of Economic Resources. The measurement focus used in the commercial model and in proprietary and similar trust funds to measure economic resources, the claims to those economic resources and the effects of transactions, events and circumstances that change economic resources and claims to those resources. This focus includes depreciation of fixed assets, deferral of unearned revenues and prepaid expenses, and amortization of the resulting liabilities and assets. Under this measurement focus, all assets and liabilities are reported on the balance sheet, whether current or noncurrent. Also, the accrual basis of accounting is used, with the result that operating statements report expenses rather than expenditures.

Flow of Financial Resources Measurement Focus. A new measurement focus proposed for governmental funds in the GASB's exposure draft *Measurement Focus and Basis of Accounting - Governmental Funds* (December 1987). It is:

a measure of the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period against financial resources, and the net financial resources available for future periods. This is accomplished by measuring the increases and decreases in net financial resources and the balances of and claims against financial resources using an accrual basis of accounting.

This definition uses the term "financial resources" in a way that differs from its current use. See Financial Resources. In this instance, the term means cash, claims to cash (e.g., accounts and taxes receivable), and claims to goods or services (e.g., prepaid items) obtained or controlled as a result of past transactions or events. See Flow of Current Financial Resources.

Force account. A method employed in the construction and/or maintenance of fixed assets whereby a district's own personnel are used instead of an outside contractor. This method also calls for the purchase of materials by the district and the possible use of its own equipment, but the distinguishing characteristic of the force account method is the use of the district's own personnel subject to specified limits.

Full-time Equivalent (FTE) Employees. Ratio of the hours worked based upon the standard work hours of one full-time employee. For example, classified employees may have a standard

work load of 40 hours per week, if several classified employees worked 380 hours in one week, the FTE conversion would be $380/40$ or 9.5 FTE.

Full-time Equivalent Students (FTES). An FTES represents 525 class (contact) hours of student instruction/activity in credit and noncredit courses. Full-time equivalent student (FTES) is one of the workload measures used in the computation of state aid for California Community Colleges. (See form CCFS-320, "Apportionment Attendance Report.")

Functional accounting. A system of accounting in which records are maintained to accumulate income and expenditure data by purpose and usually are further classified within generalized functional areas such as instruction, administration, or operations.

Fund. An independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein.

Fund balance. The difference between fund assets and fund liabilities of governmental and similar trust funds.

Fund group. Compilation of two or more individual funds used to report sources and uses of resources in providing some major service or group of services.

Funded debt. See bonded debt, the preferred term.

Gann Limit. See Annual Appropriation Limit.

General Fixed Asset Account Group (GFAAG). A self-balancing group of accounts used to account for fixed assets used in operations accounted for in governmental funds. General fixed assets include all fixed assets not accounted for in Proprietary Funds or in Trust and Agency Funds.

General Fund. The fund used to account for the ordinary operations of the district. It is available for any legally authorized purpose not specified for payment by other funds.

General ledger. A record containing the accounts needed to reflect the financial position and the results of operations. General ledger accounts may be kept for any group of items of receipts or expenditures.

General Long-Term Debt Account Group (GLTDAG). A self-balancing group of accounts used to account for the district's unmatured general long-term debt expected to be repaid from governmental funds. The GLTDAG is also used to report that portion of the liabilities for claims, judgments, compensated absences and unfunded pension contributions of governmental and expendable trust funds not expected to be liquidated through the use of expendable available financial resources.

General Reserve. An account to record the reserve budgeted to provide operating cash in the succeeding fiscal year until taxes and State funds become available.

Generally Accepted Accounting Principles (GAAP). Uniform minimum standards and guidelines for financial accounting and reporting.

Gift. Anything of value received from any source for which no repayment or service to the contributor is expected.

Governmental accounting. The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of a governmental entity.

Governmental Accounting Standards Board (GASB). The authoritative accounting and financial reporting standard-setting body for governmental entities.

Governmental funds. Grouping of funds used to account for activities directly related to an institution's educational objectives.

Governmental-Type Activities. Those activities of a government that are carried out primarily to provide services to citizens and that are financed primarily through taxes and intergovernmental grants.

Grade level. Classification of students based on completion of units of credit or some other measure.

Grants. Contributions or gifts of cash or other assets from another government or private organization to be used or expended for a specified purpose, activity or facility.

Gross profit. Net sales less cost of goods sold exclusive of selling and general expenses.

Gross Sales. Total sales before deduction of sales returns and sales allowance.

Imprest account. An account into which a fixed amount of money is placed to make minor disbursements or for a specific purpose (e.g., payroll). As disbursements are made, a voucher is completed to record their date, amount, nature, and purpose. At periodic intervals, or when the money is completely expended, a report with substantiating vouchers is prepared and the account is replenished for the exact amount of the disbursements, and appropriate general ledger accounts are charged. The total of cash plus substantiating vouchers must at all times equal the total fixed amount of money set aside in the imprest account. (See Petty cash and Revolving cash account.)

Income. A term used in proprietary fund-type accounting to represent (1) revenues or (2) the excess of revenues over expenses.

Independent Audit. An audit performed by an independent auditor.

Independent Auditor. An auditor meeting the independence criteria set forth in GAAS or GAGAS.

Indirect expenses or costs. Those elements of cost necessary in the production of a good or service which are not directly traceable to the product or service. Usually these costs relate to objects of expenditure that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management and supervision.

Instructional aide. A person employed to assist classroom instructors and other certificated personnel in the performance of their duties; in the supervision of students; and in instructional tasks which, in the judgment of the certificated personnel to whom the instructional aide is assigned, may be performed by a person not licensed as a classroom instructor (EC §88243).

Interest. A fee charged a borrower for the use of money.

Interfund accounts. Accounts in which transactions between funds are reflected.

Interfund transfers. Money that is taken from one fund and added to another fund without an expectation of repayment.

Internal audit. An examination made by one or more employees to make continuous or periodic checks to determine whether acceptable policies and procedures are followed, established standards are met, resources are used efficiently and economically, accounting and reporting procedures are reliable, and the organization's objectives are being achieved.

Internal control structure. A plan of organization in which employees' duties are arranged and records and procedures designated to provide a system of self-checking, thereby enhancing accounting control over assets, liabilities, income, and expenditures. Under such a system the employees' work is subdivided so that no one employee performs a complete cycle of operation; such procedures call for proper delegation by designated officials.

Internal Service Funds. A subgroup of the Proprietary Funds Group used to account for the financing of goods or services provided on a cost reimbursement basis by one department to other departments within or outside the community college district.

Intrabudget transfers. Amounts transferred from one appropriation account to another within the same fund.

Intrafund transfer. The transfer of moneys within a fund of the district.

Inventory. A detailed list showing quantities and description of property on hand at a given time. It may also include units of measure, unit prices, and values.

Investments. Securities, real estate, etc., held for the production of revenues in the form of interest, dividends, rentals, or lease payments. The term excludes fixed assets used in governmental operations.

Investment in General Fixed Assets. An account in the GFAAG representing the book value of fixed assets.

Invoice. An itemized statement of charges from the vendor to the purchaser for merchandise sold or services rendered.

Job account. An account established to record the accumulation of costs of a specific piece of work; work orders showing charges for material and labor used.

Journal. Any accounting record in which financial transactions of an entity are formally recorded for the first time; e.g., the cash receipts book, check register, and journal voucher.

Journal voucher. A form provided for the recording of certain transactions or information in place of, or supplementary to, the journal or registers.

Judgments. Amounts due to be paid or collected by an entity as the result of court decisions.

Ledger. A group of accounts in which the financial transactions of a governmental unit or other organization are recorded. (See also General ledger and Appropriation ledger.)

Levy. The imposition of taxes, special assessments, or service charges for the support of governmental activities; also, the total amount of taxes, special assessments, or service charges imposed by a governmental unit.

Liabilities. Debt or other legal obligations (exclusive of encumbrances) arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date.

Long-term debt. A loan that extends for more than one year from the beginning of the fiscal year.

Marginal costs. Costs incurred as a result of adding one unit of enrollment or production.

Measurement Focus. The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

Modified accrual basis (modified cash basis). The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available" to finance expenditures of the current

period.” “Available” means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditures either when purchased or when used, and (2) prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

Multiyear Financial Plan (MYFP). A plan that presents financial estimates of programs in tabular form for a period of years. These estimates would reflect the future financial impact of current decisions. Data in the MYFP should be organized along the lines of the program structure.

Net profit. Gross profit less selling and general expenses.

Nonexpendable Trust Fund. A Trust Fund, the principal of which may not be expended. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Nonrevenue receipts. Amounts received that either incur an obligation that must be met at some future date or change the form of an asset from property to cash and therefore decrease the amount and value of property. Money received from loans, sale of bonds, sale of property purchased from capital funds, and proceeds from insurance adjustments constitute most nonrevenue receipts.

Object. Expenditure classification category of an item or a service purchased.

Obligations. Amounts that an entity may be legally required to pay out of its resources. Included are not only actual liabilities, but also unliquidated encumbrances. (See also Liabilities.)

Operating expenses. Proprietary fund expenses related directly to the fund’s primary activities.

Operating income. The excess of proprietary fund operating revenues over operating expenses.

Opportunity costs. The value of an activity or opportunity that must be foregone to implement an alternative.

Order (for payment). See Warrant.

Overdraft. The amount by which checks, drafts, or other demands for payment on the treasury or on a bank account exceed the amount of the balance upon which they are drawn; or the amount by which encumbrances and expenditures exceed the appropriation to which they are chargeable.

Par value. The nominal or face value of a security.

Payroll register. A document accompanying one or more orders on a fund for the payment of salaries or wages to employees which contains the names of such employees and provides information substantiating such orders.

Payroll warrant. A document used as an order or a requisition on funds of an entity to pay salaries or wages.

Petty cash. A sum of money set aside on an imprest basis to make change or to pay small accounts for which the issuance of a formal voucher and check would be too expensive and time-consuming. (See also Imprest account and Revolving cash account.)

Posting. The act of transferring data in an account in a ledger the data, either detailed or summarized, from a book or document of original entry to an account in a ledger.

Prepaid expenses. Goods or services for which payment has been made, but for which benefits have not been realized as of a certain date; e.g., prepaid rent, prepaid interest, and premiums on unexpired insurance. Expenses are recorded in the accounting period in which the related benefits are received.

Prior Years' Taxes. Taxes received in the current fiscal year for delinquencies or impounds in previous fiscal years.

Program. Category of activities with common outputs and objectives. A program may cut across existing departments and agencies.

Program accounting. A system of accounting in which records are maintained to accumulate income and expenditure data by program rather than by organization or by fund.

Program costs. Costs incurred and allocated by program rather than by organization or by fund.

Property tax rate. See Tax rate.

Proprietary Funds Group. A group of funds used to account for those ongoing government activities which, because of their income-producing character, are similar to those found in the private sector.

Proration. Allocation of expenditures or income from a single source to two or more accounts to show the correct distribution of charges or income.

Protested (impounded) taxes. Tax money paid under protest and held by the county auditor pending settlement of the protest.

Purchase order. A document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

Real property. Property consisting of land, buildings, minerals, timber, landscaping, and related improvements.

Rebate. Abatement or refund which represents the return of all or part of a payment.

Reclassification. Redesignation of current year's income or expenditure items previously posted to one account and later determined to be more properly charged to a different account.

Refund. (*Noun*) An amount paid back or credit allowed on account of an overcollection. (See Rebate.) (*Verb*) To pay back or allow credit for an amount because of an overcollection or because of the return of an object sold. (*Verb*) To provide for the payment of an obligation through cash or credit secured by a new obligation.

Registered warrant. A warrant that is registered for future payment on account of a present lack of funds and that is to be paid with interest in the order of its registration number.

Registers. A listing of transactions of like kind that may be totaled and summarized for convenience in posting; e.g., payroll registers, warrant registers, and attendance registers.

Reimbursement. (1) Repayments of amounts remitted on behalf of another party. (2) Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund (e.g., an expenditure properly chargeable to a special revenue fund is initially made from the general fund, and is subsequently reimbursed). These transactions are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund reimbursed. (See also Refund.)

Replacement cost. The amount of cash or other consideration that would be required today to obtain the same asset or its equivalent.

Requisition. A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

Reserve. An amount set aside to provide for estimated future expenditures or losses, for working capital, or for other specified purposes.

Reserve for Encumbrances. The segregation of a portion of a fund balance to provide for unliquidated encumbrances. Separate accounts may be maintained for current and prior year encumbrances.

Resources. All assets owned including land, buildings, cash, estimated income not realized, and, in certain funds, bonds authorized but unissued.

Restricted accounts. Cash or other assets which are limited as to use or disposition by their source. Their identity is therefore maintained and their expenditure or use is also recorded separately.

Revenue. Increase in net assets from other than expense or expenditure refunds or other financing sources (e.g., long-term debt proceeds, residual equity and operating transfers, and capital contributions). See nonrevenue receipts.

Revenue Bond Construction Fund. The fund designated to account for receipts and disbursements of the proceeds from the sale of community college revenue bonds for the acquisition or construction of authorized auxiliary or supplementary facilities.

Revenue Bond Interest and Redemption Fund. The fund designated to pay current interest and principle on bonds issued from receipts recorded in the Revenue Bond Project Fund.

Revenue Bond Project Fund. The fund designated to receive revenues from operation and disburse moneys for operation and maintenance of auxiliary or supplementary facilities for individual or group accommodation acquired or constructed from authorized community college revenue bonds.

Revenue bonds. Bonds whose principal and interest are payable exclusively from earnings of the funded facilities operation.

Revolving Fund. A stated amount of money authorized by the district governing board to be used primarily for emergency or small sundry disbursements. The fund is reimbursed periodically through properly documented expenditures, which are summarized and charged to proper account classifications.

Sales and use tax. A tax imposed upon the sale of goods and services. The use tax is paid in lieu of the sales tax on goods purchased outside the state, but intended for use in the state.

Schedules. Explanatory or supplementary statements that accompany the balance sheet or other financial statements.

Scholarship and Loan Fund. The fund designated to account for moneys received and disbursed for scholarships, grants, and loans to students.

Secured roll. Assessed value of real property, such as land, buildings, secured personal property, or anything permanently attached to land as determined by each county assessor plus the value of the property of public utilities as determined by the State Board of Equalization.

Securities. Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments.

Self-Insurance Fund. An Internal Service Fund designated to account for income and expenditures of self-insurance programs.

Serial annuity bonds. Consecutively numbered or otherwise identified notes or other evidence of obligation in which the annual payment of principal and interest combined are approximately the same each year.

Serial bonds. Consecutively numbered or otherwise identified notes or other evidences of obligation redeemable by installment, each of which is to be paid out of income of the year in which it matures.

Shared revenue. Revenue collected by one governmental unit but shared, usually in proportion to the amount collected, with another unit of government or class of governments.

Short-Term Debt. Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes variable-rate debt, bond anticipation notes, tax revenue anticipation notes and revenue anticipation notes.

Site. Land which has been acquired or is in the process of being acquired.

Source document. Any voucher or other document that supports an entry in the accounting records.

Special Populations. Used to identify individuals with the same or similar characteristics. Commonly used in connection with categorical funding sources to identify eligible recipients. More specific information about certain categories of special populations may be obtained with the assistance of college staff working in those program areas.

Special Revenue Funds. A category of funds used to account for proceeds of specific legally restricted revenue for and generated from activities not directly related to the educational program of the college.

Specifications. Those particular qualities required of products or services.

Statements. Formal written presentations setting forth financial information. The term includes exhibits, schedules, and written reports.

State School Fund—Section B. Moneys appropriated by the Legislature for distribution to community college districts.

Stores. (1) A system that enables supplies to be purchased in large quantities and charged to an asset account. The supplies are charged to the department when distributed. (2) The stockpiling of large amounts of supplies usually in a warehouse for future use. (3) Large quantities of supplies in storage.

Student Body Fund. A fund to control the receipts and disbursements for student association activities.

Student Financial Aid Fund. The fund designated to account for the deposit and payment of student financial aid including grants and loans or other moneys intended for similar purposes and excluding administrative costs.

Subsidiary account. A related account that supports in detail the debt and credit summaries recorded in a controlling account.

Subsidiary ledger. A group of subsidiary accounts, the sum of the balances of which equal the balance of the related controlling account.

Subvention. A grant or provision of assistance or financial support, usually from one governmental unit to a subordinate jurisdiction.

Summary. Consolidation of like items for accounting purposes.

Supervisor. For the purpose of *Education Code* Section 84362 (the Fifty Percent Law), "Supervisor" means any employee having authority, on behalf of the district, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, discipline other employees, adjust their grievances, or effectively recommend such action, if the exercise of such authority is not of a merely routine or clerical nature.

Supplanting. To use one type of funds to provide goods or services previously paid for with another type of funds. Generally, this practice is prohibited when State or federal funds are used to replace local funds.

Supply. A material item of an expendable nature that is consumed, wears out, or deteriorates in use; or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance.

Surety bond. A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document through nonperformance or through defalcation. For example, a surety bond might be required of a contractor or an official who handles cash or securities.

Suspense Account. An account to which postings are made temporarily pending determination of the proper account to be charged or credited.

Tax Revenue Anticipation Notes (TRAN). Instruments issued to secure short-term moneys borrowed in expectation of collection of taxes.

Tax liens. Claims by governmental units upon properties for which taxes levied remain unpaid.

Tax rate. The amount of tax stated in terms of a unit of the tax base; for example, 25 mills per dollar of assessed valuation of taxable property.

Tax rate limit. The maximum rate of tax that a governmental unit may levy.

Tax redemption. Proceeds from the sale of tax-delinquent property.

Tax relief subventions. Amounts received to compensate community colleges for revenues lost due to tax exemptions, such as for business inventory or owner occupied property.

Tax roll. The list showing the amount of taxes levied against each taxpayer or property.

Taxes. Compulsory charges levied within its boundaries by a governmental unit against the income or property of persons, natural or corporate, to finance services performed for the common benefit.

Taxes Receivable. An asset account representing the collected portion of taxes not yet apportioned to an entity at the close of the fiscal year.

Term bonds. Bonds of the same issue maturing at specified times.

Test check. The verification of selected items on the assumption that those selected are representative of the entire group from which they are selected. If no errors are found, the unchecked items in the group are assumed to be correct. Also known as Sampling.

Trade discount. A reduction of the list price, usually expressed as a percent and related to volume of business transacted (not to be confused with cash discount).

Trial Balance. A list of the balances of the accounts in a ledger kept by double entry with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or if their net balance agrees with a controlling account, the ledgers from which the figures are taken are said to be "in balance."

Trust Fund. A fund consisting of resources received and held by an entity as trustee to be expended or invested in accordance with the conditions of the trust.

Tuition. An amount charged for instructional services provided to a student.

Unencumbered balance. That portion of an appropriation or allotment not yet expended or obligated.

Unit cost. The total expenditure for a product, program, or service divided by the total quantity obtained or some other quantitative measure; e.g., total expenditure divided by number of students equals cost per student.

Unrealized income. Estimated income less income received to date; also, the estimated income for the remainder of the fiscal year.

Unsecured roll. Assessed value of personal property other than secured property.

Useful life. The period of time that an asset is of physical useful value. It is established primarily for depreciation and insurance purposes.

Variable costs. Those costs that fluctuate directly with enrollment or volume of business, as opposed to fixed cost.

Vocational and Technical Education Act (VTEA) of 1998. Federal act which provides funds for special studies, demonstration projects, and supplemental services to special populations in identified educational programs, etc.

Voucher. A written document that evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.

Voucher warrant. A form embodying a warrant and voucher in one document.

Warrant. A written order drawn by the governing board or its authorized officer(s) or employee(s) and allowed by the county auditor, directing the county treasurer to pay a specified amount to a designated payee. A warrant may or may not be payable on demand and may or may not be negotiable.

Warrants payable. The face amount of warrants outstanding and unpaid.

Withhold. Money deducted from an amount payable to an employee or a business (e.g., federal and State income taxes withheld from employee payroll checks and by contract agreement the amount retained until final inspection and acceptance on construction projects).

Work in Process. An asset representing the value of partially completed work.

Work order. A written authorization for the performance of a particular job containing a description of the nature and location of the job and specifications for the work to be performed. Such authorizations are usually assigned job numbers and provision is made for accumulating and reporting labor, material, and other costs.

Appendix C

Common Acronyms

AB	Assembly Bill
AICPA	American Institute of Certified Public Accountants
BAM	Budget and Accounting Manual
BFAP	Board Financial Assistance Program
CA	Controlling Account
CalWORKs	California Work Opportunity and Responsibility to Kids
CARE	Cooperative Agencies Resources for Education
CCR	<i>California Code of Regulations</i> (Title 5)
COP	Certificate Of Participation
CPF	Capital Projects Fund
DSPS	Disabled Students Programs and Services
DSF	Debt Service Fund
EC	<i>California Education Code</i>
EF	Enterprise Fund
EOPS	Extended Opportunity Programs and Services, Parts A and B
FASB	Financial Accounting Standards Board
FTES	Full-Time Equivalent Student
GAAFR	<i>Governmental Accounting, Auditing, and Financial Reporting</i>
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GC	<i>Government Code</i>
GF	General Fund
GFAAG	General Fixed Assets Account Group
GLTDAG	General Long-Term Debt Account Group
IBNR	Incurred But Not Reported
IRS	Internal Revenue Service
ISF	Internal Service Fund
JPA	Joint Powers Agreement
LAIF	Local Agency Investment Fund
NCGA	National Council on Governmental Accounting
PCC	Public Contract Code
PERS	Public Employees Retirement System
SEOG	Supplemental Educational Opportunity Grant
SMSR	Scheduled Maintenance and Special Repairs
SRF	Special Revenue Fund
STRS	State Teachers Retirement System
TANF	Temporary Assistance for Needy Families
TOP	Taxonomy Of Programs
TRAN	Tax Revenue Anticipation Note
TTIP	Telecommunications and Technology Information Programs
VTEA	Vocational and Technical Education Act

Appendix E

Guidelines for Distinguishing Between Supplies and Equipment

One common accounting challenge districts face is that of distinguishing between supplies and equipment, between equipment and improvement of grounds, and between equipment/building fixtures and service systems. Nevertheless, districts must correctly identify each expenditure if they are to achieve the necessary uniformity of accounting.

Whether an item should be classified as equipment or as supplies is determined on the basis of the length of time the item is serviceable and on its contribution to the value of the district. For example, supplies are constantly being consumed and replaced without increasing the value of the physical properties of the district. Equipment has relatively permanent value, and its purchase increases the value of the physical assets of the district.

Expenditures made by districts for equipment, improvement of sites, building fixtures and service systems are charged as capital outlay; expenditures for supplies are charged as current expense. The purchase of equipment either as direct purchase or lease-purchase must be recorded in object classification 6400, Equipment.

Supplies are items of expendable nature that are consumed or worn out, deteriorate in use, or are easily broken, damaged or lost. Examples include paper, pencils, cleaning materials, nails, scissors, test tubes and keys.

Items that have a relatively short service life (less than one year) and that, therefore, must be replaced frequently are also charged as supplies. Examples include brooms, tools and rubber stamps.

Computer software and hardware could fall into either category, supplies or equipment, depending on the cost and useful life. To determine which category of expenditure an item belongs, follow the questions and/or guidelines listed below.

Some articles clearly cannot be classified as either supplies or equipment. They have the characteristics of equipment, but they have a low unit cost or are frequently lost, broken or worn out and replaced in normal use. To obtain uniformity, the district should assign items to the various classifications on the basis of the answers to the questions in the list below:

1. Does the item lose its original shape and appearance with use?
2. Is it consumable, with a normal service life of less than one year?

3. Is it easily broken, damaged or lost in normal use?
4. Is it usually more feasible to replace it with an entirely new unit than to repair it?
5. Is it an inexpensive item? Does the small unit cost make it inadvisable to inventory the item? See *Education Code* Section 81600.

If the answer to one of the above five questions is yes, the item should be classified as a supply item and the expenditure should be recorded within object classification 4000. If all answers are no, the item should be classified under object classification 6400, Equipment.

Another method of distinguishing equipment from supplies is to follow the useful flowchart below.

Guidelines for Distinguishing Equipment from Supply Items
(Listed in Priority Order)

- | | | | |
|--|---|----|---|
| Lasts more than two years | ⇒ | NO | |
| ⇓ YES | | | |
| Repair rather than replace | ⇒ | NO | |
| ⇓ YES | | | |
| Independent unit rather than being incorporated into another unit item | ⇒ | NO | At first NO item is declared to be SUPPLY |
| ⇓ YES | | | |
| Cost of tagging and inventory small percent of item cost | ⇒ | NO | |
| ⇓ YES | | | |
| Exceeds minimum dollar value established by the Budget and Accounting Manual (\$200) | ⇒ | NO | |
| ⇓ YES | | | |

EQUIPMENT

By way of example, let us classify both a personal computer and a calculator. The computer is likely to last more than one year, and if it did break down, it is most likely to be repaired. The calculator may last more than one year, but in the event that the calculator stopped working, it

would be replaced, not repaired. Thus, it would be declared a supply. Although it is not necessary to continue down the list of other criteria, note that many of them support the classification of calculator as supply rather than equipment. It would not be subject to special control, because the cost of keeping inventory on it would represent a large percentage of the cost. Nor is the cost in excess of the minimum dollar value established by the Budget and Accounting Manual. All of these criteria strengthen the classification of calculators as supplies.

NOTE: It is important to note that the policies of a district may override any of these guidelines. Districts may also wish to include in their historical inventories, audit trace inventory system, or any other acceptable inventory system those items whose acquisition costs are less than the amount cited in the Budget and Accounting Manual (\$1,000). It may be desirable for individual districts to establish and maintain Capital Accounts for charging noninventoriable equipment that do not warrant the keeping of inventory records.

Repair parts that the district purchases for buildings, equipment and grounds, regardless of cost, are normally charged as supplies and would be accounted for under object 4000. Examples include plumbing fixtures; compressors, if part of a larger unit; bus transmissions; engines; and timer devices for automatic sprinkling systems.

Repair costs are those outlays which are necessary to keep an asset in its intended operating condition but which do not materially increase the value or physical properties of the asset. These costs would be accounted for under object 5000.

In contrast, all additions and betterments to fixed assets should be charged to a Capital Outlay account when acquired or when construction or installation is completed. An addition refers to a physical extension of some existing asset. A betterment exists when part of an existing asset is replaced by another and the replacement provides a significant increase in the life or value of the asset.

Capital Outlay expenditures are those that result in the acquisition of capital assets or additions to capital assets. They are expenditures for sites, improvement of sites, buildings, improvement of buildings, building fixtures, service systems and purchase of initial or additional equipment.

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