



AP 6310 - Accounting

Reference:

Budget and Accounting Manual, Chapters 3 and 4
Education Code, Section 70902

1. All employment requests and requisitions for purchases shall be processed through Business Services to ensure that the document has the proper approval, is charged to the correct account, and that funds are available.
2. Business Services is responsible for the maintenance of an approved system of financial records, including receipts, expenditures, payrolls upon proper certification, the preparation of quarterly financial reports, and other financial statements as directed for all District, Student Body, and other entities' financial transactions.

3. Basis of Presentation

- A. Except for the omission of fixed assets, financial statements are prepared in conformity with generally accepted accounting principles as prescribed by the National Council on Governmental Accounting and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. Except for the omission of fixed assets, the statements include all funds and account groups of the District.
- B. The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and Accounting Manual.

4. Fund Structure and Basis of Accounting

- A. The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or retained earnings, revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

i. Governmental Funds:

1. The General Fund is used to account for all financial transactions not accounted for in another fund.
2. The Special Revenue Fund is used to account for specific revenues earmarked to finance the child development program and its activities.
3. The Debt Service Fund is used to account for the payment of principal and interest on general long-term debt.
4. The Capital Projects Fund is used to account for the acquisition or construction of all major general fixed assets.

ii. Proprietary Funds:

1. The Enterprise Funds are used to account for an operation when it is the intent to operate as a business and to account for its total operating costs.
2. The Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the District.
3. The Fiduciary Funds include the Trust and Agency Funds which are used to account for assets held by the District as trustee or agent.

B. The District acts as an agent in student aid programs. Federal programs such as Federal Work Study, Supplemental Educational Opportunity Grants, and PELL Grant Programs provide a major portion of the loan or grant proceeds, although other Federal, State, and Local programs contributed cash funds to a lesser extent.

C. The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the fixed assets and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the District.

D. The General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds

E. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus

applied.

- F. Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).
 - i. Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.
 - ii. Proprietary funds are accounted for using the accrual basis of accounting.

Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

5. Assets Liabilities, and Equity

- A. Deposits and Investments Cash balances held in banks and in revolving funds are insured by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.
 - i. In accordance with Education Code Section 41001, the District maintains substantially all its cash in the County Treasury. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.
 - ii. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.
- B. Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as inter-fund transfers.
- C. In accordance with GASB No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities, if material, is recognized in the applicable fund at year-end. The noncurrent portion of the liabilities is recognized in the General Long-Term Debt Account Group.
 - i. Accumulated employee sick leave benefits are not recognized as liabilities of the District.
 - ii. The District's policy is to record sick leave as an operating expense in the period

taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

- D. The District reports long-term debt of governmental funds at face value in the general long-term account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.
- E. Reserves and Designations Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.
- F. Although the District maintains a complete list of their equipment as required by Education Code Section 35168 and prescribed by good internal control, they have not, as with most community college districts, maintained historical cost records of all fixed assets, as required by Generally Accepted Accounting Principles.

Reviewed by CPC: 11/12/2024

Next Review Date: Fall 2030