

**ACCOUNTING**

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**I. General**

Procedure is based on the California Community College Budget & Accounting Manual prescribing the minimum accounting standards for classifying revenues & expenses.

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

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

**III. 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.****IV. Classification of Revenues and Other Financing Sources**

Revenues and other financing sources are to be classified by fund and by source. Federal and State revenue classifications are used to record awards or financial assistance which is required to be included in Federal or State compliance reports.

**V. 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**

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Services, unless there is an external requirement to report them as Federal or State Revenue.

**VI. Accounting for Expenditures and Other Outgo**

Detailed expenditure accounting serves several important purposes in that it:

- A. Provides districts with a uniform method of recognizing and classifying expenditures;
- B. Captures information that districts must report in various financial statements;
- C. Facilitates district planning and budget preparation by providing historical information on costs of activities and programs

**VII. The classification of expenditures by activity reflects the purpose of the expenditure. 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 expenditure 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. While certain activities are recorded in a specific fund, some activities may be charged to multiple funds.****VIII. Descriptions of authorized instructional activities are contained in the Taxonomy of Programs (TOP) manual. Although TOP manual provides the mechanism for detailed reporting of instructional activities is required for State fiscal purposes, to report instructional expenditures using a four digit account code comprised of the TOP two digit discipline of 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. For State fiscal purposes, report administrative and support expenditures using a four digit account code comprised of the Administrative Support Activity codes identified in this chapter. Districts may create subsidiary activity categories as needed.****IX. Reference:**

Budget and Accounting Manual, Chapters 3 and 4