

**Business and Fiscal Affairs
DRAFT as of 5/6/13**

AP 6310 ACCOUNTING

References:

Budget and Accounting Manual, Chapters 3 and 4

NOTE: *The following language was suggested by Barbara from the Community College Budget and Accounting Manual (BAM) and auditing standards.*

The California Community Colleges' Board of Governors is responsible to define, establish, and maintain the budgeting and accounting structure and procedures for the California Community Colleges. This responsibility is defined in Education Code Section 70901. Each community college district is required to follow the California Community Colleges Budget and Accounting Manual (BAM) in accordance with Education Code Section 84030.

In addition to the legal requirements of the Education Code, California Code of Regulations (Title 5), 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 provide uniform minimum standards of and guidelines to financial accounting and reporting. They are the framework within which financial transactions are recorded and reported resulting in financial statements that provide comparability between governmental entities, consistency between accounting periods, and reliability for internal and external users of financial statements.

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 governmental unit in conformity with GAAP, and
- b) determine and demonstrate compliance with finance-related legal and contractual provisions.

California community college districts are required to prepare financial reports and annual budgets that report their actual and projected revenues and expenditures on forms provided by the Chancellor's Office. The BAM facilitates 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 annual district audit by the contracted district auditor assesses district compliance with the BAM.

The District has implemented an effective control environment, which ensures reliable financial reporting, effective and efficient operations as well as safeguarding assets against theft and unauthorized use, acquisition, or disposal.

The California Community Colleges record transactions under the modified accrual basis, whereby revenues are recognized when they are earned, measurable, and available. Measureable is 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. In the case of private enterprise type activities, the full accrual basis of accounting is used.

The accounting structure supports reporting requirements and accreditation. The District prepares annual financial reports and supplementary information, the Annual Financial and Budget Report (CCFS-311), and the Quarterly Financial Status Report (CCFS-311Q). In addition, the accounting structure supports the Financial Resources standard of accreditation (Accrediting Commission for Community and Junior Colleges Standard III.D.).

Accounting forms and procedures can be found on the Business Services website.

NOTE: The **red ink** signifies language that is **suggested as good practice** by the Policy and Procedure Service and their legal counsel. The language in **blue ink** was added by Barbara Yesnosky (from the BAM) on May 6, 2013.

Date Approved:

(This is a new procedure recommended by the Policy and Procedure Service)