

UPDATES TO THE CALIFORNIA COMMUNITY COLLEGES BUDGET AND ACCOUNTING MANUAL

July 9-10, 2012

ACTION

Presentation: Frederick E. Harris, Assistant Vice Chancellor, College Finance and Facilities Planning

Item 2.1

Issue

This item presents primarily technical changes and revisions to the California Community Colleges Budget and Accounting Manual. These changes update and improve the accounting procedures of the California Community Colleges. No new program or increased level of district effort is mandated by this revision.

Background

The California Community Colleges Budget and Accounting Manual has the authority of regulation in accordance with title 5 section 59011 of the California Code of Regulations. The manual 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 section 70901. Each community college district is required to follow California Community Colleges Budget and Accounting Manual in accordance with California 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..."

The last manual update was in 2000.

Authoritative Requirements

California community college districts are required by regulations (California Code of Regulations title 5 section 58300 et seq.) to prepare financial reports and annual budgets that report all their actual and projected revenues and expenditures on forms provided by the Chancellor's Office. The California Community Colleges Budget and Accounting Manual 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 manual is primarily written for the individuals who work daily with the community college accounting system; however, the information assists those readers who may desire more detailed understanding of fiscal information for the California Community Colleges. The process to update

the manual includes a coordinated effort from the Chancellor's Office and the Association of Chief Business Officials (Fiscal Standards and Accountability Committee). The annual district audit by the contracted independent auditor will assess district compliance with the manual.

Summary of Recommended Changes

Chapter 1

- Referencing throughout the California Community Colleges Budget and Accounting Manual has now been updated to incorporate current guidance from the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants Accounting Standards Executive Committee and recent implementation guides for new standards and pronouncements.
- The specific web site citing for the Governmental Accounting Standards Board and The Federal Office of Management and Budget guidance is included.
- The budgeting overview and important dates section has been updated to include reporting requirements for the appropriation limit and submission of the annual audited financial statements to the California Community Colleges Chancellor's Office.
- A table of references to California Code of Regulations title 5 is included for significant accounting and budgetary requirements

Chapter 2 – Fund/Structure

- References were removed related to the general fixed asset account group and the general long term debt account group.
- Additional designations and definitions were provided for the Capital Project Fund Type to reflect the General Obligation Bond Fund (Fund Type 43) and Other Capital Project Funds (Fund Type 4X).
- The section related to special accounting applications has been separated to Chapter 7.

Chapter 3 – Accounting for Revenues and Financing Sources

- Provides additional guidance, related to The Federal Office of Management and Budget Circular A-21; *Cost Principals for Educational Institution*.
- Provides referencing to the Catalog of Federal Domestic Assistance.
- Provides guidance for the Proposition 20 Lottery Funds to be included within the Restricted General Fund.
- Provides guidance for redevelopment agency funds accounted for within the General Fund Property Tax object codes and incorporates some language addressing the recent disbandment of the redevelopment agencies.
- Provides a reference to the Student Fee Handbook and the Chancellor's Office website.
- References to student parking fees to be accounted for in the Restricted General Fund.

Chapter 4 – Expenditures and Other Outgo

- Some clean up language throughout to match current guidance and standards.
- Updated references to the Vocational and Technical Education Act have changed to Career and Technical Education Act.
- Administrative and support activities references language to faculty released from instruction.
- Update language for capital outlay plan expenditures to conform to current Governmental Accounting Standards Board guidance.

Chapter 5 – Balance Sheet

- Expands definition of the fund balance classifications and includes guidance to include the classifications of the Governmental Accounting Standards Board Statement 54: Fund Balance Reporting and Governmental Fund Type Definitions.

Chapter 6 –Governmental Accounting and Financial Reporting

- New Chapter to provide guidance for reporting under the business type activity model of the Governmental Accounting Standards Board Statement 35.
- Includes Managements Discussions and Analysis.
- Notes to the financial statements.
- Required supplementary information.
- Reconciliations of governmental funds to the full accrual entity-wide financial reporting.
- Typical consolidation and conversion entries for the financial statement reporting.

The appendix was updated for current regulations and guidance throughout the California Community Colleges Budget and Accounting Manual.

Recommended Action

The recommendation is for the Board of Governors to approve the recent revisions to the California Community Colleges Budget and Accounting Manual.

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