

## AP 6310 Accounting

Reference:

*Community College Budget and Accounting Manual, Chapters 3 and 4*

### Basis of Presentation

1. 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.
2. 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*.

### Fund Structure and Basis of Accounting

3. 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:
  - a. Governmental Funds:
    - i. The General Fund is used to account for all financial transactions not accounted for in another fund.
    - ii. The Special Revenue Fund is used to account for specific revenues earmarked to finance the child development program and its activities.
    - iii. The Debt Service Fund is used to account for the payment of principal and interest on general long-term debt.
    - iv. The Capitol Projects Fund is used to account for the acquisition or construction of all major general fixed assets.
  - b. Proprietary Funds:
    - i. The Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the district.
    - ii. The Fiduciary Funds include the Trust and Agency Funds which are used to account for assets held by the district as trustee or agent.
4. The District acts as an agent in student aid programs. Federal programs such as College 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.

5. Account Groups: The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund is 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.
6. The *General Long-Term Debt Account Group* accounts for long-term liabilities expected to be financed from governmental funds
7. 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.
8. 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).
  - a. Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.
  - b. 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.
9. Budgets and Budgetary Accounting The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.
10. Encumbrances The Imperial Community College District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances were liquidated at June 30 since they do not constitute expenditures or liabilities.

#### Assets Liabilities, and Equity

11. Deposits and Investments Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depositary Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

- a. In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Imperial 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 quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.
  - b. 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.
12. Receivables and Payables Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables.
13. Compensated Absences 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.
  - a. Accumulated employee sick leave benefits are not recognized as liabilities of the District.
  - b. 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.
14. Long-Term Obligations 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.
15. Funds Balance 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.
16. Property Tax Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District. Tax revenues are recognized by the District when received.
17. On-Behalf Payments GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all college districts in California. However, a fiscal advisory was issued by

the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

18. Fixed Assets 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.
19. Deferred Revenue Deferred revenue arises when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.
20. Prepaid Expenditures Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.
21. Total Columns on Combined Statement Total columns on the combined statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.
22. Statement of Cash Flows For the purposes of the Statement of Cash Flows, the Internal Service Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
23. Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.