

## Chapter 4 Accounting for Expenditures and Other Outgo

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## GENERAL

This chapter explains procedures for community college districts to use in accounting for expenditures (payments for employee compensation, goods, and services). This chapter prescribes the minimum accounting standards for classifying expenditures by fund, activity, and object, and for abating expenditures.

Detailed expenditure accounting serves several important purposes in that it:

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Detailed expenditure accounting serves several important purposes in that it:

- provides districts with a uniform method of recognizing and classifying expenditures;
- captures information that districts must report in various financial statements; and
- facilitates district planning and budget preparation by providing historical information on costs of activities and programs.

The classification of expenditures by fund, discussed in Chapter 2 Fund Structure, establishes the rules for determining the appropriate fund and the timing for recognition of the obligation.

In Governmental Funds and Expendable Trust Funds, expenditures are recorded in the accounting period in which the liability is incurred and will be paid with current resources (60-90 days of year-end) – modified accrual basis of accounting. In Proprietary Funds and Nonexpendable Trust Funds expenditures are recognized and recorded at the time the liability is incurred, regardless of the timing of the related cash flow – full accrual basis of accounting. Consequently, reported expenditures will include both actual disbursements and recorded liabilities.

Minimum accounting standards for classifying expenditures by categorical programs within the Governmental Funds Group are not prescribed by this manual. Districts have the additional responsibility to maintain appropriate expenditure control in order to satisfy particular funding source requirements. Examples of such programs include, but are not limited to:

- Federal Career and Technical Education Act (CTEA)

- State      Extended Opportunity Programs and Services (EOPS)
- Local      Parking Services

California Code of Regulations, title 5, section CCR § 58307 limits district expenditures to the amount appropriated for each major expenditure classification as approved by the district governing board through adoption of the district budget (5 C.C.R. § 58305) or as amended by subsequent intrabudget transfers or other budget revisions.

Because of this statutory control language, the budget, and all documents dealing with appropriations, must be prepared according to the same classification plan as that employed to account for expenditures.

## **CLASSIFICATION OF EXPENDITURES BY ACTIVITY**

The classification of expenditures by activity reflects the purpose of the expenditures; 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 expenditures 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. In this manual, the word “salaries” has the same meaning as the term “salaries and wages.” While certain activities are recorded in a specific fund, some activities may be charged to multiple funds. For example, Activity 6900, Ancillary Services, such as bookstore or cafeteria should be recorded in the appropriate Special Revenue or Enterprise fund, while Activity 6500, Operation and Maintenance of Plant, may be applicable in multiple funds.

Descriptions of authorized instructional activities are contained in the Taxonomy of Programs (TOP) manual. Although the TOP manual provides the mechanism for detailed reporting of instructional activities, districts are required, for State fiscal purposes, to report instructional expenditures using a four digit account code comprised of the TOP two digit discipline in 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 or six positions for all direct instructional activities.

Descriptions of authorized Administrative and Support Activities (ASA) are contained in this chapter. Districts are required, for State fiscal purposes, to report administrative and support

expenditures using a four-digit account code comprised of the ASA codes identified in this chapter. Districts may create subsidiary activity categories as needed.

Local district autonomy in priority-setting, budgetary allocation, and expenditure is to be maintained.

## INSTRUCTIONAL ACTIVITIES

0100 Agriculture and Natural Resources

0200 Architecture and Related Technologies

0300 Environmental Sciences and Technologies

0400 Biological Sciences

0500 Business and Management

0600 Media and Communications

0700 Information Technology

0800 Education

0900 Engineering and Industrial Technologies

1000 Fine and Applied Arts

1100 Foreign Language

1200 Health

1300 Family and Consumer Sciences

1400 Law

1500 Humanities (Letters)

1600 Library Science

1700 Mathematics

1800 Military Studies

1900 Physical Sciences

2000 Psychology

2100 Public and Protective Services

2200 Social Sciences

3000 Commercial Services

4900 Interdisciplinary Studies

5900 Instructional Staff-Retirees' Benefits and Retirement Incentives

Expenditures incurred for instructional activities are classified by controlling accounts 0100 through 5900 as shown above. The direct costs of classroom instruction are recorded by discipline within Activities 0100 through 4900. Costs of instruction include expenses incurred in offering credit and noncredit courses approved, either individually or as a part of some larger program, by the Chancellor's Office. Also included are the salaries, benefits, and related expenses of those coordinators, supervisors, departmental chairpersons, and their support staff whose duties are directly related to specific instructional activities. Directors or coordinators whose duties are not related to direct instructional activities, such as directors of EOPS and DSPS and their support staff, are not recorded in these activities but rather in the appropriate administrative and support activity to which their efforts are directed.

Activity 5900, Instructional Staff-Retirees' Benefits and Retirement Incentives, includes expenditures on behalf of retired faculty and prepayments for retirement incentives and benefits that cannot be identified to specific disciplines. Examples of these payments could be to a State retirement system, to a self-insurance fund, joint powers authority or private insurer. Activity 5900 is to be used only to record amounts expended for a district's share of retirees' health and other post-employment benefits (OPEB) costs and for retirement incentive pay for instructors, and instructional aides whose salaries qualified for inclusion as salaries of classroom instructors (5 C.C.R. § 59204).

Also included in Activity 5900 are the prorated portions of the district's share of retirees' OPEB and retirement incentive pay for qualified staff who were not assigned to full-time ~~to~~ instructional assignments. If staff performed instructional and noninstructional assignments ~~in their last year of service~~, charges made to this activity shall be in the same proportion as the time assigned to instruction. (See Activity 6740, Noninstructional Staff-Retirees' Benefits and Retirement Incentives).

## ADMINISTRATIVE AND SUPPORT ACTIVITIES

60xx ~~6000~~ Instructional Administration and Instructional Governance

61xx ~~6100~~ Instructional Support Services

6200 Admissions and Records

63xx ~~6300~~ Student Counseling and Guidance

64xx ~~6400~~ Other Student Services

65xx ~~6500~~ Operation and Maintenance of Plant

6600 Planning, Policymaking, and Coordination

67xx ~~6700~~ General Institutional Support Services

68xx ~~6800~~ Community Services and Economic Development

69xx ~~6900~~ Ancillary Services

70xx ~~7000~~ Auxiliary Operations

7100 Physical Property and Related Acquisitions

72xx ~~7200~~ Long-Term Debt and Other Financing

73xx ~~7300~~ Transfers, Student Aid, and Other Outgo

79xx ~~7900~~ Appropriation for Contingencies (for budgetary purposes only)

Expenditures incurred for administrative and support activities are classified by Activities 6000-7900 as shown above. Activity codes identified with "xx" indicate non-data enterable codes. The costs of administrative and support activities include expenses incurred in providing various noninstructional services to students, faculty, and the community, necessary to achieve the function of the institution.

The classification of Administrative and Support Activities presented here provides major and subsidiary reporting categories used in recording expenditures by activity. Districts may create subsidiary activity categories as needed.

~~While certain activities are recorded in a specific fund, some activities may be charged to multiple funds. For example, Activity 6900, Ancillary Services, such as bookstore or cafeteria should be recorded in the appropriate Special Revenue or Enterprise fund, while Activity 6500, Operation and Maintenance of Plant, may be applicable in multiple funds.~~

## **6000's Instructional Administration and Instructional Governance**

6010 Academic Administration

6020 Course and Curriculum Development

6030 Academic/Faculty Senate

6090 Other Instructional Administration and Instructional Governance

This activity is used to record all expenditures associated with the administrative management of instructional activities. It includes the costs associated with the first level of administration immediately above the instructor. Positions at this level are commonly called (associate) deans of instruction. This activity includes salaries, benefits, and related expenses of these individuals and their support staff as well as the prorated portion of salaries, benefits and other expenses of faculty on release from instruction while serving on division or institutional committees, such as the Academic/Faculty Senate.

The costs of supervisors or coordinators and their support staff whose duties are specifically related to instructional activities are not recorded in this activity but rather in the appropriate TOP instructional activity (Activities 0100-4900). Also, directors or coordinators whose duties are not directly related to instructional activities, such as directors of EOPS and DSPS and their support staff, are not recorded in this activity but rather in the appropriate administrative and support activity to which their efforts are directed.

Activity 6000, Instructional Administration, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

### **6010 Academic Administration**

Expenditures for current academic operations, including scheduling and starting of classes, identification and requisition of needed materials and equipment, and evaluation of instructors, courses, and programs.

### **6020 Course and Curriculum Development**

Expenditures for activities established to improve or significantly add to instructional offerings. Costs of curriculum committees are included within this category even though some of their efforts are spent on current-year course administration problems.

### **6030 Academic/Faculty Senate**



Expenditures for the prorated portion of salary, benefits and other expenses of faculty while serving on behalf of the Academic/Faculty Senate. This includes the salary and benefits of faculty released to serve on collective bargaining. Also included here would be support staff and other operating expenses.

#### **6090 Other Instructional Administration and Instructional Governance**

Expenditures for the prorated portion of salary, benefits, and other expenses of faculty while serving on instructional administrative and governance assignments that do not fall in the above categories (e.g., accreditation). Also included here would be support staff and other related operating expenses.

#### **6100's Instructional Support Services**

6110 Learning Center

6120 Library

6130 Media

6140 Museums and Galleries

6150 Academic Information Systems and Technology

6190 Other Instructional Support Services

Activity 6100, Instructional Support Services, is the controlling account that is used to record expenditures for services directly provided by the following operations as supplement to the instructional effort within the appropriate subsidiary activity category:

#### **6110 Learning Center (Learning Resource Center)**

Expenditures for the operation of the learning center. A learning center is defined as the specific location set aside for the general student body and faculty to supplement instructional activities and provide educational enrichment for students. Activities in the learning center may generate Full-Time Equivalent Students (FTES) for State funding purposes if all requirements for generating FTES are met. Direct costs incurred in generating FTES must be reported in the appropriate instructional activity.

The center may contain audio-visual and computer equipment and nonprint media such as tapes, slides, films, records, and programmed materials to assist students in their studies and

may be located within the college library. The library, as used in this section, is not synonymous with the learning center.

Examples of activities conducted in the learning center include, but are not limited to, tutorial, self-study, programmed instruction, and language laboratory.

### **6120 Library**

Expenditures for the operation of the general college library. The costs of department libraries and reference books primarily for the use of instructors and staff are recorded within the appropriate instructional activities.

### **6130 Media**

Expenditures for general institution wide media (audio-visual) services, facilities, and equipment.

Examples include costs of teleconferencing, television and radio facilities, equipment, and personnel associated with providing media services for instructional programs where the costs are not separately identifiable to any specific instructional activities. Costs of television and radio operations beyond those for instructional services and support are recorded within Activity 7000, Auxiliary Operations.

~~Costs of services readily identifiable to one or several instructional activities are identified within those activities.~~

### **6140 Museums and Galleries**

Expenditures for the operation of museums or galleries for collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc.

### **6150 Academic Information Systems and Technology**

Expenditures for instructional data processing and data management services. This activity is to be used if the district prorates or identifies instructional information systems expenditures and does not allocate such expenditures to individual instructional activities. (See Activity 6780, Management Information Systems.)

### **6190 Other Instructional Support Services**

Expenditures for instructional support services not listed above.

## **6200 Admissions and Records Administrative and Support Activities**

This activity is used to record all expenditures associated with student admissions and evaluations, including expenditures incurred in maintaining student records, statistics, and reports, conducting transfer evaluations and registrations, and processing transcripts and degree certifications.

## **6300's Student Counseling and Guidance**

6310 Counseling and Guidance

6320 Matriculation and Student Assessment

6330 Transfer Programs

6340 Career Guidance

6390 Other Student Counseling and Guidance

This activity is used to record all costs associated with formal student counseling and career guidance, but not costs associated with instructors' informal counseling. Costs of applicable activities include those associated with assisting students to select an occupation, to plan a program of study, or to deal with personal problems or other matters that affect academic performance.

Costs of special testing services used to determine a student's aptitude for certain professions shall also be recorded as Student Counseling and Guidance activity expenditures.

This activity includes, but is not limited to, the salaries, benefits, and related expenses of counselors and support staff; operating expenses of the counseling office; supplies and materials; and testing equipment used by the counselors and guidance personnel.

Activity 6300, Student Counseling and Guidance, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

### **6310 Counseling and Guidance**

Expenditures for general counseling and guidance.

### **6320 Matriculation and Student Assessment**

Expenditures for the costs of instituting effective processes and services that are supportive of and aid in the success and assessment of students in establishing and achieving their educational goals.

### **6330 Transfer Programs**

Expenditures for the costs associated with helping students determine requirements to transfer to other institutions of higher education.

### **6340 Career Guidance**

Expenditures for career guidance.

### **6390 Other Student Counseling and Guidance**

Expenditures for counseling and guidance activities not identified above.

## **6400's Other Student Services**

6410 CalWORKs

6420 Disabled Students Programs and Services (DSPS)

6430 Extended Opportunities Programs and Services (EOPS)

6440 Health Services

6450 Student Personnel Administration

6460 Financial Aid Administration

6470 Job Placement Services

6480 Veterans Services

6490 Miscellaneous Student Services

This activity is used to record expenditures associated with providing to students the services listed above as subsidiary detail of Controlling Account 6400 when such services are not recorded within any other activity classification. It should be noted that these services generally are not programs and, therefore, not all program costs will necessarily be identified within any one activity. For example, the cost of processing a veteran's application for educational benefits should be recorded within Activity 6480, Veterans Services; but the payment to the veteran should be recorded within Activity 7320, Student Aid.

Categorical programs, CalWORKs, DSPS and EOPS, are treated separately within this activity because they are perceived and administered as separate entities within the district. The costs of other categorical programs are to be recorded in the applicable activity codes, such as Counseling and Guidance or Other Student Services. Costs of CalWORKs, EOPS and DSPS directors and coordinators and their support staff are recorded in these activities.

Activity 6400, Other Student Services, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

#### **6410 CalWORKs**

Expenditures for administration of the ~~DSPS~~ CalWORKs program and for direct services to ~~DSPS~~ CalWORKs students, grants, or other direct aid to students. These payments may be made from the Student Financial Aid Trust Fund, or the Restricted General Fund.

#### **6420 Disabled Students Programs and Services (DSPS)**

Expenditures for administration of the DSPS program and for direct services to DSPS students, grants, or other direct aid to students. These payments may be made from the Student Financial Aid Trust Fund, or the Restricted General Fund.

#### **6430 Extended Opportunities Programs and Services (EOPS)**

Expenditures for administration of the EOPS program and for direct services to EOPS students, grants, or other direct aid to students. Direct payments may be made from the Student Financial Aid Trust Fund, or the Restricted General Fund.

#### **6440 Health Services**

Expenditures to provide medical, dental, psychiatric, and nursing services, as well as student health insurance.

Student Health Fee revenues are recorded in Account 8876, Health Services in the General Fund–Restricted Subfund. Health Services Fees collected are restricted to allowable health services expenditures in accordance with Education Code section 76355(d) and California Code of Regulations, title 5, section 54700 et seq. Any health services expenditures above the fees collected are from General Fund–Unrestricted Subfund moneys.

Districts subject to the maintenance-of-effort requirement of Education Code section 76355(e) must separately identify these costs within this activity.

### **6450 Student Personnel Administration**

Expenditures for college or district administration of student personnel activities, including costs of the dean of students, supporting staff and other operating expenses.

### **6460 Financial Aid Administration**

Expenditures to administer grants, scholarships, loans, and other financial aid to students, including costs of determining student financial need.

Actual aid payments are recorded within Activity 7320, Student Aid.

### **6470 Job Placement Services**

Expenditures for services to assist students in obtaining employment, such as providing job referral, assisting students to develop job finding skills, and coordinating on-campus interviews with employers.

Included here would be economic development activities, such as working with the community in the area of job creation and workforce development.

### **6480 Veterans Services**

Expenditures to provide services to veterans and their dependents.

Applicable services would include the dissemination of information and verification of eligibility for educational benefits.

### **6490 Miscellaneous Student Services**

Expenditures for other services for special student groups or the general student population.

Services include student transportation and coordination or referrals for housing. Special student groups include economically disadvantaged, women, and minorities. Although the Chancellor's Office does not require separate accounting of other costs, districts may need to maintain detailed records to fulfill the reporting requirements of other funding agencies or to facilitate budget preparation.

## **6500's Operation and Maintenance of Plant**

6510 Building Maintenance and Repairs

6530 Custodial Services

6550 Grounds Maintenance and Repairs

6570 Utilities

6590 Other Operation and Maintenance of Plant

This activity is used to record all expenditures associated with the routine operation and maintenance of buildings and grounds.

The following are expenditures that should not be charged to this activity, but instead should be charged to Activity 7100, Physical Property and Related Acquisitions:

- Purchase ~~purchase~~ of land and buildings
- Initial ~~initial~~ equipping of buildings
- Purchase ~~purchase~~ of equipment permanently affixed to buildings
- Construction ~~construction~~ of buildings
- Modifications ~~modifications~~ that improve the functionality or extend the useful life of land or buildings
- Nonroutine ~~nonroutine~~ repair and maintenance of buildings and other structures (e.g., scheduled maintenance and special repair items defined under Ed. Code, § 84660)
- Upgrades ~~upgrades~~ of telecommunications and information technology infrastructure

Repairs or replacements of equipment, including furniture, identifiable to specific activities are charged to those activities and not to Activity 6500, Operation and Maintenance of Plant.

Activity 6500, Operation and Maintenance of Plant, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

### **6510 Building Maintenance and Repairs**

Expenditures for activities related to routine repair and maintenance of buildings and other structures, including preventive maintenance.

Repairs of items attached to and considered integral parts of buildings or other structures are also included.

### **6530 Custodial Services**

Expenditures for custodial supplies and services.

## **6550 Grounds Maintenance and Repairs**

Expenditures for the maintenance of landscapes and grounds.

Repairs ~~include~~ of both grounds and grounds maintenance equipment, including underground systems such as sprinklers, ~~are included~~. Repairs of underground systems not a part of the grounds, such as sewers, underground communications lines, and power lines, are reported within Activity 6590, Other Operation and Maintenance of Plant.

## **6570 Utilities**

Expenditures for gas, water, electricity, telephone, and other utilities necessary for the operation of the physical plant.

## **6590 Other Operation and Maintenance of Plant**

Expenditures for all other plant maintenance and operation expenditures, including equipment repairs not assignable to any other activity.

Repairs of underground systems not a part of the grounds, such as sewers, underground communications lines, and power lines, are reported within this activity.

## **6600 Planning, Policymaking, and Coordination**

This activity is used to record all expenditures associated with executive-level activities, such as board meetings or long-range planning, associated with management of a district. Applicable costs include expenditures for governing board and senior executive officers. Expenses for executive support staff, as well as expenditures for operating costs of the executive offices including legal services, analytical studies, institutional budget planning, and facilities development are also included.

## **6700's General Institutional Support Services**

6710 Community Relations

6720 Fiscal Operations

6730 Human Resources Management

6740 Noninstructional Staff-Retirees' Benefits and Retirement Incentives

6750 Staff Development



6760 Staff Diversity

6770 Logistical Services

6780 Management Information Systems

6790 Other General Institutional Support Services

This activity is used to record all expenditures incurred in conducting district business services operations. Activity 6700, General Institutional Support Services, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

### **6710 Community Relations**

Expenditures in developing and maintaining relationships with the general community, alumni, or other constituents, and conducting community fund raising activities.

### **6720 Fiscal Operations**

Expenditures for budget control, audits, accounting, and fiscal management of contracts, grants, and investments.

### **6730 Human Resources Management**

Expenditures for personnel management and maintenance of employee records.

### **6740 Noninstructional Staff-Retirees' Benefits and Retirement Incentives**

Expenditures for a district's share of retirees' health and other benefit costs and retirement incentive pay for noninstructional staff. Costs of benefits for retired instructional staff are to be charged to Activity 5900, Instructional Staff-Retirees' Benefits and Retirement Incentives.

Included are the prorated portions of the district's share of retirees' health and other benefit costs and retirement incentive pay for qualified staff who were not assigned full-time to noninstructional assignments. (See explanation of prorated costs under Activity 5900, Instructional Staff-Retirees' Benefits and Retirement Incentives.)

### **6750 Staff Development**

Expenditures for staff development, including amounts expended in accordance with the provisions of Education Code section 87150 et seq. (Stats. 1988, Ch. 973 Assembly Bill 1725). Sufficiently detailed records must be maintained to assure compliance with specific funding requirements of statutes and applicable regulations. Salary cost of attendance in staff

development activities should be charged to the attendees' regular salary activity. Costs such as transportation, tuition, etc. should be charged to Activity 6750.

### **6760 Staff Diversity**

Amounts chargeable to enhancement of staff diversity, in accordance with the provisions of Education Code section 87107 et seq. (Stats. 1988, Ch. 973 Assembly Bill 1725), and applicable regulations.

### **6770 Logistical Services**

Expenditures for campus security, fire protection, purchasing, warehouse and stores, environmental safety, insurance, central equipment and property management, garage and motor pool for staff transportation, and communication services such as reproduction, printing, noninstructional telecommunication services and mail services. As a district option, costs of services readily identified to one or more activities may be allocated accordingly. Monthly telephone usage and service charges are charged to Activity 6570, Utilities.

### **6780 Management Information Systems**

Expenditures for noninstructional data processing and data management services. If a district prorates its information systems, the instructional portion could be allocated to the appropriate instructional activities or recorded within Activity 6150, Academic Information Systems and Technology.

### **6790 Other General Institutional Support Services**

Expenditures for general institutional support services not listed above.

## **6800's Community Services and Economic Development**

6810 Community Recreation

6820 Community Service Classes

6830 Community Use of Facilities

6840 Economic Development

6890 Other Community Services and Economic Development

This activity is used to record expenditures associated with providing general public services to the community-at-large or to business and special groups within the community. Applicable

costs for community services include expenditures for conferences, lecture series, institutes, classes, and recreational activities, as well as the costs of providing facilities for the nonpartisan benefit of the community-at-large. Applicable costs for Economic Development include expenditures for education and services provided to the business community to advance California's economic growth and global competitiveness.

Activity 6800, Community Services and Economic Development, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

### **6810 Community Recreation**

Expenditures to organize, promote, and conduct community recreation programs sponsored by the district. Governing boards shall not expend State general fund moneys for this purpose.

### **6820 Community Service Classes**

Expenditures as authorized by Education Code section 78300 et seq. and implementing regulations in California Code of Regulations, title 5, section 55160 to provide instruction that contributes to the physical, mental, moral, economic, or civic development of individuals or groups enrolled therein, including the costs of contracted community service classes in music, drama, art, handicraft, science, literature, nature study, and athletics.

This excludes costs of courses approved by the Chancellor's Office either individually or as part of a credit or noncredit program, which are recorded within the applicable Instructional Activities 0100-4900. Governing boards shall not expend State general fund moneys to establish and maintain community service classes.

### **6830 Community Use of Facilities**

Expenditures as authorized by Education Code section 82537 et seq., to provide college buildings or grounds for public, literary, scientific, recreational, educational, or public agency meetings, or for the discussion of matters of general or public interest, subject to the limitations set forth in those sections.

### **6840 Economic Development**

Expenditures pursuant to Education Code section 66010.4(a)(3) and Government Code section 15379.20 et seq., for services provided to the business community to advance California's economic growth and global competitiveness through education and services focusing on continuous workforce improvement, technology deployment, and business development.

Expenditures for services to students should be recorded in the appropriate instructional or student services activity.

### **6890 Other Community Services and Economic Development**

Expenditures for community services and economic development not identified above.

### **6900's Ancillary Services**

6910 Bookstores

6920 Child Development Centers

6930 Farm Operations

6940 Food Services

6950 Parking

6960 Student and Co-curricular Activities

6970 Student Housing

6990 Other Ancillary Services

This activity is used to record all expenditures for the operation of ancillary services (generally defined as self-sufficient entities providing services to students, faculty, and staff). For most of the expenditures attributable to these activities, the appropriate Special Revenue Fund or Enterprise Fund, such as the Bookstore Fund, should be charged, rather than the General Fund. Examples of General Fund charges would be parking, co-curricular activities, and the incidental cost of administration or general support for these ancillary services activities. The operation of housing facilities, such as dormitories, are reported within this activity code.

Activity 6900, Ancillary Services, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

#### **6910 Bookstores**

Expenditures for the operation of district bookstores.

#### **6920 Child Development Centers**

Expenditures for day care centers; for learning laboratories for students enrolled in child development or childcare ~~child-care~~ programs, or for services to develop children's physical, mental, and educational skills.

### **6930 Farm Operations**

Expenditures for farm operations.

### **6940 Food Services**

Expenditures as authorized by California Code of Regulations, title 5, section 59013 for food vending machines and cafeteria operations.

### **6950 Parking**

Expenditures as authorized by Education Code section 76360 for parking services and facilities which include the administration of and direct services related to the purchase, construction, and operation and maintenance of parking facilities.

### **6960 Student and Co-curricular Activities**

Expenditures for student and co-curricular activities that the district has elected to provide above and beyond the regular instructional program. Co-curricular activities are activities and events that are an extension of classroom instruction or related community college programs. (Examples include the costs of such items as student newspapers, intramural athletics, intercollegiate athletics, and clubs.)

### **6970 Student Housing**

Expenditures for the operation of dormitories and other housing facilities.

### **6990 Other Ancillary Services**

Expenditures for all other ancillary services, including such items as student transportation services.

## **~~ADMINISTRATIVE AND SUPPORT ACTIVITIES~~**

### **7000's Auxiliary Operations**

7010 Contract Education

7090 Other Auxiliary Operations

This ~~activity~~ Activity is used to record expenditures within certain operations auxiliary to the regular instructional program, such as the operation of commercial rental property for income,

that portion of radio or television station operations beyond that necessary for instruction and instructional services, or certain contract education classes.

This activity is not to be confused with auxiliary organizations formed under Education Code section 72670 et seq.

Activity 7000, Auxiliary Operations, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

### **7010 Contract Education**

Expenditures to conduct contracted classes that do not generate FTES (5 C.C.R. § 58050). Contract Education classes are distinguished from Community Service classes (Activity 6820) by their intent to exclusively serve selected clientele. Contract Education classes that generate FTES are to be reported within the applicable Instructional Activities 0100-4900.

### **7090 Other Auxiliary Operations**

Expenditures for all other Auxiliary Operations.

### **7100 Physical Property and Related Acquisitions**

This classification is used to record expenditures for capital outlay required in developing campus facilities. The following are examples of expenditures that should be charged to this activity:

- Purchase ~~purchase~~ of land and buildings
- Initial ~~initial~~ equipping of buildings
- Purchase ~~purchase~~ of equipment permanently affixed to buildings
- Construction ~~construction~~ of buildings
- Modifications ~~Modifications~~ that improve the functionality or extend the useful life of land or buildings
- Non-routine ~~nonroutine~~ repair and maintenance of buildings and other structures (e.g., scheduled maintenance and special repair items defined under Ed. Code, § 84660)
- Upgrades ~~upgrades~~ of telecommunications and information technology infrastructure

The portion of the salaries and benefits of district personnel (e.g., Facilities and Information Technology managers, facilities planners, and support staff) related to the above expenditures are also charged to this activity.

If a district uses a day labor or force account, within the limits of the law, Penal Code section 20650 et seq., for the above activities, the expenditures should be a direct charge to this activity.

Expenditures related to parking facilities are recorded within Activity 6950, Parking Expenditures for equipment purchased for a specific instructional or administrative and instructional support activity are recorded within that particular activity, except for initial equipping of buildings.

Expenditures included within Activity 6500, Operation and Maintenance of Plant, would also not be recorded here.

## **7200's Long-Term Debt and Other Financing**

### **7210 Long-Term Debt**

#### **7220 Tax Revenue Anticipation Notes (TRANS)**

#### **7290 Other Financing**

This activity is used to record expenditures for principal, interest, and other costs (e.g., service charges) associated with long-term debt and interest and other costs associated with short-term debt.

### **7210 Long-Term Debt**

Expenditures for payments of principal, interest, and other related service fees for bonds or other indebtedness Object 7100, Debt Retirement (Long-Term Debt). This activity is also used to record the amount deducted from General Apportionment by the State Controller for repayment of emergency apportionment (5 C.C.R. § 58316).

#### **7220 Tax Revenue Anticipation Notes (TRANS)**

Expenditures for interest and related service fees for TRANS Object 5000, Interest (Current Loans).

#### **7290 Other Financing**

Expenditures for other financing.

## **7300's Transfers, Student Aid, and Other Outgo**

7310 Transfers

7320 Student Aid

7390 Other Outgo

This activity is used to record transfers, student aid, and other outgo. Activity 7300, Transfers and Student Aid, is the controlling account that summarizes expenditures recorded in the following subsidiary activity categories:

### **7310 Transfers**

Amounts transferred from one fund to another (interfund transfers) and amounts transferred to/from the General Fund Unrestricted Subfund and the General Fund Restricted Subfund (intrafund transfer), as well as amounts transferred to the district from a lapsed or reorganized community college district.

Transfers made as a temporary loan or otherwise intended to be reimbursed shall not be recorded here but shall be accounted for in the balance sheet accounts as “Due To” or “Due From.”

### **7320 Student Aid**

Expenditures for direct financial aid payments to or for students, as well as maintenance allowance paid under California Code of Regulations, title 5, section 54200. Financial aid payments include direct financial aid (scholarships, grants, and loans) and payments to or for students for enrollment fees, books, supplies, and ~~child care~~ childcare services, etc.

Work-study payments are reported as salaries within the activity receiving the benefit of the students' services.

### **7390 Other Outgo**

Expenditures for other uses of funds such as bankruptcy losses, investment losses, and other outgo.



## 7900 Appropriation for Contingencies (for budgetary purposes only)

This activity is an appropriation classification only; no expenditures shall be recorded within this activity.

This activity is used to record that portion of the current fiscal year's appropriation, not designated for any specific purpose, and held available for transfer to specific appropriations as needed during the fiscal year. Per the Government Finance Officers Association (GFOA) fund balance guidelines, at a minimum, districts should maintain an unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating expenditures.

This activity is not to be confused with the General Reserve, which is a balance sheet account used to record the reserve budgeted to provide operating cash in the succeeding fiscal year until local property taxes and State funds become available.

Transfers to/from contingencies must be approved by a two-thirds vote of the board of trustees (5 C.C.R. § 58307).

### CLASSIFICATION OF EXPENDITURES BY OBJECT

District expenditures are classified both by activity and by object. Classification of expenditures by activity is explained in the preceding section of this chapter. In this manual, the word “salaries” has the same meaning as the term “salaries and wages”.

Expenditure classification by object is the accounting segregation of expenditures into seven major categories:

1000 Academic Salaries

2000 Classified Salaries and Other Nonacademic Salaries

3000 Employee Benefits

4000 Supplies and Materials

5000 Other Operating Expenses and Services

6000 Capital Outlay

7000 Other Outgo

Costs may be incurred for expenditures that include more than one object. Such costs are prorated on an equitable basis to the objects for services received. For example, if a faculty employee provides classroom instruction half time and acts as a student counselor half time, that individual's salary must be prorated one-half to Object 1100, Instructional Salaries, Contract or Regular Status, and one-half to Object 1200, Noninstructional Salaries, Contract or Regular Status.

The classification by object presented here provides major and subsidiary reporting categories to be used in recording expenditures. ~~Account numbers~~ In some cases, object codes have not been prescribed for some subordinate reporting classes ~~in order that districts~~. Districts have discretionary control over the assignment ~~account numbers~~ of subsidiary object categories as needed.

## **1000 Academic Salaries**

1100 Instructional Salaries, Contract or Regular Status

1200 Noninstructional Salaries, Contract or Regular Status

1300 Instructional Salaries, Other

1400 Noninstructional Salaries, Other

This object is used to record all expenditures for salaries of employees in academic positions that require minimum qualifications established by the Board of Governors pursuant to Education Code section 87356. (See 5 C.C.R. § 53400 and Ed. Code, § 87001, § 87002, and § 87003 for definitions.) If an individual is occupying two positions, only one of which requires minimum qualifications, then only that portion of the individual's salary related to the position requiring minimum qualifications shall be reported within Object 1000, Academic Salaries.

The employment status of Academic Employees is determined pursuant to Education Code section 87477.

Object 1000, Academic Salaries, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

### **1100 Instructional Salaries, Contract or Regular Status**

Expenditures for the full or prorated portions of salaries of all employees in contract or regular faculty positions. Contract employee means an employee of a district who is employed on the basis of a contract in accordance with Education Code section 87601, 87605, 87608, or 87608.5.

Regular employee means an employee of a district who is employed in accordance with Education Code sections 87601, 87608, 87608.5, or 87609.

This object also includes the following expenditures:

- Prorated salaries of contract or regular instructors working a reduced load or whose assignment includes both instructional and noninstructional duties.
- Pro-rated salaries of administrators having a teaching assignment as part of their regular work assignment
- Salaries of instructors on sabbatical leave
- Extra duty days or assignments paid as a part of an instructor's regular salary

Salaries of instructors designated as temporary employees pursuant to Education Code section 87477 and overload and stipend pay for instructors designated as contract employees or as regular employees are recorded within Object 1300, Instructional Salaries, Other, or Object 1400 Noninstructional Salaries, Other, as appropriate.

Authorized duties of academic employees whose salaries are to be reported in this object account include, but are not limited to:

- Classroom instruction to students
- Preparation for and evaluation of classroom work
- Extracurricular activities that arise out of, or are extensions of, classroom work
- Duties ordinarily assigned to faculty personnel in connection with the custody and control of students in situations other than in the classroom (work experience programs or field trips)
- Intermittent duties as assigned either individually or in connection with committee work, in-service training, or institutes whose purpose is the evaluation or improvement of the educational program in the district

Any release time or additional stipends paid for coordinators, supervisors, and departmental chairs are noninstructional and recorded in Object 1200.

## **1200 Noninstructional Salaries, Contract or Regular Status**

Expenditures for the full and prorated portions of salaries of employees on contract for regular noninstructional academic positions. Districts shall record such noninstructional salaries within the applicable sub-object:

### **Educational Administrators**

Expenditures for the salaries of educational administrators. Education Code section 87002 and California Code of Regulations, title 5, section 53402 define “educational administrator” as an administrator who is employed in an academic position designated by the governing board of the district as having direct responsibility for supervising the operation of or formulating policy regarding the instructional or student services program of the college or district. Educational administrators include, but are not limited to, chancellors, presidents, and other supervisory or management employees designated by the governing board as educational administrators.

### **Other**

Expenditures for the salaries of academic employees, other than educational administrators, in contract or regular noninstructional academic positions. This includes librarians, counselors, community college health professionals, disabled students’ programs, and services professionals, extended opportunity programs and services professionals, and faculty on noninstructional assignments. Sabbatical Leave for these employees is also included.

Any release time or additional stipends paid for contract faculty from a full teaching load (e.g., coaches, coordinators, supervisors and departmental department chairs are) is noninstructional and recorded in Object 1200.

## **1300 Instructional Salaries, Other**

Expenditures for the full or prorated portions of salaries of instructors who have not been designated as contract or regular employees. Included are the salaries of instructors designated as temporary employees pursuant to Education Code section 87477 and overload and stipend pay for instructors designated as contract employees or as regular employees.

## 1400 Noninstructional Salaries, Other

Expenditures for the full and prorated portions of salaries of noninstructional academic employees who have not been designated as contract or regular employees. Districts shall record such noninstructional salaries within the applicable sub-object:

### Educational Administrators

Expenditures for the salaries of educational administrators. Education Code section 87002 and California Code of Regulations, title 5, section 53402 define “educational administrator” as an administrator who is employed in an academic position designated by the governing board of the district ~~District~~ as having direct responsibility for supervising the operation of or formulating policy regarding the instructional or student services program of the college or district. Educational administrators include, but are not limited to, chancellors, presidents, and other supervisory or management employees designated by the governing board as educational administrators.

### Other

Expenditures for the salaries of academic employees, other than educational administrators, in positions not designated as contract or regular noninstructional academic positions. This includes librarians, counselors, disabled student ~~Student~~ programs and services professionals, extended opportunity programs and services professionals, and faculty on noninstructional assignments.

Any contractual or non-contractual (e.g., accreditation, grants, training) stipends for faculty are noninstructional and recorded in Object 1400.

Any released time or additional stipends for non-contract faculty are also noninstructional and recorded in Object 1400.

## 2000 Classified and Other Nonacademic Salaries

2100 Noninstructional Salaries, Regular Status

2200 Instructional Aides, Regular Status

2300 Noninstructional Salaries, Other

2400 Instructional Aides, Other

This object is used to record all expenditures for salaries of employees in positions that do not require minimum qualifications established by the Board of Governors pursuant to Education Code section 87356. This includes the salaries of employees in the classified service as defined in Education Code section 87001.5 and those positions and employees specifically exempted by Education Code sections 88003 and 88076 from the classified service. These exempted positions include, but are not limited to, full-time and part-time students employed part-time in any college work-study program or in a work experience education program conducted by a district and which is financed by State or Federal funds, professional experts employed on a temporary basis for a specific project, and apprentice positions.

Object 2000, Classified and Other Nonacademic Salaries, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

### **2100 Noninstructional Salaries, Regular Status**

Expenditures for the full and prorated portions of salaries of employees in regular classified and other regular nonacademic positions. Education Code section 88001 defines “regular” as a classified employee who has probationary or permanent status.

This object may include, but is not limited to, the salaries of administrators not designated as academic administrators by the district governing board, professionals, supervisors, purchasing agents, clerical staff, maintenance workers, custodians, ~~gardeners~~, ~~telephone operators~~, grounds workers, security personnel, and ~~data processing technology~~ staff.

#### **Administrators and Supervisors**

Expenditures for salaries of administrators and supervisors as defined in Education Code section 84362.

#### **Other**

Expenditures for salaries of employees in regular classified positions that are not designated as administrators and supervisors.

### **2200 Instructional Aides, Regular Status**

Expenditures for the full and prorated portions of salaries paid to instructional aides (defined in Education Code section 88243) who have been designated as regular employees. Overtime paid to instructional aides who have regular status is recorded within Object 2400,

Instructional Aides, Other. These expenditures must be separated into the following sub-objects-subjects;

### **Direct Instruction**

Expenditures for the full and prorated portions of salaries paid to employees who are (a) assigned by governing board designation the basic title of “Instructional Aide”, or any other appropriate title that denotes the employees’ duties include instructional tasks, and (b) employed to assist instructors in classroom instruction tasks during any portion of their duties (per Ed. Code, § 84362, the Fifty 50 Percent Law). Employees providing students with assistance and training in computer labs can be classified as instructional aides if they qualify under Education Code section 84362.

An employee shall be deemed to be under the supervision of an instructor for the purpose of Education Code section 84362 if the employee performs duties under the direction of an instructor.

### **Other**

Although Education Code section 88240 et seq. (and related regulations in 5 C.C.R. § 59200 et seq.), are liberal in their definition of instructional aide, the intent of Education Code section 84362 (the Fifty 50 Percent Law) restricts instructional aide salaries, that may be claimed as “salaries of classroom instructors” to salaries for the direct instruction of students. Therefore, instructional aide salaries must be segregated into those that participate in direct instruction of students and all others.

## **2300 Noninstructional Salaries, Other**

Expenditures for the full and prorated portions of salaries of nonacademic employees that do not have regular status or who are paid for special work in excess of their regular work schedule, as well as overtime paid to nonacademic employees who have regular status. This object may include, but is not limited to, the salaries of student help, clerical staff, administrative personnel, professional staff, maintenance workers, custodians, ~~gardeners,~~ grounds workers, food service staff, ~~telephone operators,~~ transportation staff, and security personnel. Districts shall record such nonacademic salaries within the appropriate sub-object ~~subject~~:

### **Administrators and Supervisors**

Expenditures for the salaries of nonacademic administrators and supervisors as defined in Education Code section 84362.

### **Other**

Expenditures for the salaries of employees in classified positions or other nonacademic positions that are not designated as administrators and supervisors.

## **2400 Instructional Aides, Other**

Expenditures for the full and prorated portions of salaries of instructional aides (defined in Ed. Code, § 88243) that do not have regular status as well as overtime paid to instructional aides who have regular status. Such instructional aide salary expenditures must be separated into the following sub-objects ~~subobjects~~:

### **Direct Instruction**

Expenditures for the full and prorated portions of salaries paid to employees who are (a) assigned by governing board designation the basic title of “Instructional Aide” or any other appropriate title which denotes that the employees’ duties include instructional tasks, and (b) employed to assist instructors in classroom instructional tasks during any portion of their duties (per Ed. Code, § 84362, the Fifty 50-Percent Law). Employees providing students with assistance and training in computer labs can be classified as instructional aides if they qualify under Education Code section 84362.

An employee shall be deemed to be under the supervision of an instructor for the purpose of Education Code section 84362 if the employee performs duties under the direction of an instructor.

### **Other**

Although Education Code section 88240 et seq., are liberal in their definition of instructional aide, the intent of Education Code section 84362 (the Fifty50 Percent Law) restricts instructional aide salaries that may be claimed as “salaries of classroom instructors” to those for the direct instruction of students. Therefore, instructional aide salaries must be segregated into those that participate in the direct instruction of students and all others.

## **3000 Employee Benefits**

3100 State Teachers’ Retirement System (STRS) Fund



3200 Public Employees' Retirement System (PERS) Fund

3300 Old Age, Survivors, and Disability, and Health Insurance (OASDI)

3400 Health and Welfare Benefits

3500 ~~State~~ Unemployment Insurance (UI)

3600 Workers' Compensation Insurance

3700 Local/Alternative Retirement Systems

3900 Other Benefits

This object is used to record all expenditures for the employer's share of contributions to retirement plans, as well as the costs of health and welfare benefits for current and retired employees and their dependents.

Districts may adopt either the cash basis or accrual basis for accounting for post-retirement benefits. If the district uses the cash basis for accounting, an actuarial study shall be conducted to determine the unfunded liability associated with retiree health benefits. At a minimum the total cost of the unfunded liability shall be disclosed in the footnotes of the district's audited financial statements.

If the district uses the accrual basis for accounting, ~~Using the accrual basis,~~ funded and unfunded liabilities associated with providing postretirement benefits to active employees and retirees are reflected in the district's financial records, as well as the cost associated with the annual funding requirements. With this accounting method, districts may charge categorical programs for the projected future benefit costs for current employees assigned to the program. The benefit costs for retirees who were employed by the district in a categorical program may not be charged to such program funds. No matter which method is used, the employer's share of health and welfare benefit costs for all retired employees of the district is recorded within the appropriate ~~subject~~ sub-object account in Object 3400, Health and Welfare Benefits.

Both STRS and PERS accounts may typically reflect employer contributions for academic and classified staff. PERS and STRS permit any employee who has been covered by one system and who takes a position covered by the other to choose which to be covered by. For example, if an instructor has been in STRS for a number of years and then obtains a classified position covered by PERS, the employee may elect to continue under STRS and retain the accrued credits under that system rather than starting anew under PERS.

Object 3000, Employee Benefits, is the controlling account that summarizes expenditures in the following subsidiary object categories:

### **3100 State Teachers' Retirement System (STRS)**

Expenditures for payments to STRS on behalf of employees. STRS expenditures shall be separated into the following accounts:

#### **Academic Instructors and Instructional Aides (Direct Instruction)**

Expenditures as retirement contributions for employees providing or assisting in providing instruction to students. Applicable costs are for instructors and direct instruction-related instructional aides whose salaries are recorded within Objects 1100, 1300, 2200 (Direct Instruction), and 2400 (Direct Instruction).

#### **Noninstructional Academic, Classified, and Other Nonacademic Employees**

Expenditures as retirement contributions for noninstructional academic, classified, and other nonacademic employees whose salaries are recorded Objects 1200, 1400, 2100, 2200 (Other) 2300 and 2400 (Other).

Instructional aide costs recorded here are those that are not related to direct instruction.

#### **~~Administrators and Supervisors~~**

~~Expenditures for applicable retirement contributions for administrators and supervisors as defined in EC §84362(2). (See Appendix A for definitions of these terms.)~~

#### **~~Other~~**

~~Expenditures for applicable retirement contributions for employees in classified positions or other nonacademic positions that are not designated as administrator and supervisors.~~

#### **~~Other Academic Employees (Noninstructional)~~**

~~Expenditures for retirement contributions for employees whose position is academic but who are noninstructional.~~

~~Related salaries are recorded within Objects 1200 and 1400.~~

#### **Educational Administrators**

Expenditures for applicable retirement contributions for educational administrators

~~(EC §87002, CCR §53402(c)).~~

### **Other**

~~Expenditures for applicable retirement contributions for academic employees other than educational administrators.~~

Districts may further separate expenditures between classified staff, administrators, and other noninstructional academic employees.

The remaining classifications of employee benefit objects of expenditures are based upon the same definitions of employee types that distinguish particular State Teachers' Retirement System Fund expenditures. Rather than reiterate these definitions within each following classification, the remaining employee benefit objects are presented without narrative. Districts shall record benefits for non-STRS employees with the same disaggregation as used in the STRS employee benefit object code narrative above.

### **3200 Public Employees' Retirement System (PERS) Fund**

- Academic Instructors and Instructional Aides (Direct Instruction)
- Noninstructional Academic, Classified, and Other Nonacademic Employees

*Administrators and Supervisors*

*Other*

*Other Academic Employees (Noninstructional)*

*Educational Administrators*

*Other*

**3300 Old Age, Survivors, and Disability and Health Insurance** (~~OASDHI~~ also known as OASDI or FICA). (Includes OASDI ~~OASDHI~~ Medicare for STRS employees not otherwise covered by OASDI ~~OASDHI~~.)

- Academic Instructors and Instructional Aides (Direct Instruction)
- Noninstructional Academic, Classified, and Other Nonacademic Employees

*Administrators and Supervisors*

*Other*

*Other Academic Employees (Noninstructional)*

*Educational Administrators*

*Other*

### 3400 Health and Welfare Benefits

- Academic Instructors and Instructional Aides (Direct Instruction)
- Noninstructional Academic, Classified, and Other Nonacademic Employees

*Administrators and Supervisors*

*Other*

*Other Academic Employees (Noninstructional)*

*Educational Administrators*

*Other*

The employer's share of health and welfare benefit costs such as healthcare, dental, vision, life insurance, etc. for all current and retired employees of the district is recorded within the appropriate sub-object account in Object 3400. This includes the normal cost associated with OPEB. See Chapter 6. For more information reference the Governmental Accounting and Financial Reporting Handbook.

### 3500 Unemployment Insurance

- Academic Instructors and Instructional Aides (Direct Instruction)
- Noninstructional Academic, Classified, and Other Nonacademic Employees

*Administrators and Supervisors*

*Other*

*Other Academic Employees (Noninstructional)*

*Educational Administrators*

*Other*

### 3600 Workers' Compensation Insurance

- Academic Instructors and Instructional Aides (Direct Instruction)
- Noninstructional Academic, Classified, and Other Nonacademic Employees

*Administrators and Supervisors*

*Other*

*Other Academic Employees (Noninstructional)*

*Educational Administrators*

*Other*

### 3700 Local/Alternative Retirement Systems

- Academic Instructors and Instructional Aides (Direct Instruction)
- Noninstructional Academic, Classified, and Other Nonacademic Employees

~~Administrators and Supervisors~~

~~Other~~

~~Other Academic Employees (Noninstructional)~~

~~Educational Administrators~~

~~Other~~

This code should be used for any other locally adopted alternative retirement plan provided to employees.

### 3900 Other Benefits

- Academic Instructors and Instructional Aides (Direct Instruction)
- Noninstructional Academic, Classified, and Other Nonacademic Employees

~~Administrators and Supervisors~~

~~Other~~

~~Other Academic Employees (Noninstructional)~~

~~Educational Administrators~~

~~Other~~

The employer's share of other benefits, including golden handshakes, for all employees and retirees employees of the district are recorded within the appropriate sub-object account in Object 3900. Employer's matching of Tax-Sheltered Annuities (403(b) plans), Deferred Compensation (457 plans) and cash payments in lieu of health benefits shall be recorded within this object.

### 4000 Supplies and Materials

Software

Books, Magazines, and Periodicals

Instructional Supplies and Materials

## Noninstructional Supplies and Materials

This object is used to record all expenditures for instructional and noninstructional supplies and materials, including costs of freight, sales/use tax and handling charges.

Whether an item should be classified as equipment or as supplies is determined based on the length of time the item is serviceable and on its contribution to the value of the district. For example, supplies are constantly being consumed and replaced without increasing the value of the physical properties of the district. Supplies and materials are items that are expendable and quickly consumed or easily broken, damaged, or lost. Items that have a relatively short service life (less than one year) and that, therefore, must be replaced frequently are also charged as supplies. Equipment has relatively permanent value, and its purchase increases the value of the physical assets of the district. For distinguishing between supplies and equipment see Appendix D.

Included in this object are instructional, office, library, medical, food and food service supplies as well as tests, periodicals, magazines, pictures, maps, computer software, and other expendable items having a useful life of less than one year. Also included are supplies and materials used in the care and upkeep of equipment, buildings and grounds and other like items. Supplies and materials may be recorded using either the purchases method or the consumption method.

Object 4000, Supplies and Materials, is the controlling account that summarizes expenditures in the following subsidiary object categories:

### **Software**

Expenditures for software purchases with an initial cost of less than the district's capital outlay threshold should be accounted for in object code 4000. Expenditures for payments to firms providing software licensing are recorded within Object 5000. Software purchases with an initial useful life in excess of one year may be classified as equipment in Object 6400. ~~For additional information, see Appendix D, Guidelines for Distinguishing Between Supplies and Equipment.~~ The account codes for software licensing are also described in object codes 5000, Rents and Leases, and object code 5000, Repairs and Maintenance.

~~Account codes for the purchase of a perpetual license agreement is included in object code~~ Expenditures for the purchase of a perpetual license agreement are included in object code 6400, Equipment.

### **Books, Magazines, and Periodicals**

Expenditures for books, magazines, and periodicals other than those purchased for the district's library. ~~Books purchased for a department college and departmental/division library~~ libraries. See Object 6300, Library Books for expenditures related to the college library.

### **Instructional Supplies and Materials**

Expenditures for supplies to be used by students, faculty, and other personnel in connection with an instructional program.

### **Noninstructional Supplies and Materials**

Expenditures for supplies and materials used in institutional support services.

## **5000 Other Operating Expenses and Services**

Audit

Contract Services Depreciation

Dues and Membership

Election

Insurance

Interest

Legal

Personal and Consultant Services Postage

Rents and Leases

Repairs and Maintenance

Self-Insurance Claims

Travel and Conference Expenses

Utilities and Housekeeping Services

Other

This object is used to record all expenditures for services, leases, rents, travel, and other operating expenses.

Object 5000, Other Operating Expenses and Services, is the controlling account that summarizes expenditures in the following subsidiary object categories:

#### **Audit**

Expenditures for the annual financial and compliance audits conducted pursuant to Education Code section 84040(b) and other audit costs.

#### **Contract Services**

Expenditures for payments to firms providing services such as security, armored transport, hazardous material disposal, etc. This object also includes contract services for another entity such as a joint powers agency to administer a self-insurance fund for the district and contracted expenses for Instructional Services Agreements (ISA's). ~~See Appendix C.~~

#### **Depreciation**

Expenditures for the depreciation of exhaustible, income producing assets. This object is for use ~~only~~ in the Proprietary Funds and Nonexpendable Trust Funds utilizing for financial reporting on the full accrual basis of accounting.

#### **Dues and Membership**

Expenditures as fees for district membership in any authorized society, association, or organization, and for membership fees of the governing board, its members, or its employees who are required to join a society, association, or organization because of their position.

#### **Election**

Expenditures for election services provided by the county (Cal. Elec. Code § 10002).

#### **Insurance**

Expenditures for all forms of fire, casualty, or liability insurance for the district. Also included are costs of property appraisals for insurance purposes, any bonds safeguarding the district against losses resulting from the actions of its employees and insurance for students participating in intercollegiate athletics.

Payments to a self-insurance fund are described in Chapter 2 Fund Structure. Excluded is the employer's share of benefits recorded within Object 3000, Employee Benefits. Those items of health, dental, and workers' compensation insurance expenses are employee benefits, not insurance to the benefit of the district.



### **Interest (Current Loans)**

Expenditures for interest on Tax Revenue Anticipation Notes (TRAN) or other loans used to finance operating expenses.

### **Legal**

Expenditures as assessments for other than capital improvements (including State assessments for ~~non-use~~ nonuse of school sites), advertisements of bond issues, and other advertisements required by law, judgments, settlements, and lawyers' fees.

### **Personal and Consultant Services**

Expenditures as payments for contracts for personal or consultant services provided by an individual or firm. This object includes expenditures for the cost of surveys and appraisals. Districts should exercise appropriate care and judgement when evaluating whether a worker is an independent contractor (5000 object) or an employee (1000 or 2000 object). Appraisals and surveys in connection with site purchases shall be recorded within Object 6100, Sites and Site Improvements.

### **Postage**

Expenditures for sorting, handling, shipping and postage of mail and documents.

### **Rents and Leases**

Expenditures and payments for rent or short-term (up to one year) lease of land, athletic fields, equipment, and buildings; payments to independent vendors for transportation.

Renewable software licensing expenditures with an expected useful life in excess of one year are considered a rent or lease obligation and accounted for as such within the Rents and Leases sub-object code.

Amounts expended for lease purchase agreements (including perpetual licensing) are recorded within Object 6000, Capital Outlay.

### **Repairs and Maintenance**

Expenditures for payments to independent vendors for repairs and maintenance to buildings or equipment that do not extend the usefulness of the buildings or equipment (including maintenance agreements on equipment and software) are accounted for within this sub-

object code. Expenditures that increase the usefulness or life of an asset should be reported as capital outlay (6000 object), capitalized, and depreciated.

### **Self-Insurance Claims (Self-Insurance Fund Only)**

Expenditures for payments and/or accrued costs for claims to a self-insurance fund.

This account is for use only by districts maintaining a Self-Insurance Fund. ~~Payments to an insurance joint powers agency are treated as insurance expense in the General Fund or applicable special fund, such as the Bookstore Fund; they are not to be shown as a Self-Insurance Fund.~~

### **Travel and Conference Expenses**

Expenditures for per diem and actual, necessary expenditures incurred by employees, board members, and other district representatives for authorized meetings, transportation (including mileage allowance), meals, and lodging.

### **Utilities and Housekeeping Services**

Expenditures as payments for water, fuel, light, power, telephone (including internet or on-line service), waste disposal, laundry, dry cleaning, and other similar expenses (including contracts for these services) are accounted for within this sub-object code.

### **Other**

Expenditures for loan costs, physical examinations, fingerprinting, damage to personal property, cash variances, advertisements not required by law and all other operating costs not identifiable within any other Object 5000 category.

## **6000 Capital Outlay**

6100 Land Sites and Land Site Improvements

6200 Buildings and Building Improvements

6300 Library Books

6400 Equipment

This object is used to record all Capital Outlay expenditures. Included are amounts paid for the acquisition of capital assets or additions to capital assets; land or existing buildings; land improvements of grounds; building construction, remodeling, or additions; and equipment.

~~Leases~~ ~~Lease purchases (agreement constitutes a purchase)~~ longer than one year shall be recorded appropriately as Land, Buildings, or Equipment. A short-term lease is recorded within Object 5000, Rents and Leases.

Object 6000, Capital Outlay, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

### **6100 Land Sites and Land Site Improvements**

Expenditures for this sub-object shall be recorded by the prescribed subsidiary accounts:

#### **Land Sites**

Expenditures for the purchase of land and incidental expenses of site acquisition, such as appraisal fees, title search and title insurance, surveys, and condemnation proceedings and fees.

If the land site is not acquired, the incidental costs must be recorded within Object 5000, Other Operating Expenses and Services.

#### **Land Site Improvements**

Expenditures for the costs of developing new sites or improving existing sites. Applicable expenditures include:

- Landscape ~~landscape~~ grading, seeding, and planting trees and shrubs;
- Constructing ~~constructing~~ sidewalks, roadways, retaining walls, sewers, and storm drains;
- Installing ~~installing~~ hydrants;
- Treating ~~treating~~ soil and surfacing athletic fields and tennis courts;
- Furnishing ~~furnishing~~ and installing fixed playground apparatus, flagpoles, gateways, fences, and underground storage tanks that are not parts of building service systems;
- Demolition ~~demolition~~—work in connection with improvement of sites; and special assessments against the district for capital improvements, such as streets, curbs, sewers, drains, and pedestrian tunnels on or off district property.

Parking lots and fencing may be treated as land improvements because they are typically adjacent to the buildings that they service and have a much shorter life than long-lived infrastructure assets as defined by GASB. Furthermore, these assets serve different functions

than infrastructure assets and are considered part of the adjacent building. (~~Accounting Advisory No. 2000-01~~).

## **6200 Buildings and Building Improvements**

Expenditures for the costs of construction or purchase of new buildings, additions to existing buildings, and replacement of obsolete buildings.

Costs of construction include, but are not limited to, advertising; architectural and engineering fees; blueprinting and inspection services; demolition work in connection with construction of new buildings; tests and examinations; installation of plumbing, electrical, sprinkling, or warning devices; and the installation of built-in fixtures, such as heating, ventilating, and their attachments. Costs of purchase include fees for inspection, transfer title insurance, etc.

## **6300 Library Books**

Expenditures for the purchase of books, magazines, periodicals and non-print media for the college ~~library and departmental/division libraries~~. Non-print media includes the costs of electronic services for books, magazines, periodicals, and other library resources which are available through electronic subscriptions.

~~The purchase of books, magazines, periodicals, and non-print media for department/division libraries shall be recorded within Object 4000, Books, Magazines and Periodicals under the appropriate Instructional Activity.~~

## **6400 Equipment**

Expenditures for the purchase of tangible property with a useful life of more than one year, other than land or buildings and improvements thereon (Ed. Code, § 35168).

Expenditures for intangible assets are also charged to object code 6400 if they have a value greater than the district's capital outlay threshold and an initial useful life longer than one year. Intangible assets may include easements, patents, intellectual property, and software both internally generated and purchased. The initial costs to implement, including licensing costs, for both internally generated and off the shelf software should be capitalized in accordance with the district's capitalization policy. Subsequent outlays for maintenance and licensing are generally expensed unless they include modifications that add capacity or efficiency to the software that defers obsolescence and results in an extension of the useful life of the software.

Modifications that do not result in added capacity or efficiency or result in an extension of the useful life of the software should be charged to the repairs and maintenance object code 5000.

See Appendix D, ~~Guidelines for Distinguishing Between Supplies and Equipment.~~

Districts shall maintain a historical inventory, audit trace inventory system, or any other acceptable inventory system that contains the description, name, identification numbers, original cost, date of acquisition, useful life, location, and time and mode of disposal for all items of equipment that cost or had a market value at time of acquisition in excess of five thousand dollars (\$5,000) or the district adopted capitalization threshold. Districts retain authority to inventory assets at a lower level if there is local need to do so, but the \$5,000 level is the uniform system level for capitalization and depreciation. (~~Accounting Advisory No. 2001-01~~)

Built-in fixtures are an integral part of the building, or building service system, and are reported in Object 6200, Buildings.

Expenditures for equipment purchases shall be recorded by the prescribed subsidiary account:

#### **New**

Expenditures for the purchase of new equipment, or equipment of different quality or capacity, or restoration of equipment (necessitated by casualty loss).

#### **Replacement**

Expenditures for the identical replacement of equipment (necessitated by normal use) on a piece-for-piece basis to perform the same function(s).

Equipment that differs in capacity, function, or quality shall be considered new equipment.

### **7000 Other Outgo**

7100 Debt Retirement (Long-Term Debt)

7200 Intrafund Transfers-Out

7300 Interfund Transfers-Out

7400 Other Transfers

7500 Student Financial Aid

7600 Other Student Aid

## 7900 Reserve for Contingencies

This object is used to record other expenses and non-expenditure ~~nonexpenditure~~ disbursements.

Object 7000, Other Outgo, is the controlling account that summarizes expenditures recorded in the following subsidiary object categories:

## 7100 Debt Retirement (Long-Term Debt)

### Debt Reduction

Expenditures for the principal costs of redeeming long-term bonds or other indebtedness sold for authorized purposes under Education Code section 15100 or 81901 et seq., such as for purchasing land, constructing, or purchasing buildings, equipping buildings, etc. This object is also used to record the amount deducted from General Apportionment by the State Controller for repayment of emergency apportionment (5 C.C.R. § 58316). The interest portion of the deduction is recorded below.

### Debt Interest and Other Service Charges

Expenditures as the costs of interest and related service fees for bonds or other indebtedness.

Interest on loans to finance operating expenses (e.g., Tax Revenue Anticipation Notes) is to be recorded within Object 5000, Other Operating Expenses and Services, Sub-object Interest (Current Loans).

## 7200 Intrafund Transfers Out

Intrafund transfers are the transfer of moneys between subfunds ~~a subfund~~ within a single fund of a district.

## 7300 Interfund Transfers-Out

Interfund transfers are money that is taken from one fund and added to another fund without an expectation of repayment. Generally, moneys can be transferred only when the use of the moneys in the receiving fund is not inconsistent with any restriction on its use in the sending fund. An example of an interfund transfer would be the required match for scheduled maintenance that is transferred from the General Fund to the Capital Outlay Projects Fund.

It should be noted that cash held in any fund may be available for temporary (less than one year) borrowing from one or more funds to another fund to be used for the payment of obligations, provided no provisions to the contrary exist. Such borrowings are not reported as a transfer but are reflected in the balance sheet accounts “Due to Other Funds” and “Due from Other Funds”.

Payments to self-insurance funds are described in Chapter 2 Fund Structure.

### **7400 Other Transfers**

Amounts expended or transferred for fiscal agent pass-through funds to participants and for extraordinary situations such as transfers from reorganized or lapsed district to another district, loss on investments or joint ventures, such as material, prior-year assessments to self-insurance programs, JPA’s or consortiums.

### **7500 Student Financial Aid**

Expenditures for student aid in the form of grants, fellowships, scholarships, tuition reduction, etc. Payments to students for services rendered, such as work-study, are expensed as classified salaries, chargeable to the activity benefited by the student’s work. Other payments to or for students, such as childcare ~~child-care~~ vouchers and bookstore vouchers, are to be recorded within Object 7600, Other Student Aid.

### **7600 Other Student Aid**

Amounts paid to/for students for non-cash assistance, such as bus tickets, auto repairs related to commuting to college classes, childcare ~~child-care~~ vouchers, and bookstore vouchers. These amounts are often provided to participants in EOPS, DSPS or other categorical programs.

Expenditures for student aid in the form of grants, fellowships, scholarships, tuition reduction, etc., are to be recorded within Object 7500 in the Student Financial Aid Trust Fund.

### **7900 Reserve for Contingencies**

This category is an appropriation classification only; no expenditures shall be recorded in this object.

This object includes amounts equal to that portion of the current fiscal year's appropriation that are not designated for any specific purpose but are held in reserve to fund other appropriation items as may be needed during the fiscal year.

California Code of Regulations, title 5, section 58307 states:

“District Budget Limitations on Expenditure: The total amount budgeted as the proposed expenditure of the district for each major classification of district expenditures listed in the district budget forms prescribed by the board shall be the maximum amount which may be expended for that classification of expenditures for the school year. Transfers may be made from the reserve for contingencies to any expenditure classification or between expenditure classifications at any time by written resolution of the board of trustees of a district. A resolution providing for the transfer from the reserve for contingencies to any expenditure classification must be approved by two thirds vote of the members of the governing board; a resolution providing the transfer between expenditure classifications must be approved by a majority of the members of the governing board.”

## EXPENDITURE ABATEMENTS

An abatement of expenditure is the return or cancellation of part or all of an expenditure previously recorded irrespective of the fiscal year in which the original expenditure was recorded. Abatement of expenditure applies to both current expenses and capital outlay expenditures from all funds. Tuition receipts, fees, and rentals cannot be treated as abatement of expenditure. This definition must be observed in making all decisions as to whether a receipt is reported as income or as an abatement of expenditure.

The basic distinction is that an abatement of expenditure must always represent a receipt (or an accrual) that cancels a part or the whole of a determinable item of previous expenditure. If a receipt cannot be substantiated as a cancellation of a specific expenditure, it must be reported as revenue.

~~Applicable receipts must be accounted for by abating the object of expenditure account originally charged in the fiscal year received, irrespective of the fiscal year in which the original expenditure was recorded.~~

Whenever abatements of any particular type are numerous and, especially, if considerable amounts are involved, it is recommended that the credits be made to a “contra” account instead of directly to the expenditure account. The contra account should be identified as



“Abatements of \_\_\_\_\_” (insert the name of the expenditure account to which it relates). It should be maintained adjacent to the corresponding expenditure account in the expenditure (or appropriation) subsidiary ledger. The contra account will receive only credit entries for abatements. By this procedure, the undesirable features of a “mixed” account are avoided, and gross expenditures, abatements, and net expenditures can be determined easily at any time.

The following shall be accounted for as abatement of expenditure:

- ~~Receipts from sales of supplies and new materials at cost to other governmental units, including other community college districts;~~
- ~~Refunds of overpayments from instructors and other employees or from vendors and other payees;~~
- ~~Refunds for return of containers, including oil drums, wire spools, and the like;~~
- ~~Refunds from a transportation company for unused portions of transportation fare books, tickets, and the like;~~
- ~~Refunds of gasoline tax for non-highway use;~~
- ~~Canceled warrants (excludes outdated and unclaimed warrants which remain a liability of the district);~~
- ~~Abatements against salary for temporary disability payments offset against regular salary.~~
- ~~Pass through payments for funds collected on behalf of another agency.~~

~~Cancellation of payables over accrued in a prior period.~~