

**Required Evidentiary Documents for Financial Review
Supplemental Guidelines for Standard III.D for CALIFORNIA PUBLIC INSTITUTIONS**

ACCREDITATION QUESTIONS	EVIDENCE
Has the college received any qualified or adverse opinions in audit reports in the last 3 years from district, state or federal programs?	Audit Reports (last 3 years)
Has the college implemented all audit recommendations? Have there been the same recommendations for more than one year? What is the auditor's response to the management actions taken?	Management response to auditor's findings and recommendations (last 3 years) CCFS 311 (last 3 years)
What is the institution's unrestricted fund balance and reserves and how has it changed over the last three years?	CCFS 311Q (Most recent quarter) Fiscal Trend Analysis of 311 Data (Can be accessed online at CCCCCO website.)
Does the College maintain a minimum 5% unrestricted reserve of cash or cash equivalent?	Audit Report
Has the State Chancellor's Office had to intervene regarding fiscal stability or compliance?	Letter of agreement between State Chancellor's Office and District, Chancellor's Office communication document, Fiscal Health Certificate
Does the college have long term debt financing?	Audit Report
Does the institution have an obligation for post retirement health benefits (OPEB), compensated absences, and other employee related obligations? If it does, has it done the actuarial study and identified the liability? Is there a plan for funding them?	Actuarial study for post-retirement health benefits, collective bargaining agreements, board policies, actuarial report, reserve reports. Institutional Plan for funding the liability
Does the institution have limits on accrual of unused vacation time? Compensatory time? Is the institution enforcing its policy on limits?	Leave Accrual Policy in Contractual Agreement and Labor Agreements, Board Policies, Human Resource Records
Is the fiscal entity self insured for health benefits, workers compensation, and unemployment? How are reserve levels set?	District Self Certification
Does this fiscal entity have obligations for future total compensation expenditures driven by collective bargaining agreements or other agreements (corporate-buy outs, management/employee agreements, etc?) If so, what are they? Of what significance are they? What is the plan for funding these future obligations?	Current Bargaining agreements District Funding Plan Executive Officer agreements regarding buy-outs and other conditions of employment



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Does the institution and the foundation have an agreement/contract on the role of the foundation? Does it require that the foundation have an independent audit?	Copy of the Agreement Copy of Foundation audited financial statements (last 3 years) Required Continuing Disclosure submittal
Does the college or district have a Prop 39 bond fund?	Copy of minutes from Bond Oversight Committee Copy of audit reports from the last 3 years
Does the college have policies and procedures regarding purchasing? Are they being followed?	Self Certification Policies
Will additional buildings be opened in the next 2-3 years? Is there a plan to fund staff, utilities and operating expenses associated with additional facilities coming online within the next 2-3 years?	Copy of the most current Facility Master Plan Funding Plan Educational Master Plan Total Cost of Ownership Plan Staffing/Human Resources Plan
Is there evidence that planning integrates fiscal and other resources?	Internal documents
Is there evidence that the institution monitors student financial aid obligations such as student loan default rates and compliance with federal regulations?	Annual Financial Report, Financial Aid Compliance Reports

Edited: March 5, 2013



Required Evidentiary Documents for Financial Review
Supplemental Guidelines for Standard III.D for HAWAI'I AND PACIFIC ISLANDS PUBLIC INSTITUTIONS

ACCREDITATION QUESTIONS	EVIDENCE
Has the college received any qualified or adverse opinions in audit reports in the last 3 years from district, state or federal programs?	Audit Reports (last 3 years)
Has the college implemented all audit recommendations? Have there been the same recommendations for more than one year? What is the auditor's response to the management actions taken?	Management response to auditors findings and recommendations (last 3 years)
What is the institution's unrestricted fund balance and reserves and how has it changed over the last three years?	Schedule of 3 year Financial Trends and Analysis
Does the College maintain a minimum 5% unrestricted reserve of cash or cash equivalent?	Audit Report
Has the State or other oversight organization had to intervene regarding fiscal stability or compliance?	Copy of documentation
Does the college have long term debt financing?	Audit Report Long Term debt documents
Does the institution have an obligation for post retirement health benefits (OPEB), compensated absences, and other employee related obligations? If they do, have they done the actuarial study and identified the liability? Is there a plan for funding them?	Actuarial study for post-retirement health benefits, collective bargaining agreements, board policies, plan for funding the liability
Does the institution have limits on accrual of unused vacation time? Compensatory time? Is the institution enforcing its policy on limits?	Personnel Policy Payroll Records
Is the fiscal entity self insured for health benefits, workers compensation, and unemployment? How are reserve levels set?	Insurance Policies on Workers Compensation Policy on Health Benefits
Does this fiscal entity have obligations for future total compensation expenditures driven by collective bargaining agreements or other agreements (corporate buy outs, management/employee agreements, etc?) If so, what are they? Of what significance are they? What is the plan for funding these future obligations?	Notes to Audited Financial Statements Current Bargaining and/or Employment Agreements Funding Plan



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ACCREDITATION QUESTIONS	EVIDENCE
Does the institution and the foundation have an agreement/contract on the role of the foundation? Does it require that the foundation have an independent audit?	Copy of the Agreement Copy of Foundation audited financial statement Audit Report (last 3 years)
Does the college have policies and procedures regarding purchasing? Are they being followed?	Policies on procurement. Questioned costs of the Audit Report and Schedule of Findings
Will additional buildings be opened in the next 2-3 years? Is there a plan to fund staff, utilities and operating expenses associated with additional facilities coming online within the next 2-3 years?	Copy of the most current Facility Master Plan. Funding Plan Appropriation law from State Government
Is there evidence that the institution monitors student financial aid obligations such as student loan default rates and compliance with federal regulations?	Annual Financial Report, Financial Aid Compliance Reports
Is there evidence that planning integrates fiscal and other resources?	Internal documents

Edited: March 5, 2013



**Required Evidentiary Documents for Financial Review
Supplemental Guidelines for Standard III.D for PRIVATE INSTITUTIONS**

ACCREDITATION QUESTIONS	EVIDENCE
Has the college received any qualified or adverse opinions in audit reports in the last 3 years from district, state or federal programs?	Annual Certified Audit Reports (last 3 years)
Has the college implemented all audit recommendations? Have there been the same recommendations for more than one year? What is the auditor response to the management actions taken?	Management response to auditor's findings and recommendations (last 3 years)
What is the institution's unrestricted fund balance and reserves and how has it changed over the last three years?	Annual Audited Financial Statements, Statement of Stockholders' Equity, Stockholders Equity Notes to Financial Statements, Amount of Retained Earnings
Does the College maintain a minimum 5% unrestricted reserve of cash or cash equivalent?	Audit Report
Does the college have long term debt financing?	Annual Audited Financial Statements, Notes to Financial Statements dealing with Long-Term Debt
Does the institution have an obligation for post retirement health benefits (OPEB)? If they do, have they done the actuarial study and identified the liability? Is there a plan for funding it?	Annual Audited Financial Statements, Notes to Financial Statements dealing with Commitments and Contingencies and/or Employee Benefit Plan
Does the institution have limits on accrual of unused vacation time? Compensatory time? Is the institution enforcing its policy on limits?	Review Annual Audited Financial Statements and inquire about accrued liabilities, review Accounting Policies and Commitments and Contingencies Notes to Financial Statements. Review company's employee handbook to ascertain vacation/Paid Time Off.
Is the fiscal entity self insured for health benefits, workers compensation, and unemployment? How are reserve levels set?	Review Employee Benefit Plan. Inquire of management if company is self insured or if Parent Corporation provides self insurance. Review Commitments and Contingencies. Notes to Audited Financial Statements.
Does this fiscal entity have obligations for future total compensation expenditures driven by collective bargaining agreements or other agreements (corporate buy outs, management/employee agreements, etc.?) If so, what are they? Of what significance are they? What is the plan for funding these future obligations?	Inquire of management and obtain written acknowledgment from management as to the existence of any employment agreements or collective bargaining agreements with unions or other organizations. If so, obtain copies and review for future obligations and determine funding plans as necessary or required.



**Required Evidentiary Documents for Financial Review
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ACCREDITATION QUESTIONS	EVIDENCE
Does the institution and the foundation have an agreement/contract on the role of the foundation? Does it require that the foundation have an audit?	Generally there are no foundations involved with private companies. Inquiries should be made as to the ownership and funding arrangements with the parent corporation, if any. In addition, inquiry should be made as to arrangements for debt financing. Financial structures within private organizations often incorporate a combination of debt and equity sources of operating capital.
Does the college have policies and procedures regarding purchasing? Are they being followed?	A review of purchasing procedures should be conducted. There could be a purchasing procedures manual that should be reviewed; there should be an accounting procedures manual and, if a purchase order system is being used, a procedural review should be conducted.
Will additional buildings be opened in the next 2-3 years? Is there a plan to fund staff, utilities and operating expenses associated with additional facilities coming online within the next 2-3 years?	A review should be conducted of the current and coming year's capital expenditure budget. In addition, a review of the coming year's financial and operating plan should be conducted. Depending on the time of year the review is being conducted, a comparison of budget to actual revenue and expense should be performed. This review can be a leading indicator of the viability of plans for the future.
Is there evidence that the institution monitors student financial aid obligations such as student loan default rates and compliance with federal regulations?	Annual Financial Report, Financial Aid Compliance Reports
Is there evidence that the institution monitors and complies with the 90/10 rule?	Budget documents, audit reports

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AUDITOR'S OPINION MATRIX

TYPE OF REPORT	CIRCUMSTANCE	EXAMPLES
<i>UNQUALIFIED OPINION</i> <i>(Standard Report)</i>	Not Applicable	Not Applicable
Effect on Report:	E.g., "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Name of College as of month/day/year, and the related results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America."	
<i>QUALIFIED OPINION 1.</i>	Departure from GAAP	Land and buildings maintained at appraised value rather than acquisition cost
Effect on Report:	A separate explanatory paragraph preceding the opinion and an "Except for" qualification within the opinion paragraph. E.g., "Except for the effects of valuing land and buildings at appraised value, the financial statements referred to above ..."	
<i>QUALIFIED OPINION 2.</i>	Scope Limitation	Inadequate accounting records
Effect on Report:	A separate explanatory paragraph preceding the opinion and an "Except for" qualification within the opinion paragraph. E.g., "Except for the effects, if any, as might have been determined to be necessary if transaction or account balance records had adequate, the financial statements referred to above..."	
<i>ADVERSE OPINION</i>	Pervasive Departure from GAAP	Financial statements presented on a modified accrual basis or other Non-GAAP measurement basis
Effect on Report:	A separate explanatory paragraph preceding the opinion and "Because of" notation within the opinion paragraph. E.g., "Because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly..."	
<i>DISCLAIMER OF OPINION</i>	Pervasive Scope Limitation	Unable to perform adequate audit procedures on material transactions or accounts
Effect on Report:	A separate explanatory paragraph preceding the opinion describing the accounts or transactions that could not be audited and "Since" notation within the last paragraph. E.g., "Since the accounts and transactions as of month/day/year materially affect the determination of financial position, results of operations and cash flows, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph."	
<i>UNQUALIFIED OPINION WITH REQUIRED EXPLANATORY LANGUAGE</i>	Going Concern	Entity's financial condition is such that there is a doubt as to the ability to continue in the future
Effect on Report:	A separate explanatory paragraph after the opinion. E.g., "The accompanying financial statements have been prepared assuming that the Entity will continue as a going concern. As discussed in the Notes to the Financial Statements , the Entity has incurred losses in the past three years and has a negative Net Asset Balance at month/day/year. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in the Notes. These financial statements do not include any adjustments that might result from the outcome of that uncertainty."	

Sample
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2005/06	2004/05	2003/04	2002/03
UNRESTRICTED GENERAL FUND				
Revenues	\$ 54,521,032	\$ 53,191,251	\$ 51,900,542	\$ 52,732,232
Other sources	320,000	300,000	300,000	500,000
Total Revenues and Other Sources	54,841,032	53,491,251	52,200,542	53,232,232
Expenditures	54,699,785	53,106,587	52,500,156	52,932,232
Other uses and transfers out	135,000	175,500	200,500	335,900
Total Expenditures and Other Uses	54,834,785	53,282,087	52,700,656	53,268,132
INCREASE (DECREASE) IN FUND BALANCE	\$ 6,247	\$ 209,164	\$ (500,114)	\$ (35,900)
ENDING FUND BALANCE	\$ 3,527,743	\$ 3,521,495	\$ 3,312,331	\$ 3,812,445
AVAILABLE RESERVES	\$ 2,741,539	\$ 2,765,978	\$ 2,601,438	\$ 2,880,325
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.00%	5.19%	4.94%	3.64%
LONG-TERM DEBT		\$ 65,910,350	\$ 31,645,945	\$ 35,423,810
ANNUAL FUNDED FTES	<u>9,900</u>	9,956	9,667	9,236

The District's Unrestricted Fund Ending Fund Balance has decreased by \$326,850 over the past three years. The fiscal year 2005-06 budget projects an increase of \$6,247. The State Chancellor's Office and the District Board Policies recommend a reserve level of at least 5% of Unrestricted Expenditures be set aside as a reserve for economic uncertainties. The District has met this requirement during the 2004-05 fiscal year.

The District's long term obligations consist primarily of general obligation bonds which are repaid through the assessment of local property taxes, and lease purchases for operating equipment. The second series of bonds were issued to fund construction of the new library during the 2004-05 fiscal year.

The primary unrestricted funding source for the District is State Apportionment which is calculated primarily based upon Full Time Equivalent Students (FTES). The ability to fund the FTES is based upon the State legislature. While funded FTES has been increased over the past several years, student enrollment continues to increase and unfunded FTES for the 2005-06 fiscal year were 376.

The 2005-06 Budget is included for purposes of additional analysis and has not been audited.

9/21/2006