
California Community Colleges

Contracted District Audit Manual



California Community Colleges
Chancellor's Office
2016-2017

TABLE OF CONTENTS

100 Audit Administration

- 110 Overview
- 120 Amendments to the Manual
- 130 Arrangement for Audit - **updated**
- 140 Report Due Date
- 150 Distribution of Audit Reports
- 160 Amendments to Audit Reports
- 170 Retention of Audit Working Papers
- 180 Audit Assistance and Publications

200 Auditing Requirements

- 210 Overview
- 220 Audit Scope
- 230 Audit Standards
- 240 Financial Statements
- 250 Required Supplemental Information - **updated**
- 260 Internal Control
- 270 Compliance
- 280 Audit Findings

300 Reporting Requirements

- 310 Overview
- 315 Report Format
- 320 Letter of Transmittal (Optional)
- 321 Introduction
- 322 Auditor's Report on Financial Statements
- 323 Management's Discussion and Analysis (MD&A)
- 324 Basic Financial Statements
- 325 Notes to Financial Statements
- 326 Auditor's Report on Supplemental Information
- 327 Required Supplemental Information - **updated**
- 328 Notes to Supplemental Information
- 329 Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Basic Financial Statements
Performed In Accordance With Government Auditing Standards

- 330 Independent Auditor's Report on Compliance With Requirements Applicable To Each Major Program and on Internal Control Over Compliance In Accordance With the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), which replaced the Office of Management and Budget Circulars A-133, A-110, and A-21.
- 331 Auditor's Reports on State and Federal Compliance
- 334 Findings, Questioned Costs, and Recommendations
- 335 Management Letters
- 336 Status of Prior-Year Findings and Recommendations

400 State Compliance Requirements

- 410 Overview
- 421 Salaries of Classroom Instructors (50 Percent Law)
- 423 Apportionment for Instructional Service Agreements/Contracts
- 424 State General Apportionment Funding System
- 425 Residency Determination for Credit Courses
- 426 Students Actively Enrolled
- 427 Dual Enrollment of K-12 Students in Community College Credit Courses – **updated and new name**
- 428.....Student Equity - **new**
- 429.....Student Success and Support Program (SSSP) - **updated**
- 430 Scheduled Maintenance Program
- 431 Gann Limit Calculation
- 435 Open Enrollment
- 439 Proposition 39 Clean Energy
- 440 Intersession Extension Program
- 475 Disabled Student Programs and Services (DSPS)
- 479 To Be Arranged Hours (TBA)
- 490.....Propositions 1D and 51 State Bond Funded Projects
- 491.....Proposition 55 Education Protection Account Funds – **updated and new name**

500 Federal Compliance Requirements

- 510 Overview
- 520..... Required Federal Compliance Tests
- 521 Conditional Tests of General Compliance (EDGAR)
- 530 Major Federal Programs

Appendix – Illustrative Audit Report and audit checklist

SECTION 100

AUDIT ADMINISTRATION

100 Audit Administration

110 - OVERVIEW

- .01 All community college districts, regional occupational centers and programs, and all other public local educational agencies are required to have an annual audit. Section 84040.5 of the Education Code requires the Board of Governors and the Department of Finance to prescribe the statements and other information to be included in the audit report filed with the state and to develop audit procedures for carrying out these audits.
- .02 This Manual applies to annual financial and compliance audits of community college districts and encourages sound fiscal management practices among community college districts. The intent is to promote efficient and effective use of public funds for education in California by strengthening fiscal accountability at the district, county and state levels. Conduct the audit in accordance with Education Code section 84040.5. Auditors must indicate compliance with section 84040.5 and include a summary of audit exceptions and management improvement recommendations in their report.

120 - AMENDMENTS TO THE MANUAL

- .01 This Manual changes as auditing experience suggests improved accountability methods or statutes and regulations evolve. Accordingly, all users of this Manual are encouraged to suggest such changes to the Chancellor's Office, California Community Colleges. The Chancellor's Office, California Community Colleges will update the Manual periodically in cooperation with the Department of Finance.

130 - ARRANGEMENT FOR AUDIT

- .01 The governing board of each district is required to provide for an annual audit. Under California Code of Regulations, title 5, section 59102, "Arrangements for annual audits for any fiscal year as required by section 84040 of the Education code shall be made final no later than the May 1 preceding that fiscal year." Each district must inform the Chancellor's Office, California Community Colleges of their audit arrangements and identify the annual auditor under contract. Notify the Chancellor's Office, California Community Colleges of the audit arrangements no later than May 15 of each year.
- .02 In the event the governing board of a district has not provided for an audit by May 1, the Board of Governors shall do so.
- .03 If a governing board or the Board of Governors fails or is unable to make satisfactory arrangements for the audit, pursuant to Education Code section 84040, the State Department of Finance shall make the arrangements. District funds will cover the cost of such an audit.
- .04 All audits shall be made by a certified public accountant licensed by the California State Board of Accountancy.
- .05 Government code 124010.6 requires that a local agency shall not employ a public accounting firm to provide audit services to a local agency for six consecutive fiscal years.

This applies when the lead or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a local agency employed a public accounting firm prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.

140 - REPORT DUE DATE

- .01 California Code of Regulations, title 5, section 59106 requires, all audit reports for the preceding fiscal year must be filed with the Chancellor's Office, California Community Colleges no later than December 31 following the end of the audited fiscal year.
- .02 There are no provisions to allow for extensions to the date required to file the annual audit reports. If an audit report will not be filed by the December 31 due date, districts must inform the Chancellor's Office, California Community Colleges. This notification should include an explanation and expected delivery date for the late audit report.
- .03 As indicated in the [Accounting Advisory 05-05, Monitoring and Assessment of Fiscal Condition, October 25, 2005](#), the untimely filing of the audit report along with the type of findings identified in the audit report may place a district on fiscal monitoring by the Chancellor's Office, California Community Colleges.

It is reported at the Board of Governor's spring meeting when district reports are not received by January 31, of the subsequent fiscal year.

150 - DISTRIBUTION OF AUDIT REPORTS

Submit one bound hard copy and one PDF from the CPA firm to the Chancellor's Office, California Community Colleges. **The PDF reports provided electronically should have edit access controls to allow the copying of findings** into the Chancellor's Office, California Community Colleges database. Scanned copies do not allow necessary copying.

Ensure PDF files submitted have the following security settings. We do not need nor are we requesting an unprotected PDF file.

- Click on Document, select Security, select Secure this Document, select restrict opening and editing using passwords, Click on Apply, and under permissions, **select Restrict editing and printing of the document.**
- Enter password; select the option to allow printing in high resolution; and select the changes allowed option to none, and **place a checkmark on Enable copying of text, images, and other content and then click on OK.**

The CPA firm will submit copies of the annual audit report as follows:

1. Chancellor's Office, California Community Colleges (1 printed copy and 1 PDF file copy)

Mail printed copy to:

Chancellor's Office
California Community Colleges
College Finance and Facilities Planning Division
1102 Q Street, Suite 4400
Sacramento, CA 95811-6511

Email PDF copy to:

CDAMReports@cccco.edu
Attn: Fiscal Services

In the event a PDF file returns as undeliverable, call 916.324.9794 for an alternative email address.

2. State Department of Finance (1 PDF file copy)

Email PDF copy to:

OSAEHOTLINE@dof.ca.gov

3. State Department of Education (2 printed copies)

Mail printed copies to:

Department of Education
Audits Investigation Division
1430 N Street; Room 5319
Sacramento, CA 95814

4. State Department of Social Services (1 PDF file copy)

Email PDF copy to:

Ted.Manas@dss.ca.gov

5. Federal Audit Clearinghouse: FAC means the clearinghouse designated by OMB as the repository of record where non-federal entities are required to transmit the reporting packages required by Subpart F—Audit Requirements of this part. The mailing address of the FAC is Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, IN 47132 and the web address is: <http://harvester.census.gov/sac/>. This OMB Web site will contain any future updates to the location of the FAC.

6. U.S. Department of Education: Requires institutions that participate in Federal student financial aid programs to submit data from their audited financial statements as well as attaching a PDF file of their audit report using the eZ-Audit submission system within nine months of their fiscal-year end effective June 16, 2003. Additional information about this process is found at <https://ezaudit.ed.gov/EZWebApp/common/login.jsp>

7. Accrediting Commission for Community and Junior Colleges (one PDF file copy)
accjc@accjc.org

8. The State Controller's Office (1 PDF file copy) at Trackprop30@sco.ca.gov

160 - AMENDMENTS TO AUDIT REPORT

- .01 When additional comments, explanations or corrections are necessary after a report has been filed, inserts or supplements should be prepared and distributed by the auditor to all holders of the report.

170 - RETENTION OF AUDIT WORKING PAPERS

- .01 The audit working papers are subject to review by the Department of Finance, the Chancellor's Office, California Community Colleges and the California State Auditor.
- .02 The working papers related to the annual audits or of any other legally required audit have to be available for review. The working papers must be available until either:
- After the third July 1 succeeding the completion of the audit required by Education Code section 84040, or
 - After the ending date of any retention period required by any agency other than the State of California, such as the State board of Accountancy.

180 - AUDIT ASSISTANCE AND PUBLICATIONS

- .01 Aside from this Manual, below are sources of audit assistance and related publications. The Chancellor's Office, California Community Colleges is the source of information on the conduct of audits of community colleges. Contact the Department of Finance regarding financial statement presentation and disclosure requirements.

.02 **Audit Assistance**

California Department of Finance
Office of State Audits and Evaluation
915 L Street, 6th Floor
Sacramento, CA 95814-3706
Kim Tarvin (916) 322-2985 Ext. 3152

Chancellor's Office
California Community Colleges
College Finance and Facilities Planning
Division
1102 Q Street, Suite 4400
Sacramento, CA 95811-6511
Tracy Britten (916) 324-9794

.03 **Publication and Sources:**

[Student Attendance Accounting Manual and related advisories](#), Chancellor's Office, California Community Colleges 2001

[Student Fee Handbook](#), Chancellor's Office, California Community Colleges October 18, 2012
[California Community Colleges Budget and Accounting Manual](#), Chancellor's Office, California Community Colleges 2012

[Legal Opinions](#), Chancellor's Office, California Community Colleges Legal Affairs Division

[Legal Advisories](#), Chancellor's Office, California Community Colleges Legal Affairs Division

[California Education Code](#)

[California Code of Regulations](#), title 5

[Government Auditing Standards](#), Government Accountability Office

[AIPCA Audit and Accounting Guide: Audits of State and Local Governments](#), American Institute of Certified Public Accountants

[Original Pronouncements: Governmental Accounting and Financial Reporting Standards](#), Governmental Accounting Standards Board

[Codification of Governmental Accounting and Financial Reporting Standards](#), Governmental Accounting Standards Board

[Revised Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#), replaced the Office of Management and Budget Circulars A-133, A-110, and A-21. These revisions include, among various other changes affecting the Manual, an increase to the audit threshold from \$500,000 to \$750,000.

[Catalog of Federal Domestic Assistance](#), U.S. General Services Administration

[Governmental Accounting, Auditing, and Financial Reporting](#), Government Finance Officers Association

SECTION 200

AUDIT REQUIREMENTS

200 Auditing Requirements

210 - OVERVIEW

- .01 The auditing requirements addressed within the Contracted District Audit Manual are directed toward those matters that may have a significant financial impact on community college operations or are perceived to have increased the risk of noncompliance with existing statutes and regulations. The audit shall concentrate on the review and evaluation of the community college district's system of internal accounting control. This includes systems established to ensure compliance with laws and regulations affecting the receipt and expenditure of State, federal, and local funds, and on those major or significant compliance objectives and audit procedures for state and federal programs identified in this Manual.
- .02 In accepting and conducting the audit, the auditor considers Interpretation 501-3, "Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits," of the American Institute of Certified Public Accountants' Code of Professional Conduct, January 1988:
- Engagements for audits of government grants, government units or other recipients of government monies typically require that such audits comply with government audit standards, guides, procedures, statutes, rules, and regulations, in addition to generally accepted auditing standards. If a member accepts such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules and regulations, in addition to generally accepted auditing standards, he is obligated to follow such requirements. Failure to do so is an act discreditable to the profession in violation of Rule 501 [ET section 501.01], unless the member discloses in his report the reason for deviating from the requirements.
- .03 The auditing requirements as outlined herein are considered **minimum requirements** to meet the State's legal requirements pertaining to financial and compliance audits of the community college districts. While there may be reasons to justify deviation from these auditing requirements, reasons for the deviation will not necessarily waive those auditing requirements. Any deviation must completely satisfy the State's legal requirements. If not, the CPA firm will apply additional procedures and provide a supplemental report to all report recipients.
- .04 The following items represent the significant audit requirements to which the auditor must be alert in conducting the audit.

220 - AUDIT SCOPE

- .01 Each audit examination shall include all funds and account groups of the district, including the student financial aid funds, student body funds, cafeteria funds, and any other funds under the control or jurisdiction of the district to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- .02 The community college district may, at its option, contract for the audit and include additional items over and above the reporting requirements prescribed in this Manual. The audit shall, at a minimum, include those items specified in this Manual.

- .03 Each audit will also include an examination for compliance with laws, rules, and regulations as more fully described later in this section.

230 - AUDIT STANDARDS

- .01 The financial and compliance audit will be in accordance with each of the following:
- Government Auditing Standards, Generally Accepted Government Auditing Standards (GAGAS), commonly known as the “Yellow Book”
<http://www.gao.gov/govaud/ybk01.htm>
 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), which replaced the Office of Management and Budget Circulars A-133, A-110, and A-21. These revisions include, among various other changes affecting the CDAM, an increase to the audit threshold from \$500,000 to \$750,000. [Electronic code of federal regulations](#)
 - Contracted District Audit Manual issued by the Chancellor’s Office, California Community Colleges
 - Generally Accepted Auditing Standards (GAAS)
<http://www.aicpa.org/Pages/default.aspx>.

240 - FINANCIAL STATEMENTS

- .01 The financial statements and Required Supplemental Information (RSI) for audit reports of districts reporting as Special-purpose Governments Engaged Only in Business-type Activities (BTA) is specified in paragraph 138 of Governmental Accounting Standards Board (GASB) Statement 34. The financial statements and RSI consists of:
- Management’s Discussion & Analysis (MD&A);
 - Statement of Net Position;
 - Statement of Revenues, Expenses, and Changes in Net Position;
 - Statement of Cash Flows;
 - Notes to Financial Statements; and
 - RSI other than MD&A.
- .02 An example of such statements is in the Appendix. Review changes required by FASB for the 2018/19 fiscal year at:
http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168381847&acceptedDisclaimer=true
- .03 If the district has participated in the State Teachers’ Retirement System Retirement Incentive Program, disclosure in the notes to the financial statements is required. Details of the required disclosures are contained in section 325 of this Manual.

250 - REQUIRED SUPPLEMENTAL INFORMATION

- .01 In addition to the community college district's financial statements, prepared in accordance with Generally Accepted Accounting Principles (GAAP), additional supplementary information is required. However, the specific information may change from year to year as the needs of management at the local, State and federal levels change. Refer to this Manual's Reporting Requirements, section 327.01 for a listing of the required supplemental information.
- .02 The audit report is to include the name of the college(s) receiving federal financial awards for federal record keeping purposes.

260 - INTERNAL CONTROL

- .01 In conjunction with each financial and compliance audit of a community college district, the auditor will consider and evaluate the community college district's system of internal control over its financial reporting; compliance with laws, regulations, contracts, and grants applicable to federal and state programs; and the expenditure of federal, state, and local funds. The audit shall include sufficient testing and evaluation of internal control to assess its effectiveness and identify when internal control over some or all of the compliance requirements for major programs are likely to be ineffective in preventing or detecting noncompliance.
- .02 The need for auditors to effectively consider and evaluate the community college district's internal control, which is intended to ensure compliance with applicable laws and regulations, cannot be overemphasized. The auditor report should include comprehensive comments, recommendations, and descriptions of any significant deficiency or material weakness related to the control environment, risk assessment, information communication, monitoring, or control activities.
- .03 In addition, a copy of any management letters issued resulting from the annual audit and review of the district's internal controls should accompany the contracted district audit report sent to the Chancellor's Office, California Community Colleges.

270 - COMPLIANCE

- .01 The district's compliance with legal and regulatory requirements may have a material impact on its financial position because noncompliance with laws and regulations could generate contingent financial liabilities for the district. Accordingly, the auditor shall determine whether the community college program, function, or activity under audit has effectively complied with applicable laws and regulations.
- .02 Section 400 of this Manual identifies the State programs to audit for compliance. The auditor must report on those compliance procedures that are current for the year of audit.
- .03 Federal programs and related compliance questions, audit procedures and background material are generally addressed in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), which replaced the Office of Management and Budget Circulars A-133, A-110, and A-21.

These revisions include, among various other changes affecting this Manual, an increase to the audit threshold from \$500,000 to \$750,000. The revised Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is at the following link: [Federal Regulations](#).

280 - AUDIT FINDINGS

- .01 Audit findings shall be presented in sufficient detail for the auditee to prepare a corrective action plan, take corrective action and, if applicable, for the Chancellor's Office, California Community Colleges to arrive at a management decision. This section applies to all findings in the report. The following specific information shall be included in audit findings (as applicable):
- (1) The **criteria** or specific requirement used to identify the finding, including statutory, regulatory, or other citation.
 - (2) The identified **condition** including facts that support the deficiency determination cited in the audit finding.
 - (3) Identification of **questioned costs, FTES, or students served**, and how computed. If a value is not given, provide an explanation why. State compliance findings have specific requirements addressed in section 400. **When reporting a finding, do not round off the calculations made. Report the figure calculated to two decimal places so that responsible parties may recoup or recalculate amounts in question as precisely as possible based on the audit work performed.**
 - (4) Information to provide **proper context** for judging the prevalence and consequences of the audit findings, such as whether the audit finding represents an isolated instance or a systemic problem.
 - (5) The **effect** of the finding and information to allow a determination of the cause and the effect to facilitate prompt and proper corrective action.
 - (6) **Recommendations** to prevent future occurrences of the deficiency identified in the audit finding.
 - (7) **District corrective action plan** prepared by the auditee that describes in specific terms the actions planned or taken to correct the problem. A statement from the auditee that the corrective action recommended by the auditor is not necessary or appropriate may be given along with specific reasons for such a response. A statement that the corrective action plan was not available should be made if no corrective action plan is complete before the audit report was prepared.

All seven elements should be included for each audit finding and each should be a separate paragraph for ease of identification.

State compliance findings have specific requirements as stated in section 400.

SECTION 300

REPORTING REQUIREMENTS

300 Reporting Requirements

310 - OVERVIEW

- .01 In an effort to make the results of the audit more understandable and meaningful to readers and users of the community college district audit report, the reporting requirements include several, separate auditor reports. These include financial statements, compliance and internal control over financial reporting in accordance with Government Auditing Standards, federal compliance, state compliance, and a separated section for management letters, findings, and status of previous years' findings.
- .02 Community college districts that prepare a Comprehensive Annual Financial Report (CAFR) in accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 1 may submit their CAFR, including the separate auditor report on state compliance audit requirements and supplemental information to fulfill the audit reporting requirements of this Manual.
- .03 In accordance with statements issued by GASB, the districts have elected to report using the Business-type Activities (BTA) model. This model prescribes that the districts need only issue a government-wide Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. This reporting model does not require fund financial statements to be included with the district's annual financial report. However, some districts disclose this detail in supplemental information.
- .05 **GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68** - The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions. This will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.
- .06 **GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans** - The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the fiduciary net position of the OPEB plan covers the total OPEB liability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

- .07 **GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions** - This Statement will improve the usefulness of information in employer and governmental nonemployer contributing entity financial reports. It will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability will improve through new note disclosures and required supplementary information. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- .08 **GASB Statement No. 77 - Tax Abatement Disclosures** -The requirements of this Statement improve financial reporting by giving users of financial statements essential information not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.
- .09 **GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans** - The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees have such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees have pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.
- .10 **GASB Statement No. 79 - Certain External Investment Pools and Pool Participants** - This Statement addresses accounting and financial reporting for specific external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or taken together, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

- .11 **GASB Statement No. 80 - Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14** - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for specific component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
- .12 **GASB Statement No. 81, Irrevocable Split-Interest Agreements**
The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged.
- .13 **GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73** - The objective of this Statement is to address certain issues raised with respect to Statements No. 67, 68, and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability measurement is as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- .14 For additional guidance on the audit report sections and subsections, refer to the respective editions applicable to the year under audit:
- [“Codification of Statement on Auditing Standards” published by the American Institute of Certified Public Accountants](#)
 - [“Codification of Governmental Accounting and Reporting Standards” published by the Governmental Accounting Standards Board](#)
 - [“Government Auditing Standards” published by the Comptroller General of the United States](#)
 - [“Governmental Accounting, Auditing and Financial Reporting” published by the Governmental Finance Officers Association](#)

315 - REPORT FORMAT

- .01 At a minimum, the audit report's title page should include the district's name, college name(s), city, county and state, report title, and audit period. A table of contents should then set forth the major sections of the report with their respective page numbers. Arrange the report as follows:
1. District Superintendent's Message (optional)
 2. Introduction
 3. Independent Auditor's Report
 4. Management's Discussion and Analysis (MD&A)
 5. Basic Financial Statements
 6. Notes to Financial Statements
 7. Required Supplementary Information Other Than MD&A
 8. Auditor's Report on Information Accompanying the Basic Financial Statements (Supplemental Information) – May be added to the auditor report on the basic financial statements or may appear separately in the auditor-submitted document.
 9. Supplementary Information
 10. Notes to Supplementary Information
 11. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 12. Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (See 20xx AICPA Government Audit Guide)
 13. Independent Auditor's Report on State Compliance
 14. Summary of Auditor's Results
 15. Schedule of Findings and Questioned Costs
 16. Management Letters
 17. Status of Prior-Year Findings and Recommendations

320 - LETTER OF TRANSMITTAL (OPTIONAL)

- .01 A letter of transmittal should not duplicate, but may elaborate on, information required in the MD&A. The GASB believes that the MD&A and the letter of transmittal should be kept separate because they serve different purposes and because no authoritative standards have been set for the letter of transmittal. Information in the letter of transmittal may include prospective information and other data that are currently beyond the scope of GAAP.

321 - INTRODUCTION

- .01 The introduction shall include a description of audit objectives. Preferably, it should include a brief description of the scope of the audit, audit period, and use of auditing standards.

322 - AUDITOR'S REPORT ON FINANCIAL STATEMENTS

- .01 The auditor report on financial statements shall incorporate the additional reporting standards required by government auditing standards. The report should state that the audit is in accordance with generally accepted governmental auditing standards (GAGAS). When providing an opinion or disclaimer on financial statements, the auditor should include a description of the scope of testing of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements and the results of those tests or an opinion, or references to the separate report(s) containing that information.
- .02 Auditors should report deficiencies in internal control considered to be a **significant deficiency** as defined in AICPA standards, which includes all instances of fraud and illegal acts unless clearly inconsequential, and significant violations of provisions of contracts or grant agreements and abuse. If the auditor is performing an audit in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), which replaced the Office of Management and Budget Circulars A-133, A-110, and A-21, the thresholds for reporting are defined and are sufficient to meet the requirements of GAGAS. If the auditor report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions.
- .03 The audit report should state the nature of any pertinent information omitted and the requirement that makes the omission necessary.

323 - MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- .01 MD&A provides users of the basic financial statements with a narrative introduction, overview, and analysis of those statements. Because MD&A constitute required supplementary information, the district may not address additional topics not described in paragraphs 8-11 of GASB Statement 34. The overview helps readers to assess whether the district's financial position has improved or deteriorated due to the year's operations. The overview is an analysis of the district's financial activities based on currently known facts, decisions, or conditions. Currently known indicates information that management is aware of as of the date of the auditor report. MD&A should address both positive and negative trends while discussing the current-year's results in comparison with the prior year, with emphasis on the current year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.

324 - BASIC FINANCIAL STATEMENTS

- .01 Basic financial statements focus on the overall financial position and activities of the district and measure and report all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. This information should assist users' with assessments of the district's financial condition and its ability to maintain service levels, and continue to meet its obligations as they become due. The basic financial statements consist of the following statements and the associated notes to the basic financial statements.

- .02 **Statement of Net Position:** The Statement of Net Position uses a classified format to distinguish between current and non-current assets and liabilities and to display the financial position of the district and its discretely presented component units. This statement differs from the traditional combined and combining balance sheets by its level of aggregation and its focus on the district's total operations, rather than fund and fund-type reporting. The statement also incorporates the use of the economic resources measurement focus and accrual basis of accounting for all assets and liabilities; the reporting of general capital assets and general long-term liabilities, were reported previously only in account groups; and the reporting of infrastructure assets, which previously was optional. In addition, Statement of Net Position is now displayed in three broad components – invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted.
- .03 **Statement of Revenues, Expenses, and Changes in Net Position:** This is the operating statement for the district as a whole. The statement reports revenues by major source, identifies any revenues used as security for revenue bonds and distinguishes between operating and nonoperating revenues and expenses consistent with the district's definition of operating revenues and expenses. Information presented should be sufficient to determine whether current-year revenues are adequate to cover the cost of current-year services and identify how the district finances its activities. This presentation along with the aggregation of financial data should enhance comparability between districts.
- .04 **Statement of Cash Flows:** The Statement of Cash Flows provides information about the district's cash receipts and cash payments for the year's operations, its non-capital financing transactions, its capital and related financing transactions, and its investing transactions based on the provisions of GASB Statement 9, as amended by GASB Statement 34. The statement includes the net cash provided and used, the net effect of those cash flows on each of the above categories, and on cash and cash equivalents during the period regardless of any restrictions on their use. The direct method of presenting cash flows from operating activities (including a reconciliation of operating cash flows to operating income) is required.
- .05 **Required Supplementary Information:**
- a. Required supplementary information in addition to the MD&A should include certain data addressing concerns of previous GASB pronouncements such as public entity risk pools (GASB Statement 10), defined benefit pension plans (GASB Statements 67 & 68), and accounting for pensions by state and local governmental employers (GASB statements 68 and 71).
 - b. **Schedules:** The needs and requirements of the California Community Colleges will dictate the level of accounting shown in the suggested schedules. Schedules are used to demonstrate finance-related legal and contractual compliance (e.g., where bond indentures require specific data to be presented) and to present other information deemed useful (e.g., data related to annual FTES calculations, such as the Schedule of workload measures for State General Apportionment). Determination of the appropriate level of detail as to presentation in a schedule is a matter of professional judgment.

325 - NOTES TO FINANCIAL STATEMENTS

- .01 The notes to the financial statements should communicate information essential for fair presentation of the financial statements. The notes are an integral part of the basic financial statements. Obtain guidance pertaining to existing note disclosures from the National Council on Governmental Accounting (NCGAI) Interpretation 6, as amended, and GASB Statement 38, Certain Financial Note Disclosures. Immaterial items do not require note disclosure.
- .02 Section 2300 of the Codification of Governmental Accounting and Financial Reporting Standards (GASB) and GASB Statement 35 identify specific notes that are essential to the fair presentation of the financial statements. These notes include, but are not limited to:
1. Summary of significant accounting policies, including:
 - a. A description of the district-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.
 - b. A brief description of the component units of the financial reporting entity, their presentation, and the criteria for including component units in the financial reporting.
 - c. The measurement focus and basis of accounting used in the district-wide statements.
 - d. The revenue recognition policies used by the district.
 - e. The policy for eliminating internal activity in the district's statement of activities.
 - f. The policy for capitalizing assets and for estimating the useful lives of those assets (used to calculate depreciation expense). Districts that choose to use the modified approach for reporting eligible infrastructure assets should describe that approach.
 - g. The policy for allocating indirect expenses in the statement of activities.
 - h. The policy for defining operating and non-operating revenues.
 - i. The policy for applying FASB pronouncements issued after November 30, 1989.
 - j. The definition of cash and cash equivalents used in the statement of cash flows.
 - k. The district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.
 2. Cash deposits with financial institutions.
 3. Investments.
 4. Significant contingent liabilities.
 5. Significant effects of subsequent events.
 6. Annual pension cost and net pension obligations.
 7. Significant violations of finance-related legal or contractual provisions and actions taken to address such violations.
 8. Debt service requirements to maturity.
 9. Commitments under noncapitalized (operating) leases.
 10. Construction and other significant commitments.

11. Required disclosures about capital assets – this disclosure presents the beginning and ending balances, the increases and decreases for the year for each major class of capital asset, and its related accumulated depreciation.
12. Required disclosures about long-term liabilities – This disclosure presents the beginning and ending balances and increases and decreases for the year for each major type of long-term liability. In addition, it requires disclosure of the portion of each item that is due within one year.
13. For each major component unit, the nature and amount of significant transactions with other discretely presented component units or with the district.
14. Disclosures about donor-restricted endowments – This disclosure must include the amount of net appreciation on investments of donor-restricted endowments that are subject for authorization for expenditure by the governing board, and how those amounts appear in Net Position.

Additional disclosures in the notes if applicable may include:

1. Risk management activities.
2. Property taxes.
3. Segment information.
4. Condensed financial statements for major discretely presented component units.
5. Short-term debt instruments and liquidity.
6. Related party transactions.
7. Capital leases.
8. Information about collections (if applicable) – This disclosure presents collections not capitalized and provides a description of those collections and the reasons those assets have not been capitalized.
9. Joint ventures and jointly governed organizations.
10. Debt refunding.
11. Pension plans.
12. Bond, tax, or revenue anticipation notes excluded from fund or current liabilities.
13. Nature and amount of inconsistencies in financial statements caused by transactions between component units having different fiscal year-ends or changes in fiscal year-ends.
14. Relationship of component unit to primary government in separately issued component unit financial report or component unit financial statements.
15. Reverse repurchase and dollar reverse repurchase agreements.
16. Special assessment debt and related activities.
17. Demand bonds.
18. Post-employment benefits other than pension benefits.
19. The amount of interest expense included in direct expenses in the district-wide statement of activities.
20. Significant transactions or other events that are either unusual or infrequent but not within the control of management.

- .03 Employers that participate in cost-sharing multiple-employer plans should recognize annual pension expenditures or expenses equal to their contractually required contributions to the plan. Employers with defined contribution plans should recognize annual pension expenditures (in governmental fund financial statements) equal to their required contributions, in accordance with the terms of the plan.
- .04 Employers should also include the following information in the notes to their financial statements for each defined benefit pension plan in which they participate, regardless of the type of plan. Combine disclosures for more than one plan in a manner that avoids unnecessary duplication.
1. Plan description:
 - a. Name of the plan, identification of the public employee retirement system or other entity that administers the plan, an identification of the plan as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit pension plan.
 - b. Brief description of the types of benefits and the authority under which benefit provisions are established or amended.
 - c. Whether the pension plan issues a stand-alone financial report, or is included in the report of a public employee retirement system or another entity, and, if so, how to obtain the report.
 2. Funding policy:
 - a. Authority under which the obligations to contribute to the plan of the plan members, employer(s), and other contributing entities are established or may be amended.
 - b. Required contribution rate(s) of active plan members.
 - c. Required contribution rate(s) of the employer in accordance with the funding policy, in dollars or as a percentage of current-year covered payroll. If the plan is a single-employer or agent plan and the rate differs significantly from the annual required contribution, disclose how the rate is determined. If the plan is a cost-sharing plan, disclose the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years.
- .05 **State Teachers' Retirement System (STRS) Retirement Incentive Program:**
- Per Education Code 84040.5(c), community college districts that have participated in the STRS Retirement Incentive Program must include information regarding the program in their annual audits. Disclose this information in the notes to the financial statements and include the following:
- The number and type of positions vacated.
 - The age and service credit of the retirees receiving the additional credit.
 - A comparison of the salary and benefits of each retiree receiving the additional service credit with the salary and benefits of the replacement employee, if any.
 - The resulting retirement costs, including interest (if any), and the postretirement healthcare benefits costs, incurred by the district.

326 - AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

- .01 The auditor report on the examination of the supplemental information shall be included in this section of the report. Findings and recommendations are to be included in the Findings and Recommendations section of this report. It is acceptable to present this information in the report on the basic financial statements or it may appear separately in the auditor-submitted document.

327 - REQUIRED SUPPLEMENTAL INFORMATION

- .01 Current required reporting of supplemental information consists of:
1. Schedule of Other Postemployment Benefits (OPEB) Funding Progress
 2. Schedule of District's Proportional Share of the Net Pension Liability
 3. Schedule of District Contributions
 4. Schedule of District Organization, Board and Administration Members
 5. Schedules of expenditures of Federal awards by college(s)
 6. Schedules of expenditures of State awards
 7. Schedule of workload measure for State General Apportionment
 8. Reconciliation of the 50 Percent Law calculation to audited financial statements
 9. Reconciliation of CCFS-311 to audited financial statements
 10. Reconciliation of Education Protection Account expenditures to audited financial statements
 11. Reconciliation of governmental funds to the statement of net position. See the options listed on pages 6-12 and 6-13 of the Budget and Accounting Manual ([BAM](#)) for your options in presenting this data.
 12. Notes to the supplementary information
- .02 The audit report is to include the name of the college(s) receiving federal financial awards for federal record keeping purposes.

328 - NOTES TO SUPPLEMENTAL INFORMATION

Present notes to the supplemental information in this section of the report and include narrative explanations and information on the individual schedules.

329 - INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

See the link below for the latest version:

[AICPA](#)

**330 - INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
(See 20xx AICPA Government Audit Guide)**

See the link below for the latest version:

[US Government Publishing Office](#)

331 - AUDITOR'S REPORT ON STATE COMPLIANCE

- .01 A separate auditor report shall be prepared for the examination of state compliance requirements. The report shall contain an expression of positive assurance with respect to compliance with applicable laws and regulations for those items tested in accordance with the Contracted District Audit Manual, and negative assurance for untested items. **Instances of noncompliance with applicable state compliance requirements must be reported in terms of the items or monetary amounts questioned, if any, regardless of the significance, individually or collectively.** The report shall contain specific recommendations for corrective action and, if available, the community college district's response to the audit report shall be included in the audit report. **Additionally, include the number of FTES claimed for any cited instructional activity or conditions that affect the FTES claimed by the district for state general apportionment.**
- .02 Findings related to compliance requirements may affect the auditor opinion report on the financial condition of the community college district. Evaluate findings as to their effects, if any, upon the district's financial statements and supplemental information.

334 - FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS

- .01 The findings, questioned costs, and recommendations will include matters dealing with internal control, compliance, and supplemental information. Each finding shall be explained in sufficient detail to enable the reader to understand the criteria, condition, questioned costs, proper context, effect, recommendations, and response and, where applicable, the effect of the internal control weakness or condition of noncompliance on reports or schedules. Findings should also identify repeat findings from the previous year's audit report. Present recommendations in a manner that will illustrate how corrective action will eliminate the weakness or provide compliance.
- .02 For State compliance findings, name the finding the same as the number and name of the state test as found in this Manual.
- .03 This section should also include a "Summary of Auditors' Results. All reportable findings, recommendations and responses shall be included in the audit report.
- .04 Sample sizes represent the entire population and are sufficient in size to allow the auditor to draw a reasonable conclusion with respect to the compliance requirements tested.
- .05 All audit findings, if any, shall include all seven elements as describe in section **280 - Audit Findings.**

State compliance findings have additional requirements as stated in section 400.

335 - MANAGEMENT LETTERS

- .01 A copy of each management letter issued during the audit shall accompany the audit report submitted to the Chancellor's Office, California Community Colleges. The management letters do not need to be a bound component of the audit report.

336 - STATUS OF PRIOR-YEAR FINDINGS AND RECOMMENDATIONS

- .01 This section shall include the status of district actions on findings and recommendations reported in the prior-year audit. Any reference to prior-year findings and recommendations shall include the identification references used by the Chancellor's Office, California Community Colleges during its follow-up activities.

SECTION 400

STATE COMPLIANCE REQUIREMENTS

400 State Compliance Requirements

410 - OVERVIEW

- .01 In addition to the auditor reports and fiscal information presented in reviews of basic financial statements, annual audits of governmental agencies, including community colleges, are required to report on compliance aspects of significant state and federal programs. Audit requirements for the Chancellor's Office, California Community Colleges stipulate specific state compliance issues to be included as part of the annual audit.
- .02 With the passage of AB 1725, the California Legislature implemented significant new processes and programs in community colleges: matriculation, articulation, program-based funding, and minimum qualifications. The creation of such areas significantly impact activities districts are required to perform. As a result, auditors need to view existing state compliance items in a context that increases understanding of college operations and lays the foundation for periodic changes in these testing structures.
- .03 From the audit procedures performed, the **auditor should report any instances of noncompliance as required by current standards. Beginning with the 2015/16 audit year, report all State compliance findings specifically for the college/campus tested.** This will help the Chancellor's Office, California Community Colleges address any needed corrective actions.

Instances of noncompliance to state requirements do not automatically result in a qualified state compliance report, but do automatically result in a finding. Auditor judgment based on the types and fiscal impact of findings along with the district's control environment will determine if a district's state compliance report is qualified.

- .04 All state compliance tests that **may** affect the calculation of FTES, or students served, for funding from the State, must be performed using current sample size guidance provided by professional auditing standards for tests of compliance. This includes tests related to compliance with funding requirements for state general and categorical apportionment. Using a statistical sample will enable better extrapolation of findings to the full population of transactions. A stratified sample is required as it will assist in more accurate extrapolation of sample results. Extrapolation is required regardless of funded FTES status. Report FTES and Students Served as:

- Credit
- Noncredit
- Noncredit CDCP

Without specific information, the adjustment will assume the audit was covering credit FTES, and make the adjustment at that rate.

Report the information for the Center and Campus specific sites. When the district makes audit-identified corrections to FTES or students served, report the correction within the finding so that we do not duplicate any corrective actions taken by the district.

State within the finding that the Recal Apportionment Attendance Report (CCFS-320) contains an audit related adjustment, if applicable. Specifically confirm this information within the management response/corrective action plan. The Recal CCFS-320 detail information will need to identify the adjustment(s) from the audit specifically. Our office will make the adjustment if the finding lacks this specificity.

Provide sample and population size, and sample results.

Provide extrapolation of findings, or the CPA must oversee 100% review of the items tested. Present one of these two alternatives in the report to ensure the audit is complete and accepted as such.

Findings reveal positive and negative FTES adjustments. It is ideal to complete apportionment related audit tests early in the audit cycle. Audit adjustments made in time to include them on the Recal CCFS-320, allow districts to receive the highest possible funding level. The finding remains in the audit report because the auditor found the error, but with the explanation of the correction being made on the CCFS-320.

- Positive FTES amounts – do not offset negative FTES amounts when extrapolation is applied. Use only actual FTES amounts from the sample for a positive adjustment. One hundred percent review of transactions overseen by a CPA firm can identify positive adjustments. Provide results to the Chancellor’s Office, California Community Colleges whether the extrapolation amount was higher or lower than the audit result. Consistent with California Code of Regulations, title 5, section 59116(b), if applicable requirements apply, the positive FTES amounts are “unfunded FTES” that can be used as a full or partial offset to any invalidated or lost FTES that result in a negative revenue adjustment in the fiscal year in which the annual audit findings are resolved.
- Negative FTES amounts – extrapolation is accepted by the Chancellor’s Office, California Community Colleges. If the CPA firm oversees 100% review of transactions, and provides results to the Chancellor’s Office, California Community Colleges, those results apply, whether they are higher or lower than the extrapolated figure.

If State apportionment related audit tests are not completed in time to make corrections on the Recal CCFS-320, we will provide the FTES or students served data from the finding to Chancellor’s Office, California Community Colleges apportionment staff. Apportionment staff will enter the finding results into their spreadsheets containing all funding parameters to arrive at the possible audit related adjustment. Depending on each district’s unique funding scenario, in some circumstances there is no adjustment needed.

Following the statistical, stratified requirement, the auditor should follow current sample size guidance provided by AICPA and Generally Accepted Auditing Standards (GAAS).

- .05 For state programs, the auditor should use professional judgment and due diligence in designing the types of compliance tests to perform. The auditor should also determine the requirements governing the program by reviewing California Education Code; California Code of Regulations, title 5; and the provisions of contracts and grant agreements, and the laws and regulations therein.

Auditors should use professional judgment in choosing procedures and determine the extent of tests performed. Tailor the audit procedures to individual programs and circumstances. This may require unique steps at each district. Test to source documents, not summary documents.

The auditor is also responsible for ensuring that specific requirements modified by a change in a law or regulation are included in the audit procedures. "Suggested Audit Procedures" provided within a state test are not given to satisfy the test in its entirety. Apply necessary procedures to provide reasonable audit testing in that area. There may be funding adjustments based on the extrapolated findings in these areas.

- .06 Perform all State compliance tests listed in the table of contents, and outlined in the remainder of this section. They are required.**
- .07** For State compliance findings, name the finding in the audit report the same as the test number and name. For example, with the following test, if a finding is noted it should be named "421- SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)".
- .08** Proposition 30 created an Education Protection Account (EPA) within the General Fund. A community college district shall have sole authority to determine how to spend the moneys received from the EPA in the school or schools within its jurisdiction. The appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body. The funds from the EPA will not be used for salaries or benefits of administrators or any other administrative costs. Each community college district shall annually publish on its Internet Web site an accounting of EPA funds. The CCFS-311 Report now contains a page for EPA fund expenditures, similar to the Lottery page. Use object code 8630 for EPA revenues. Expenses incurred to comply with the audit requirement of this section and paid with funding from the Education Protection Account are allowable administrative costs for purposes of this section. Sections 250 and 327 in this Manual require reconciliation of and reporting on the EPA account.
- .09** Education Code 76060.5 allows for the collection of a Student Representation Fee (SRF), under certain conditions. If an SRF fee is collected, the Chancellor's Office, California Community Colleges Budget and Accounting Manual requires deposit of these fees into a separate fiduciary fund. Report these fees only under fund 72. Report fund 72 balances on the form CCFS-311.
- .10** Districts may elect a mandated block grant (MBG). The auditor needs only to verify that the district provides at least one of the mandated activities. Revenue from the MBG is unrestricted.

421 - SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)

.01 Background

Expend a minimum of 50 percent of the district's Current Expense of Education (CEE) during each fiscal year for "Salaries of Classroom Instructors" per Education Code section 84362, commonly known as the 50 Percent Law. Salaries of classroom instructors, per California Code of Regulations, title 5, section 59204, is:

(1) “that portion of salaries paid for purposes of instruction of students by full-time and part-time instructors employed by a district; and

(2) All salaries paid to classified district employees who are (a) assigned the basic title of “Instructional Aide” or other appropriate title designated by the governing board that denotes that the employees’ duties include instructional tasks, and (b) employed to assist instructors in the performance of their duties, in the supervision of students, and in the performance of instructional tasks.” An employee is under the supervision of an instructor for the purpose of Education Code section 84362 if the employee performs duties under the general direction of an instructor.

In addition, salaries of classroom instructors shall include the proportionate share of all benefits provided to these instructors and instructional aides (object of expenditure code 3000, as defined in the [California Community College Budget and Accounting Manual, 2012 edition](#)).

CEE includes objects of expenditures 1000 through 5000 and Equipment – Replacement for activities 0100 through 6700 in the General Fund, Unrestricted sub fund as defined in the Chancellor’s Office, California Community Colleges Budget and Accounting Manual, 2012 edition, less expenditures for activity 64XX, Other Student Services – Other (student transportation) and amounts expended for lease of plant and equipment. In-kind match will not be included in the district’s accounting system and is, therefore, not part of this calculation.

Areas in which questions of compliance have arisen are:

1. Inclusion in “Salaries of Classroom Instructors” (SCI) of:
 - a. Instructional aides’ salaries and benefits.
 - b. Proration of salaries and benefits for administrative staff who teach part time.
 - c. Instructors’ “reassigned time” for administrative purposes is not included in SCI.
 - d. Salaries of “Contract Instructors” and proration of these salaries and benefits for the “Contract Instructors” that teach part time.
2. Exclusion from CEE of:
 - a. Capital Outlay Expenditures: Equipment – Additional
 - b. Expenditure of state and federal categorical moneys
 - c. Expenditure of State Lottery Proceeds
 - d. Proration of salaries and benefits of staff working on activities outside of the CEE
3. Inclusion in CEE of:
 - a. Local match for categorical programs except those expenditures appropriately reflected in other funds.
 - b. Expenditures for Equipment – Replacement

.02 **Criteria**

- [Education Code](#) section 84362 and 88242
- [California Code of Regulations, title 5](#), section 59204 and 59206
- [Government Code](#), section 8880.5(b) and (k), specifies community college districts, as a condition for receiving lottery funds shall establish a separate account for the receipt and expenditure of those funds.

- Chancellor's Office, California Community Colleges [Legal Opinion O 00-14](#), "Salaries of Classroom Instructors" Contained in Education Code sections 84362, the "Fifty Percent Law", dated June 12, 2000
- Chancellor's Office, California Community Colleges [Legal Opinion O 04-10](#), District Ability to Count Amounts Paid to Outside Agencies as "Salaries of Classroom Instructors" under 50% Law
- [Chancellor's Office, California Community Colleges Budget and Accounting Manual, 2012 edition](#)
- [Form CCFS-311, Supplemental Data, Analysis of Compliance with 50 Percent Law Report and Instructions](#) (Completed report should be obtained from district)

.03 **Compliance Requirement**

Auditors may test all criteria above.

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Education Code section 84362. A **significant deficiency** exists if the district does not meet the 50 percent minimum.

.04 **Suggested Audit Procedures**

Report any audit adjustments on the "Reconciliation of ECS 84362 (50 percent Law) Calculation" form in the supplementary materials in the Appendix. Complete this reconciliation form with the annual reported data from the CCFS-311 even if there are no adjustments. See related requirement in section 327.

1. Test a sample of the personnel duty statements from the personnel records of classified employees (instructional aides) whose salaries and benefits are included in instructor salaries and determine whether such employees have the basic title of "Instructional Aide" or other appropriate title with the specification to assist instructors in instructional tasks as part of their duties. (Verify proper job classification assigned.) Determine whether the basis for allocated salaries and benefits is reasonable.
2. Test documentation for a sample of administrative staff salaries and benefits allocated to "Salaries of Classroom Instructors" and determine whether the portion of time devoted to instruction of students in the classroom is reasonable. Determine whether the basis for the allocation is reasonable.
3. Test a sample of instructors that have non-instructional assignments or that are on reassigned time for administrative purposes and verify that the appropriate allocation of salaries and benefits for these individuals is not included in SCI. See Chancellor's Office, California Community Colleges Legal Opinion O 00-14, "Salaries of Classroom Instructors" contained in Education Code section 84362, and the "Fifty Percent Law", dated June 12, 2000.
4. Select and test a sample of previously untested instructors included in SCI to determine that all such instructors are in positions requiring minimum qualifications and that the salaries reported as SCI for those instructors correspond to actual instructional duties required of him or her.

- If allocated amounts include excluded amounts without the use of a job cost system, determine that the allocation basis is appropriate.
5. Test a sample of expenditures for object 6400, Capital Outlay, Equipment. Examine supporting documentation to determine whether the sample expenditures are in the proper subsidiary account, i.e. additional equipment or replacement equipment. Expenditures for Equipment–Replacement should be included in CEE, but exclude those for Equipment–Additional. Replacement equipment is a substitute, or exchange, of an asset for another asset of like kind. It does not extend the asset's life but rather maintains the service level anticipated from the original asset. Additional equipment extends the useful life of an asset, improves the asset's performance, or increases the value of the asset; it is not equipment previously owned (not a substitute for previously owned equipment.)
 6. Test a sample of state and federal categorical program expenditures from the following programs to determine that they have been excluded from the CEE:
 - a. Disabled Student Programs & Services (DSPS)
 - b. Extended Opportunity Programs & Services (EOPS)
 - c. College Work Study, Vocational Education Technology Act (VTEA)
 - d. Workforce Investment Act (WIA), etc.
 7. Exclude district lottery funds from the 50 percent law calculation. In order to verify the proper treatment of lottery funds in the 50 percent law calculation, the district should have established a separate account/sub fund to account for the receipt and expenditure of lottery funds in accordance with Government Code, section 8880.5(k). Lack of a separate lottery funds account/sub fund will again result in a recordkeeping finding.
 8. Determine whether local matching funds for the above categorical programs/projects have been included in the General Fund's unrestricted sub fund and are thus included in CEE. Items properly excluded from the General Fund Unrestricted sub fund include but are not limited to capital outlay items properly accounted for in the Capital Outlay Projects Fund, financial aid payments made in the Financial Aid Fund, and child development activities properly accounted for in the Child Development Fund.
 9. Select line items from the CCFS-311 titled "Analysis of compliance with the 50 Percent Law (ECS 84362)" as prepared by the district and trace to financial supporting documentation. Test the numerator and denominator and recalculate percentage. Verify that excluded items were included in the expenditures listed on page one of the report.

423 - APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS /CONTRACTS

.01 **Background**

A number of community colleges have arrangements, commonly referred to as “instructional service agreements” (ISA), with public and private entities. ISAs are different from contract education. In contract education, the college sends its instructors to provide courses or training to meet the specific needs of the contracting entity. The contracted course or training need not be open to all admitted students, the contractor pays the full cost of instruction and the district does not receive apportionment.

Although ISAs are offered pursuant to an agreement with a third party, they are significantly different from the type of contract education described above because they must be open for the enrollment of all admitted students who meet established enrollment prerequisites. Because instruction offered under an ISA is eligible for apportionment, when claiming apportionment, numerous standards for the conduct of ISA courses apply. Employees of the contracting party are often the teacher because they may have special expertise. The employees of the contractor are considered college employees for purposes of satisfying the employment standards for apportionment when meeting certain conditions.

ISAs are often mutually beneficial because the shared instructional costs. Individuals with special expertise instruct the courses, and colleges frequently claim state apportionment. Questions arise as to whether districts have been fulfilling the requirements in order to claim apportionment for student attendance in courses offered under ISAs.

.02 **Criteria**

1. [Education Code](#), section 84752
2. [California Code of Regulations, title 5](#), sections 58050, 58051(a) (1), (c)-(g), 58051.5, 58055, 58056, 58058(b), 58060, 58102-58106, 59114, and 59116.
3. [Student Attendance Accounting Manual and related advisories](#) (including the “Addendum Concerning Academic Calendars, Course Scheduling, and Related Topics”)
4. [Accounting Advisory FS 05-02](#), Revision of annual CCFS 311 Fifty Percent Law page to accommodate instructional salary expenditures for Instructional Service Agreements.
5. [Instructional Services Agreement Guidelines for Community College Districts and Public Agencies 2015](#)

.03 **Compliance Requirement**

Auditors may test all criteria above.

This compliance requirement applies to instructional service agreements in which a district has an agreement with a contractor to instruct classes and:

1. The contractor's employees are used to instruct classes, and
2. The district is compensating the contractor or the instructor, and
3. The district is reporting the FTES from these classes for purposes of claiming state apportionment funding.

Community colleges may claim FTES for classes conducted on campus or at a contractor's site and instructed by the contractor's employees. In order for these FTES to be eligible for state funding, the following regulatory requirements apply:

1. Programs must be approved by the Chancellor's Office, California Community Colleges and courses must be part of those approved programs or the college must have received delegated authority to separately approve those courses
2. Courses must be open to all admitted students who meet any approved prerequisites for the courses
3. Instruction is under the immediate supervision and control of an employee of the district
4. The district employee must possess valid credentials or meet the minimum qualifications required for the assignment
5. Where the instructor is not a paid employee of the district, the college or district has a written agreement or contract with each instructor conducting instruction. Such written agreement or contract shall state that the college or district has the primary right to control and direct the instructional activities of the instructor (California Code of Regulations, title 5, section 58058).
6. The district and public or private agency, individual, or group of individuals with whom the district has an instructional services agreement may not receive full compensation for the direct education costs for the conduct of the class from any other source.
7. For all courses conducted under an instructional services agreement, including those pursuant to California Code of Regulations, title 5, section 58058, determine whether the district received certification verifying that other sources are not fully funding the instructional activity conducted in accordance with California Code of Regulations, title 5, section 58051.5.

.04 Suggested Audit Procedures

1. Determine whether the college or district offers instruction under any instructional service agreements. The instructional services agreements may be referred to by different names, including "memoranda of understanding", "instructional contracts", or "instructional agreements", etc.

- Another indicator that a district has ISAs is if the district reported Object Code 5000 -Other Operating Expenses (line EDP 449, Column 1) on their CCFS-311, Analysis of Compliance with 50 Percent Law report. Report only ISA direct instructional costs in that line item.
2. Determine if the district reports FTES for these classes.
 3. Select a representative sample from the above ISAs of the instructional service agreements to include those generating the largest number of FTES and verify that:
 - a. For agreements using employees of the contracting entity, the college or district has a written agreement or contract with each instructor conducting instruction for which it is claiming FTES. The contracts must state that the college or district has the primary right to control and direct the instructional activities of the instructor. The contract between the college or district and the instructor must be finalized and in effect prior to the commencement of instruction.
 - b. The written agreement with the contractor states the responsibilities of each party and that the college or district is responsible for the educational programs conducted under the agreement.
 - c. The courses are part of an approved program or a stand-alone course approved by the college through its delegated authority.
 - d. The courses are open to all admitted students who meet approved prerequisites for the course as published in the official general college catalog and/or the schedules of classes and/or addenda.
 - e. The minimum qualifications for instructors teaching these courses are consistent with instructor qualifications for other similar courses given at the college or district.
 - f. The instructors meet the minimum qualifications for the courses that they teach. Satisfaction of minimum qualifications is present when a person has a valid, unrevoked credential or meets minimum qualifications adopted by the Board of Governors for the particular discipline. (California Code of Regulations, title 5, section 58060, and 53400 et. seq.)
 - g. The college or district exercises control and supervision over the educational program(s). This may be demonstrated by a variety of activities, including instructor orientation and training, ongoing communications with instructors (i.e. memos, faculty manuals, and on-site supervision), and course and instructor evaluations. **(Activities should be consistent with those the college or district performs for instructional activities taught by a paid part-time instructor on campus).**
 - h. The college and/or district certifies it did not receive full compensation for the direct education costs of the class from any public or private agency, individual, or group of individuals.
 - i. The public or private agency, individual, or group of individuals with whom the district has a contract and/or instructional agreement did not receive full compensation from another source for the direct education costs for the conduct of the class.

- j. When claiming classes for apportionment purposes not fully funded under contracts described in item i, the district must require the contracting entity to certify that the direct education costs of the activity are not now and are not going to be funded through other sources.
4. A **significant deficiency** may also exist if the college or district lacks the appropriate documentation to support the following:
- a. Appropriate instructional service agreements exist per the Instructional Services Agreement Guidelines for Community College Districts and Public Agencies 2015
 - b. The educational program is under the control and direction of the college or district
 - c. Written contracts or agreements with each instructor conducting instruction for which FTES are to be reported and must state that the college or district has the primary right to control and direct the instructional activities of the instructor
 - d. The classes are open to all admitted students who meet approved prerequisites,
 - e. The instructors meet minimum qualifications
 - f. Either the course is part of a program approved by the Chancellor's Office, California Community Colleges, or the college has received delegated authority to separately approve those courses
 - g. The district has failed to obtain the required certifications described in item 3j above.

Additionally, include the number of FTES claimed for the instructional activity included in any conditions cited.

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transaction testing within this state compliance test requires using a statistical sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

424 - STATE GENERAL APPORTIONMENT FUNDING SYSTEM

.01 Background

Program based funding was replaced with the SB 361 funding model. Workload measures and related testing changed as a result.

Full-Time Equivalent Student (FTES), credit and noncredit, are the workload measures for the SB 361 funding model.

California Code of Regulations, title 5, sections 58020-24, continues to require the district to maintain detailed documentation to substantiate the data reported on the CCFS-320. Each district governing board is required to adopt procedures to document all course enrollment, attendance and disenrollment as required by California Code of Regulations, title 5, sections 58020-58024. Pursuant to title 5, section 58030, these procedures shall include rules for retention of support documentation that would enable independent determination of the accuracy of data submitted by the district as a basis for state support. Consider internal controls when developing procedures. Suggested information to supplement the documentation of each course may include, but is not necessarily limited to the items below:

1. The signature of the instructor on all primary attendance accounting documents as a certification of a true and accurate accounting. This includes online or electronically submitted documents where instructors affirm or certify a written statement on the electronic class roster. Certification statements say all inactive students, as defined by California Code of Regulations, title 5 section 58004 and local board adopted procedures, have been dropped on the class roster as of the census date or that positive attendance hours are based upon an accurate count of students present at each course meeting, and
2. Any pertinent information concerning courses that have atypical characteristics or requirements (e.g., lab hours, hours to be arranged [TBA], intercollegiate athletics, field trips).

Thus, the evaluation of required documentation concerns not only the test of the validity of the information documented, but also of the system used to generate that information. For districts that have converted to online or electronic submission of census or positive attendance class rosters, it is important to confirm that sound security and accountability measures have been integrated into those processes (e.g., password based, internal controls, regular quality reviews of output data, and secure retention of records, either physical or electronic, that document each transaction). The burden is on the district to develop a system and related procedures that are consistent with applicable California

Code of Regulations, title 5 requirements, including those provided by sections 58000, 58004, and 58030.

.02 **Criteria**

1. [Education Code](#) section 8152
2. [California Code of Regulations, title 5](#), section 58003.1, 58003.4, 58004, 58020, 58022, 58024, 58030, 58051(c)-(g), 58770, 58771, 58773, 58774, 58776, 58777, 58779, 58785, 84750.5, 84760.5, 59114, and 59116
3. [Student Attendance Accounting Manual and related advisories](#) (including the “Addendum Concerning Academic Calendars, Course Scheduling, and Related Topics”)
4. [Distance Education Guidelines](#) (includes the 2008 Omnibus Version), which provide updated guidance on attendance accounting for distance education courses and the “Alternative Attendance Accounting Procedure,” formerly referred to as “Independent Study/Work Experience Attendance Accounting Procedure.”
5. Governing board-approved procedures adopted pursuant to California Code of Regulations, title 5 sections 58004(c) and 58030 for documenting course enrollment, attendance, and disenrollment. Obtain these procedures from the district being audited.
6. [Term Length Multipliers for fiscal year under audit](#)
7. [CCFS-320 – CATALOG HOURS vs. SCHEDULE HOURS](#)
8. [CCC Contact Hours Chart for the calculation of contact hours in five-minute increments](#)
9. [Labor Code](#), section 3074
10. Data Element Dictionary for [Chancellor’s Office, California Community Colleges Management Information System](#)
11. [Attributes of a Distance Education Credit Course on Weekly, Daily, or Positive Attendance Procedures](#)

.03 **Compliance Requirements**

Auditors may test all criteria above.

The auditors must test FTES calculations for the Annual CCFS-320 every year.

See the five types of FTES calculations available in a-e under number 3 below. Identify each type of FTES calculation in use at the district or campus under audit. Test courses reported using each accounting procedure used at the district under audit using a statistically significant sample. Use a stratified sample as needed for each type of course to assist with extrapolation of findings that include questioned FTES. Take a statistical sample from each stratified population so that you can confidently extrapolate your results from the samples to the populations of each type of FTES in use at the district or campus. The Chancellor’s Office, California Community Colleges will use the total FTES number provided in the audit report to calculate a dollar amount related to this test.

Auditors must extrapolate FTES results to the entire population of *each* attendance procedure tested.

Testing will trace records to detail (source) documents, not summary documents.

.04 Suggested Audit Procedures

1. Verify that the district maintains and follows required governing board adopted procedures and that those procedures are in accordance with applicable California Code of Regulations, title 5 and Student Attendance Accounting Manual (SAAM) requirements:
 - a. Pursuant to California Code of Regulations, title 5 section 58030, each district governing board is required to adopt procedures for course enrollment, attendance, and disenrollment documentation, including rules for retention of support documentation, which would enable independent determination regarding accuracy of data submitted by the district as a basis for state support. Adopted procedures shall be so structured as to provide for adequate internal controls.
 - b. Pursuant to California Code of Regulations, title 5 section 58004(c), each district is required to adopt procedures for the clearing of inactive enrollment in census-based courses. Refer to California Code of Regulations, title 5 section 58004 and SAAM for rules on clearing class rolls of inactive enrollment.
2. Verify that required tabulations are maintained for each course section and that attendance records are retained by the district for the required retention period:
 - a. Pursuant to California Code of Regulations, title 5 section 58020 et seq., a separate tabulation is required for each course section. Requirements vary for the various course categories (e.g., Weekly Census courses, Daily Census courses, Actual Hours of Attendance courses). Refer to California Code of Regulations, title 5 section 58020 et seq. and the SAAM for specific requirements for each course category.
 - b. Pursuant to California Code of Regulations, title 5 section 59025, records relating to attendance and FTES are Class 3-Disposable Records and records basic to audit. The district must retain these records for the minimum applicable 3-year record retention period required by California Code of Regulations, title 5 section 59026(b) and the SAAM.
3. Verify that the district uses the appropriate attendance accounting procedure for courses reported for apportionment in accordance with California Code of Regulations, title 5 section 58003.1 et seq. and accurately reports the contact hours for classes in each procedure:

- a. Courses reported under the **Weekly Student Contact Hour Procedure** (Weekly Census) must possess the following attributes:
- i. Credit course offered during a primary term (a semester for semester-system colleges or a quarter for quarter-system colleges)
 - ii. The course is coterminous with the primary term.
 1. Course must begin when the term begins and end when the term ends, and must be scheduled to meet regularly during each instructional week of the term, exclusive of final examination scheduling.
 2. There must be at least three days of instruction and/or examination during each week of the primary term.
 - iii. FTES computation must apply the State-established Term Length Multiplier for the particular college as listed in the Criteria section above.

The course meets regularly with respect to the number of days of the week and the number of hours the course meets each week (including TBA hours).

The weekly student contact hours reported for each class reported under the Weekly Student Contact Hour Procedure should be the product of the number of students actively enrolled at census times the total scheduled weekly contact hours of the class, including TBA hours.

- b. Courses reported under the **Daily Student Contact Hour Procedure** (Daily Census) must possess the following attributes:
- i. Credit course scheduled to meet for five or more days
 - ii. The course must be scheduled regularly with respect to the number of hours during each scheduled day, but not be scheduled coterminously with the primary term (can be offered during any term or intersession). For example, 6- or 8-week courses offered during a primary term, or during a summer or winter intersession.
 - iii. FTES calculation must apply the correct course length multiplier (the number of days the course is scheduled to meet; holidays are not counted)
 - iv. TBA hours per week cannot be a part of a Daily Census class schedule. A Daily Census course must meet the same number of hours each day it meets.

The total student contact hours reported for each class reported under the Daily Student Contact Hour procedure should be the product of the number of students actively enrolled at census times the scheduled daily contact hours of the class, times the number of scheduled meetings of the class. Do not count holidays.

- c. The **Actual Hours of Attendance Procedure** (commonly referred to as Positive Attendance) is based on an actual count of enrolled students present at each class meeting and applies to the following types of courses, among others:
- i. Short-term credit courses scheduled to meet fewer than five days
 - ii. Credit courses scheduled irregularly with respect to the number of days of the week and the number of hours the course meets on the scheduled days
 - iii. All open entry/open exit courses
 - iv. All noncredit courses except noncredit distance education courses and noncredit independent study courses
 - v. Apprenticeship classes of related and supplemental instruction; applies to students in these classes who are not indentured apprentices. Indentured apprentices in these classes use a separate attendance reporting system.
 - vi. Noncredit courses of individual student tutoring

Note: With certain exceptions, FTES for any credit course may be computed using the Actual Hours of Attendance Procedure at the option of the district. The exceptions are:

- (1) Independent study and work experience education courses, and
- (2) In most cases, distance education and hybrid courses report using the Alternative Attendance Accounting Procedure.

The total student contact hours reported for each class reported under the Actual Hours of Attendance Procedure should be the sum of the individual attendance hour totals for each student in the class as reported by the instructor.

- d. The **Alternative Attendance Accounting Procedure** (formerly called the Independent Study/Work Experience Education Procedure) applies to the following types of courses:
- i. All independent study courses
 - ii. All cooperative education/internship/work experience courses
 - iii. All distance education and hybrid courses (a combination of distance education and classroom/laboratory instruction) that do not qualify for the Weekly Student Contact Hour Procedure or the Daily Student Contact Hour Procedure. See the Distance Education Guidelines and related supplementary publications for the special requirements for distance education and hybrid courses to qualify for WSCH or DSCH reporting.

Alternative Attendance Accounting Procedure – Weekly Census: The weekly student contact hours reported for each class should be the product of the number of students actively enrolled at census times the number of units of academic credit associated with the class. It is allowable to add laboratory hours in special cases; see Item 4 in the Audit Criteria section above for details.

Alternative Attendance Accounting Procedure – Daily Census: The total student contact hours reported for each class should be the product of the number of students actively enrolled at census times the number of units of academic credit associated with the class, times the approved term length multiplier. It is allowable to add laboratory hours in special cases; see Item 4 in the Audit Criteria section above for details.

- e. A special rarely used attendance accounting procedure involving two census dates for each course applies to all noncredit distance education and noncredit independent study courses. See the SAAM for details and references to related California Code of Regulations, title 5 regulations.
4. Verify that courses are appropriately scheduled and contact hours are computed in accordance with California Code of Regulations, title 5 Regulations and the Student Attendance Accounting Manual (SAAM), including SAAM Addendum Concerning Academic Calendars, Course Scheduling, and Related Topics.
 - a. Compute Weekly or Daily Census contact hours reported based on the regularly scheduled hours for each class as published in the official schedule of classes, and not on the total number of contact hours listed on the course outline of record or college catalog.
 - b. Scheduling of courses must be consistent with the total number class hours indicated in the approved course outline of record. Permit reasonable variances if due to legitimate scheduling considerations caused by course compression, computational exigencies, or exceptions provided for in California Code of Regulations, title 5. Auditors should use their judgment as to “reasonable variance” based on the guidance and examples in the SAAM Addendum Concerning Academic Calendars, Course Scheduling and Related Topics.
 - c. Compute individual class schedules on five-minute increments for starting and ending times (e.g., 8:00 a.m. to 9:25 or 8:00 a.m. to 11:10 a.m.)
 - d. Compute contact hours based on definitions and rules in California Code of Regulations, title 5 section 58023 and the SAAM, with a special focus on multiple-hour classes (e.g., a class that meets from 8:00 a.m. to 9:20, 8:00 a.m. to 11:50, or 6:00 p.m. to 9:05 p.m.).

- e. The start and end times of each class meeting must be explicitly stated in every published schedule of classes and addenda, in print and online, exclusive of To Be Arranged hours (TBA).
 - f. Verify that correctly computed course section tabulations exist and contact hours aggregate appropriately for purposes of district contact hour and FTES reports, including the district's Apportionment Attendance Accounting Report (CCFS-320).
5. Verify that the district has secured, as applicable, Chancellor's Office, California Community Colleges approval for credit and noncredit courses reported for apportionment funding, and that the local governing board approved all courses following approval by a district/college curriculum committee.
 6. Verify that the Chancellor's Office, California Community Colleges approved all noncredit courses before students' enrolled in the courses. Under conditions described in the Program and Course Approval Handbook, some credit courses may not require Chancellor's Office, California Community Colleges approval, such as non-degree-applicable credit courses and degree-applicable credit courses, which are not part of an approved educational program (commonly known as "stand-alone" courses).

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

425 - RESIDENCY DETERMINATION FOR CREDIT COURSES

.01 Background

District internal fiscal controls should ensure that state apportionment claimed for student attendance in credit courses is within statute and regulation limitations. Student residence at the time of registration is a major factor for allowing districts to claim state apportionment for credit courses.

.02 Criteria

- [Education Code](#) sections 68000-68044, 68050-68080, 68082, 68100, 68130, 76140, 76140.5, and 76143
- [California Code of Regulations, title 5](#), sections 54000-54072, 59114, and 59116.
- [Chancellor's Office, California Community Colleges, Student Attendance Accounting Manual and related advisories \(SAAM\)](#)

.03 Compliance Requirement

Auditors may test all criteria above. Each district must ensure they claim only the attendance of California residents for State support of credit classes.

.04 Suggested Audit Procedures

1. Test the supporting residency documentation (hardcopy and/or electronic) of a sample of students in credit courses to determine whether each student has been properly classified as either a "resident" or a "nonresident". The residence questionnaire used by the district in making residence classifications must require students to certify their answers under oath or penalty of perjury (certified electronically using an electronic signature or a manual signature).
2. In addition, test a sample of student-athletes in credit courses to determine if residency status is properly classified. Enrolled student-athletes participate in an organized competitive sport sponsored by the district/college.
 - a. Compare the student's admission application and residence questionnaire to the athlete's Commission of Athletics Form 1 for applicable information and confirm consistency.

3. Review the tabulations for the students in the above selected credit course section samples to determine whether the attendance claimed for nonresidents is appropriate for State support.

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation.

The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify for each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

426 STUDENTS ACTIVELY ENROLLED

.01 Background

For attendance accounting purposes, districts are required to clear the rolls of all inactive students as of each course section's drop date. The drop date shall be no later than the end of business of the day immediately preceding the beginning of the census week in weekly census procedure courses, or the day immediately preceding census day in daily census procedure courses, and is the date used to clear the rolls of the inactive enrollment for attendance accounting purposes. For noncredit distance learning courses, the drop date to clear the rolls of inactive students shall be the day prior to each of the two census dates.

.02 Criteria

- [California Code of Regulations, title 5, sections 58000, 58003.1, 58004, 58030, 58051, 58052, 59114, and 59116, 59350.](#)

- [Student Attendance Accounting Manual and related advisories \(SAAM\), California Community Colleges](#), pages 1.02-1.0

.03 **Compliance Requirement**

Auditors may test all criteria above. Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

.04 **Suggested Audit Procedures**

1. For weekly census procedure courses, review course schedules to determine applicable credit courses are coterminous with the primary term and that the census weeks used in computing contact hours of enrollment are correct. Census week is the week nearest one-fifth of the number of weeks of the primary term (each week counted shall include at least three days of instruction or examination, exclusive of mandatory or local holidays).
2. For daily census procedure courses, review credit course schedules to determine the correct census day was determined as that nearest one-fifth of the number of sessions scheduled for the course, exclusive of mandatory or local holidays.

For short-term daily census courses where the census falls on the first day of the course, the enrollment is to reflect the active enrollment as of the end of the first day, and the census is on the second day.

3. For noncredit distance learning (independent study) courses, determine that the correct census dates were at the points nearest the one-fifth and three-fifths of the length of the course.
4. Test supporting disenrollment records to see whether they substantiate the count of active enrollment recorded on selected census procedure course tabulations. As of the last day of business that precedes the census day, any student who has:
 - a. Been identified as a no show, or
 - b. Officially withdrawn from the course, or
 - c. Been dropped from the course

Is not eligible for funding in the course pursuant to California Code of Regulations, title 5, sections 58003.1 and 58004.

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation.

The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify for each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

427 DUAL ENROLLMENT (CCAP and Non-CCAP)

.01 Background

CCAP

On January 1, 2016, College and Career Access Pathways (CCAP) became a new option for dual enrollment that resulted from Assembly Bill 288 (Holden, 2015). Education Code section 76004 incorporates this bill into law. CCAP allows a community college district to enter into a partnership with the governing board of a school district. Once a community college district incorporates an aspect of CCAP dual enrollment that is not allowable or required under previously existing law for Non-CCAP dual enrollment, the district must adopt all the legal requirements of AB 288 and Education Code section 76004. There can be no partial implementation of the CCAP track for dual enrollment. If CCAP track is in use, the district must meet all applicable requirements.

As long as the requirements set forth in AB 288 are met, community college districts may enter into a formal partnership agreement with local school districts to provide a CCAP program. Benefits of this track include allowing qualified special part-time students to enroll in up to 15 units and the units constitute no more than four community college courses per term (and waiver of specified student fees, including nonresident tuition fees), and apportionment eligibility for closed college courses on high school campuses that occur during the high school's regular school day.

Where they do not conflict with specific provisions of Education Code section 76004 as enacted by AB 288, other statutes such as Education Code sections 76001 and 76002 (including the Legal Opinion 16-02 analysis from the Chancellor’s Office, California Community Colleges on Non-CCAP dual enrollment programs) also apply under CCAP.

Non-CCAP

Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state.

Per Education Code section 48800, the governing board of a school district may authorize K-12 pupils who would benefit from advanced scholastic or vocational work, upon recommendation of the principal of the pupil's school of attendance, and with parental permission, to attend community college as special part-time or full-time students. These students may undertake one or more courses of instruction at the community college level in accordance with Education Code sections 76001 and 76002. This is now Non-CCAP dual enrollment.

Community college districts are authorized to continue providing or establishing new dual enrollment opportunities in the same manner that they were providing prior to the enactment of AB 288 (through individual student enrollment or under an optional formal agreement with local school districts).

Operating under Both CCAP and Non-CCAP Tracks: A community college district may have a combination of Non-CCAP and CCAP dual enrollment opportunities, as long as it adheres to all applicable requirements.

.02 Criteria

General

- **The 10-percent dual enrollment FTES cap under AB 288 (Education Code section 76004(w)) is a statewide cap. As such, the state will monitor this limit and individual districts do not need to stay below 10-percent. An individual district or campus may have a higher percentage of Dual Enrollment FTES submitted for state apportionment funding. The Chancellor’s Office, California Community Colleges will continue to monitor special admit FTES and advise districts as we approach the cap and/or if we believe it might be exceeded.**
- **New Nonresident Tuition Fee Provisions are Applicable to Both CCAP and Non-CCAP Tracks.** AB 2364 (Holden, 2016) signed September 12, 2016 and effective on January 1, 2017, modifies Education Code section 76140. Community college districts are required to exempt all qualifying nonresident special “part-time” students (other than those with a non-immigrant status, such as those present in the United States on a B visitor Visa*) from the nonresident tuition fee and expressly allows districts to report their attendance as resident FTES for apportionment purposes.

Under CCAP dual enrollment, qualifying special part-time student status is enrollment up to 15 units and the units constitute no more than four community college courses per term. Under Non-CCAP dual enrollment, qualifying special part-time student status permits enrollment up to 11.99 units.

*** As an interpretation of AB 2364, the Chancellor’s Office, California Community Colleges has determined nonresident special part-time students that hold a T or U non-immigrant visa would NOT be excluded from this required nonresident tuition fee exemption and qualifying special part-time students must reside in California during the period of attendance.**

CCAP

- [Education Code](#) sections 11300, 48800–48802, 49011, 66010.4, 76000-76002, 76004, 76060.5, 76140, 76223, 76300, 76350, 78032, 79121, 84752, and 87010.
- **New Exemption from High School Principal’s 5-Percent Summer Session Recommendation Limitation.** AB 526 (Holden, 2016) signed September 21, 2016 and effective immediately upon signature as an urgency bill modifies Education Code section 48800. CCAP enrolled students are exempt from the high school principal’s 5-percent summer session recommendation limitation, if conditions listed in Education Code section 48800 are met, until January 1, 2020.
- [California Code of Regulations, title 5](#), sections 51004, 51006, 51021, 53410, 55002, 55100, 58050, 58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, 58100–58108, 59114, 59116, and 59300 et seq.
- Legal Opinion [M 02-20](#), issued by the Chancellor’s Office, California Community Colleges.
- [Legal Opinion 16-02](#), “Dual Enrollment and Assembly Bill 288 (CCAP)” – issued March 11, 2016, by the Chancellor’s Office, California Community Colleges.
- [AB 288 \(Dual Enrollment\) College and Career Access Pathways \(CCAP\) Partnership Agreement Guidelines for Apportionment Eligibility, March 2016](#)
- [January 4, 2016 UPDATED GUIDELINES FOR INSTRUCTIONAL SERVICE AGREEMENTS](#)

Non-CCAP

- [Education Code](#) sections 48800–48802, 49011, 66010.4, 76000–76002, 76060.5, 76140, 76223, 76300, 76350, 78032, 79121, 84752, 87010, (for Long Beach CCD only – add sections 48810-48814, 76003, 87011, and 99301)
- [California Code of Regulations, title 5](#), sections 51004, 51006, 51021, 53410, 55002, 55100, 58050, 58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, 58100–58108, 59114, 59116, and 59300 et seq.
- [Legal Opinion 16-02](#), “Dual Enrollment and Assembly Bill 288 (CCAP)” – issued March 11, 2016, by the Chancellor’s Office, California Community Colleges.

- Legal Opinion [M 02-20](#), issued by the Chancellor's Office, California Community Colleges.
- [AB 288 \(Dual Enrollment\) College and Career Access Pathways \(CCAP\) Partnership Agreement Guidelines for Apportionment Eligibility, March 2016](#)
- [January 4, 2016 UPDATED GUIDELINES FOR INSTRUCTIONAL SERVICE AGREEMENTS](#)

.03 **Compliance Requirements**

Auditors may test all criteria above.

CCAP

The community college district has a CCAP partnership with a school district partner governed by a CCAP partnership agreement approved by the governing boards of both districts. As a condition of, and before adopting, the CCAP partnership agreement, the governing board of each district, at an open public meeting of that board, presented the dual enrollment partnership agreement as an informational item. The governing board of each district, at a subsequent open public meeting of that board, took comments from the public and approved the agreement.

The CCAP partnership agreement outlines the terms of the CCAP partnership and includes the total number of high school students the district expects to serve, and the total number of FTES the community college district expects to claim for those students. The scope, nature, time, location, and listing of community college courses the district expects to offer and criteria to assess the ability of pupils to benefit from those courses. The CCAP partnership agreement also establishes protocols for information sharing, in compliance with all applicable state and federal privacy laws, joint facilities use, and parental consent for high school pupils to enroll in community college courses.

The CCAP partnership agreement identifies a point of contact for the participating community college district and school district partner.

A copy of the CCAP partnership agreement is on file with the Chancellor's Office, California Community Colleges and with the State Department of Education before the start of the CCAP partnership.

The district participating in a CCAP partnership shall not provide physical education course opportunities to high school pupils pursuant to Education Code section 76004 or any other course opportunities that do not assist in the attainment of at least one of the goals listed in Education Code section 76004(a).

The district has not entered into a CCAP partnership with a school district within the service area of another community college district, except where an agreement exists, or where established, between those community college districts authorizing that CCAP partnership.

A high school pupil enrolled in a course offered through a CCAP partnership shall not be assessed any fee that is prohibited by Education Code section 49011.

The participating district may assign priority for enrollment and course registration to a pupil seeking to enroll in a community college course that is required for the pupil's CCAP partnership program. This priority is equivalent to the priority assigned to a pupil attending a middle college high school as described in Education Code section 11300 and consistent with middle college high school provisions in Education Code section 76001.

The CCAP partnership agreement certifies that any community college instructor teaching a course on a high school campus has no past conviction for any sex offense as defined in Education Code section 87010, or any controlled substance offense as defined in Education Code section 87011.

The CCAP partnership agreement certifies that any community college instructor teaching a course at the partnering high school campus has not displaced or resulted in the termination of an existing high school teacher teaching the same course on that high school campus.

The CCAP partnership agreement certifies that a qualified high school teacher teaching a course offered for college credit at a high school campus has not displaced or resulted in the termination of an existing community college faculty member teaching the same course at the partnering community college campus.

The CCAP partnership agreement includes a certification by the participating community college district of all of the following:

1. A community college course offered for college credit at the partnering high school campus does not reduce access to the same course offered at the partnering community college campus.
2. The CCAP partnership is not being offering a community college course that is oversubscribed or has a waiting list.
3. Participation in the CCAP partnership is consistent with the core mission of the community colleges pursuant to Education Code section 66010.4, and that participating pupils will not lead to enrollment displacement of otherwise eligible adults in the community college.

The CCAP partnership agreement certifies that both the school district and community college district partners comply with local collective bargaining agreements and all state and federal reporting requirements regarding the qualifications of the teacher or faculty member teaching a CCAP partnership course offered for high school credit.

The CCAP partnership agreement specifies which participating district is the employer of record for purposes of assignment monitoring and reporting to the county office of education, and which participating district assumes reporting responsibilities pursuant to applicable federal teacher quality mandates.

The CCAP partnership agreement certifies that any remedial course taught by community college faculty at a partnering high school campus is open only to high school students who do not meet their grade level standard in math, English, or both. This includes a qualified high school teacher teaching a college course as an "employee" of the community college district pursuant to California Code of Regulations, title 5 section 58058(b). This is an interim assessment in grade 10 or 11, as determined by the partnering school district.

The delivery of these remedial courses shall involve a collaborative effort between high school and community college faculty to deliver an innovative remediation course as an intervention in the student's junior or senior year to ensure the student is prepared for college-level work upon graduation.

The district may limit enrollment in a community college course solely to eligible high school students if the course is located at a high school campus during the high school's regular school day and the community college course is part of a CCAP partnership agreement.

For purposes of allowances and apportionments from section B of the State School Fund, a community college district conducting a closed course on a high school campus can earn credit for units of FTES attributable to the attendance of eligible high school pupils.

The district may allow a special part-time student participating in a CCAP partnership agreement to enroll in up to a maximum of 15 units per term if all of the following circumstances are satisfied:

1. The units constitute no more than four community college courses per term.
2. The units are part of an academic program that is part of a CCAP partnership agreement established pursuant to all applicable requirements.
3. The units are part of an academic program designed to award students both a high school diploma and an associate degree or a certificate or credential.

The governing board of a participating community college district exempts special part-time students in this program from the fee requirements in Education Code sections 76060.5, 76140, 76223, 76300, 76350, and 79121.

The district will not receive a state allowance or apportionment for an instructional activity for which the partnering district has been, or will be, paid an allowance or apportionment.

If no school district has received reimbursement for the same instructional activity, the attendance of a high school pupil at a community college as a special part-time or full-time student pursuant to this section is authorized attendance for which the community college may be credited or reimbursed pursuant to Education Code section 48802 or 76002.

For each CCAP partnership agreement entered into pursuant to Education Code section 76004, the community college district and school district shall report annually to the Chancellor's Office, California Community Colleges all of the following information:

1. The total number of high school pupils by school site enrolled in each CCAP partnership, aggregated by gender and ethnicity, and reported in compliance with all applicable state and federal privacy laws.
2. The total number of community college courses by course category and type and by school site enrolled in by CCAP partnership participants.
3. The total number and percentage of successful course completions, by course category and type and by school site, of CCAP partnership participants.
4. The total number of FTES generated by CCAP partnership community college district participants.

Nothing in this program affects how a dual enrollment partnership agreement existing on the effective date of Education Code section 76004 under which an early college high school, a middle college high school, or California Career Pathways Trust existing on the effective date of this section operates. An early college high school, middle college high school, or California Career Pathways Trust partnership agreement existing on the effective date of this section shall not operate as a CCAP partnership unless it complies with the provisions of this section.

Non-CCAP

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this dual enrollment arrangement only if it complies with all the following:

1. Education Code section 76002(a) specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Education Code sections 48800 and 76001 in the district's report of FTES only if those pupils are enrolled in community college classes that meet all the following criteria:
 - a. The class is open to the public.
 - b. The class is advertised as open to the general public in one or more of the following:
 - i. The college catalog.
 - ii. The regular schedule of classes.
 - iii. An addendum to the college catalog or regular schedule of classes.
 - c. If a decision to offer a class on a high school campus is made after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class shall be so advertised for a minimum of 30 continuous days prior to the first meeting of the class.
 - d. Class offered at a high school campus may not meet during the time the campus is not open to the public, as defined by the governing board of the school district during a regularly scheduled board meeting.
2. If the class is a physical education class, no more than ten percent of its enrollment may be comprised of special part-time or full-time students. In the view of the Chancellor's Office, California Community Colleges, this ten percent limit serves as a limit on how many students may be claimed for apportionment in each course section, not how many may actually be enrolled in a class section. In addition, a community college district may not receive state apportionment for special part-time and full-time students enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students. PE courses under CCAP are also subject to the 5-percent FTES cap under Education Code section 76002(a)(4) if the district wishes to receive state apportionment for special admit students.

3. The district must comply with the credit course approval requirements of California Code of Regulations, title 5, sections 51004, 51021, 55002(a) or (b), 55100, and 58050. Courses are not eligible for apportionment if they have not been properly approved by the district and, where applicable, by the Chancellor's Office, California Community Colleges, or are not taught in accordance with a locally established course outline.
4. The district must comply with the instructor supervision requirements of California Code of Regulations, title 5, sections 55002(a)(4), 55002(b)(4), 58050, 58051(a)(1), 58052, 58056, 58058, and 58060. In addition, the instructor qualification requirements of sections 53410 and 58060. Educational activities of students used in computing FTES must be under the immediate supervision and control of an academic employee of the district authorized to render service in that capacity. Immediate supervision requires the presence of the authorized employee and is characterized by all of the following:
 - a. The employee is able to provide immediate instructional supervision and control, in terms of physical proximity and range of communication; and
 - b. The employee is in a position to provide supervision and control for the protection of the health and safety of students; and
 - c. The authorized employee does not have any other assigned duty during the instructional activity for which there is an attendance claim.
5. For courses taught under a contract with a public or private agency as provided in California Code of Regulations, title 5, section 58058, a district must have contracts both with the agency and with the individual who will provide the instruction. Both contracts must specify that the community college district has the primary right to control and direct the activities of the person providing the instruction. The requirements concerning immediate instructional supervision and control apply fully to those persons who provide instruction under these special contracts. If satisfying all the conditions, the person furnished by the public or private agency remains an employee of the agency. The person is an "employee of the district" only for the limited purpose of rendering instructional service during the term of the contract. In all cases, including the special contracting system, employees of the district who teach credit courses must meet the minimum qualifications for community college instructors. In most cases, the minimum qualification is the possession of a master's degree in the discipline of the instructor's assignment, or the equivalent.
6. Per Education Code section 84752, no community college district shall receive FTES funding for activities fully funded through another source. If a contract between a community college and a K-12 school district contains provisions that the K-12 school district will pay the community college for the full costs of offering a particular course, the community college district cannot claim apportionment for the course.
7. Per Education Code section 48800, for summer sessions, K-12 principals may not recommend more than five percent of the number of pupils who have completed a particular grade immediately prior to the time of the recommendation. In addition:

- a. Recommended pupils must demonstrate adequate preparation in the discipline they wish to study.
 - b. The pupil must exhaust all opportunities to enroll in an equivalent course, if any, at his or her school of attendance.
8. Per Education Code section 76001(d), special part-time students may enroll in up to 11.99 (less than 12) units per semester.
 9. Per Education Code section 76002(b), the governing board of a community college district may restrict the admission or enrollment of a special part-time or full-time student during any session based on any of the following criteria:
 - a. Age.
 - b. Completion of a specified grade level.
 - c. Demonstrated eligibility for instruction using assessment methods and procedures established pursuant to Education Code sections 78210 – 78300 and regulations adopted by the Board of Governors of the Chancellor's Office, California Community Colleges.

.04 **Suggested Audit Procedures**

Determine if the district under audit is using CCAP track Dual Enrollment, Non-CCAP track Dual Enrollment, or both types. Proceed accordingly with the following suggested procedures. Some of the suggested steps occur in the suggested procedures for both tracks, but others are unique. Keep the tracks separate as you test. Do not mix the requirements of the two tracks.

For dual enrollment attendance claimed by the community college district for state apportionment and related to the suggested audit procedures below, test a representative sample of the courses generating the greatest number of dual enrollment FTES.

Include the number of FTES claimed for the instructional activity of any conditions cited for the following:

Note: Request Data Mart data element: SB11, Student Education Status from District management information system to identify special admit students currently enrolled in K-12.

CCAP

1. Review the CCAP agreement for compliance with given criteria above. The AB 288 Partnership Agreement Guidelines address the requirements and permissive elements.
2. Test participating CCAP students for eligibility based on the criteria given above.

3. Where the community college district limits enrollment in a course solely to eligible high school students, verify that the offered course is at a high school campus during the high school's regular school day and the offered course is pursuant to a CCAP Partnership Agreement. CCAP courses not offered in this manner are required to be open to the public as evidenced by a clear and understandable description of the course published in the official catalog, and/or schedule of classes, and/or addenda (Education Code section 76004 and California Code of Regulations, title 5, sections 51006, 58050, 58051.5, and 58102–58108).
4. Verify that any special part-time high school students present in the CCAP course sample are enrolled in no more than 15 units per term, and that the units constitute no more than four courses per term, and other applicable requirements as noted in Education Code section 76004(p). Verify the district charged appropriate fees for all CCAP students that do not meet the criteria of special part-time students.
5. Determine the district has not claimed state apportionment funding for special part-time and full-time students (both in CCAP and Non-CCAP dual enrollment) enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students (Education Code section 76002(a)(4)).
6. For physical education course sections not occurring at high school campuses during the regular school day, determine not more than ten percent of the enrollment **claimed** for apportionment for each course section consists of special part-time or full-time students (Education Code section 76002(a)(4)).
7. Determine if courses received necessary approvals and adhered to the applicable outline of record (Cal. Code Regs., tit., 5, section 51004, 51021, 55002, and 55100 et seq.).
8. Determine if the instructor teaching each course satisfies applicable minimum qualifications (Cal.Code Regs., tit. 5, sections 53410 et seq. and 58060).
9. Determine if instruction for each course was under the immediate supervision and control of the responsible district employee (Cal. Code Regs., tit., 5, section 58056).
10. Where the CCAP course instructor is not a paid employee of the community college district, verify the college or community college district has a written agreement or contract with each instructor conducting instruction that generates FTES for state apportionment. The contracts must state the college or district has the primary right to control and direct the instructional activities of the instructor. The contract between the college or community college district and the instructor must be finalized and in effect prior to the commencement of instruction (Cal. Code Regs., tit., 5, section 58058(b)).
11. Verify that the community college district received certification from the high school district certifying that full funding from other sources does not exist for any courses conducted under a CCAP agreement (Education Code section 84752 and California Code of Regulations, title 5, section 58051.5).

12. For summer session attendance, determine if the district has procedures to require K-12 principal(s) certify that they have not recommended for community college attendance more than five percent of the total number of pupils who completed that grade immediately prior to the time of recommendation. As indicated in the Criteria section above, AB 526 became law on September 21, 2016 and permits high school principals to exclude from the five percent limit calculation specified CCAP students (Education Code section 48800 (d) (2)).
 - a. Auditor may test other documentation maintained by the District aside from certifications; however, contemporaneous evidence should provide similar assurances.
 - b. Regarding the responsibility to ensure compliance with the 5% limitation for summer session admission, reference Legal Opinion 16-02, Question III.D.2.

Non-CCAP

1. Determine if courses were open to the public as evidenced by a clear and understandable description of the course published in the official catalog, and/or schedule of classes, and/or addenda (Education Code section 76002 and California Code of Regulations, title 5, sections 51006, 58050, 58051.5, and 58102–58108).
2. If a decision to offer a class on a high school campus is made after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class must be advertised for a minimum of 30 continuous days prior to the first meeting of the class ([Reference Legal Advisory 16-02, section III\(B\)](#) on page 18).
3. Determine if the registration procedures for courses had the purpose or effect of limiting enrollment to a specialized clientele such as K-12 pupils.
4. Determine if courses receive necessary approvals and are taught in accordance with the applicable outline of record (Cal. Code Regs., tit., 5, section 51004, 51021, 55002, and 55100 et seq.).
5. Determine if the instructor teaching each course satisfies applicable minimum qualifications (California Code of Regulations, title 5, sections 53410 et seq. and 58060).
6. Determine if instruction for each course is under the immediate supervision and control of the responsible district employee (Cal. Code Regs., tit., 5, section 58056).
7. Where the course instructor is not a paid employee of the community college district, verify the college or community college district has a written agreement or contract with each instructor conducting instruction that generates FTES for state apportionment. The contracts must state that the college or district has the primary right to control and direct the instructional activities of the instructor. The contract between the college or community college district and the instructor must be finalized and in effect prior to the commencement of instruction (Cal. Code Regs., title 5, section 58058(b)).

8. Verify the community college received verification from any contracted public or private agencies certifying that full funding does not exist from other sources for any courses conducted under a contractual agreement. This includes those pursuant to California Code of Regulations, title 5, section 58058. Where no contract exists, determine whether the district obtained such a certification or can otherwise demonstrate that other sources have not fully funded the instructional activity conducted (Education Code section 84752 and California Code of Regulations, title 5, section 58051.5).
9. Verify special part-time K-12 students present in the course sample enrolled in no more than 11.99 (less than 12) units per semester and the district has obtained verification from the K-12 school district that the student can benefit from advanced scholastic or vocational work (Education Code sections 48800(a), 48800.5, 76300 and 76001(d)). Verify enrollment fees assessed are correct once a student enrolls in over 11.99 (less than 12) units in a term and student becomes a special full-time student.
10. Determine the district has not claimed state apportionment funding for special part-time and full-time students (both in CCAP and Non-CCAP dual enrollment) enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students (Education Code section 76002(a)(4)).
11. For physical education course sections, determine that not more than ten percent of the enrollment **claimed** for apportionment for each course section consists of special part-time or full-time students (Education Code section 76002(a)(4)).
12. For summer session attendance, determine if the district has procedures to require K-12 principal(s) certify that they have not recommended for community college attendance more than five percent of the total number of pupils who completed that grade immediately prior to the time of recommendation. AB 526 was signed into law on September 21, 2016 and permits high school principals to exclude from the five percent limit calculation specified CCAP students (Education Code section 48800(d)(2)).
 - a. Auditor may test other documentation maintained by the district aside from certifications; however, contemporaneous evidence should provide similar assurances.
 - b. Regarding the responsibility to ensure compliance with the 5% limitation for summer session admission, reference Legal Opinion 16-02, Question III.D.2.

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

428 - Student Equity

.01 Background

The intent of student equity planning and funds are to ensure equal educational opportunities and to promote student success for all students, regardless of race, gender, disability, or economic circumstances. For the purposes of college equity planning and funding, we define equity as helping students achieve equal outcomes on equity success indicators as compared to either their own percentage in the community or college student body, or to other student groups. Each community college is required to maintain a student equity plan that includes:

1. Campus-based research on equitable outcomes for high-need student groups as defined in statute and regulation;
2. Goals for access to, and completion of courses, basic skills improvement, transfer and degree and certificates for all students and for high-need students;
3. Evidence-based activities to help students and the college meet these goals.

Legislative Purpose, Target Populations and Plan Requirements

The Chancellor's Office, California Community Colleges, Board of Governors (BOG) adopted a student equity policy in 1992 enjoining all districts to develop, implement, and evaluate a student equity plan. In 1996, the BOG amended its policy to establish the adoption of a student equity plan as a minimum standard for receipt of all state funding. In 2002, the BOG implemented title 5 regulations (§ 54220 & 51026) requiring colleges to develop a student equity plan to ensure that groups historically underrepresented in higher education have an equal opportunity for access, successful course completion, English as a Second Language (ESL) and basic skills completion, and completion of degrees, certificates and transfer to baccalaureate degree granting institutions.

The Governor and Legislature created additional requirements in June 2014 (Education Code sections 78220 through 78221) specifying additional student populations and providing further definitions for identifying existing populations that must be addressed in equity plans. At a minimum, colleges must address students in the following ethnic and racial categories, as defined by the US Census Bureau for the 2010 Census:

1. American Indian or Alaska Native
2. Asian
3. Black or African American
4. Hispanic or Latino
5. Native Hawaiian or other Pacific Islander
6. White
7. Some other race
8. More than one race

In addition, plans must address students with the following characteristics:

1. Males
2. Females
3. Current or former foster youth
4. Students with disabilities
5. Low-income students
6. Veterans

Colleges may also conduct research and develop goals or activities for any of the ethnic groups above, foster youth, disabled or low-income students, or veterans by gender, if data seems to indicate it would be beneficial to students.

Coordination with Other Equity Related Programs and Services

Since 2012, Education Code section 78216 created by the Student Success Act [Senate Bill (SB) 1456] has required colleges to coordinate the development of Student Success and Support Program (SSSP) plans with their Student Equity Plans. This ensures colleges identify strategies to monitor and address equity issues in the delivery of SSSP core services and attempt to mitigate any resulting disproportionate impacts on student access and achievement. Therefore, student equity plans should clearly identify strategies and criteria associated with SSSP.

The State Budget Act of 2014 also added new requirements related to coordinating with other programs. Colleges are now required to coordinate equity planning and activities with the following:

1. Disabled Students Programs and Services (DSPS)
2. Extended Opportunity Programs and Services (EOPS)
3. Math, Engineering, Science Achievement (MESA), Puente and Middle College High School Programs
4. Student Success and Support Program (SSSP)
5. Programs for foster youth
6. Programs for veterans

7. California Work Opportunity and Responsibility to Kids (CalWORKs)
8. Student Financial Aid Administration, Board Financial Assistance Program (BFAP)
9. Basic Skills Initiative (BSI)

.02 **Criteria**

- [Education Code](#) sections 78216, & 78220 - 78221
- [California Code of Regulations](#), title 5, sections 51026, 54220, 59114, & 59116
- [Student Equity Expenditure Guidelines, August 2015](#)
- [Student Equity Plan Template](#), including success indicator definitions and [Budget template](#)
- [9/28/2016](#) memo from interim Chancellor Skinner

.03 **Compliance Requirement**

Auditors may test all criteria above. Student Equity Plans identify student populations disproportionately impacted according to the college research in the plan, and who are in need of extra support should be the primary recipients of services. Only allowable expenditures are charged to Student Equity funds as described in the Student Equity Expenditure Guidelines unless the Chancellor's Office, California Community Colleges granted an explicit exception on a case-by-case basis. No local funding match is required for student equity funds. Match requirements for any other State of California categorically funded program that includes a matching fund requirement cannot use Student equity funds.

.04 **Suggested Audit Procedures**

1. Submission of Student Equity plans are required every three years. Verify the college submitted a signed Student Equity Plan and budget for the Chancellor's Office, California Community Colleges approval for the most recent year it was required. Verify the local board of trustees approved the college Student Equity Plan.
2. Verify that the college submitted other program-required forms to the Chancellor's Office, California Community Colleges (annual mid-year reports, and annual year-end expenditure reports).
3. Test expenditures of Student Equity Plan funding for compliance with the Student Equity Expenditure Guidelines on the Chancellor's Office, California Community Colleges website, and with the other criteria listed above. The annual Year-End reports or other local documentation held at the college may document expenditures.

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

429 - STUDENT SUCCESS AND SUPPORT PROGRAM FUNDS

.01 Background

The Seymour-Campbell Student Success Act of 2012 (Lowenthal, SB 1456) requires the California Community Colleges to provide core student services to lay a foundation for student achievement and successful completion of educational goals. Priority is on serving students who enroll to earn degrees and career technical certificates, prepare for transfer to a four-year institution or additional training, and advance their careers. First time, nonexempt students are required, within a reasonable timeframe, to identify an educational goal, a career goal, and a course of study and to participate in core services. Community college districts may elect to exempt certain students from participation in these services in accordance with California Code of Regulations, title 5, section 55532.

The Student Success and Support Program (SSSP) provides the following core services to credit and noncredit students:

1. Orientation
2. Assessment for placement
3. Counseling, advising and education planning
4. Follow-up services for at-risk students
5. Other services

Per title 5, section 55511, each district shall provide for a review of the revenue and expenditures of the Student Success and Support Program as part of its annual financial audit. The Chancellor's Office, California Community Colleges has determined the districts must provide a 1:1 match for credit SSSP expenditures while the budget act authorizes a 1:1 matching fund basis to provide SSSP services in designated noncredit programs. The noncredit programs must submit a program certification form annually to receive SSSP funds.

Core SSSP services for credit and noncredit programs that are claimable against state funds include:

1. Orientation for students and potential students to acquaint them with, at a minimum, college programs, student support services, facilities and grounds, academic expectations, institutional procedures, and other appropriate information pursuant to California Code of Regulations, title 5, section 55521.
2. Initial assessment for appropriate placement of students and potential students into Math, English, and ESL curricula. The following California Code of Regulations, title 5 regulations govern assessment: section 55502 (Definitions), section 55520 (Required Services), section 55522 (Assessment), section 55526 (Accommodations), section 55530 (Student Rights and Responsibilities), section 55531 (Institutional Responsibilities), and section 55532 (Exemptions). Colleges must use assessment instruments approved by the Chancellor's Office, California Community Colleges pursuant to California Code of Regulations, title 5, section 55522(a).
3. Counseling, advising and education planning services, as required by California Code of Regulations, title 5, sections 55523, 55524, 55530, and 55034, as well as Education Code, section 78212. These regulations require colleges to provide counseling and advising services, and to create or update a student educational plan for all non-exempt students. Counseling and advising services provided may be to an individual student or a group of students. Colleges may provide the following education plans:
 - a. An abbreviated student education plan (SEP), which is a one- to two-term plan that may precede a comprehensive SEP or serve as the only SEP needed for a student who can accomplish their program in one or two semesters.
 - b. A comprehensive SEP, which is an education plan that is at least two terms in length and reflects the number of terms required to achieve the student's declared course of study (California Code of Regulations, title, 5, section 55524). Pursuant to California Code of Regulations, title 5, section 55530, nonexempt students who have participated in the core services are required to complete a comprehensive education plan after completing 15 semester units or 22 quarter units of degree applicable credit course work or prior to the end of the 3rd semester or 4th quarter of enrollment, or a shorter period if required by district or program policy.
 - c. A noncredit SEP (NSEP), which is required for first-time noncredit students. The NSEP priority focus is on those who enroll to earn diplomas or career technical certificates, enhance skills, maintain a certificate or license, participate in career ladder pathways, or fulfill life-long learning goals. The NSEP is equivalent to a comprehensive SEP and is completed as soon as possible for students enrolled in short-term programs.

4. Follow-up services for at-risk students, pursuant to California Code of Regulations, title 5, section 55525. At-risk students are students enrolled in basic skills courses who have not identified an education goal and course of study, are on academic or progress probation, or are facing dismissal. Follow-up services may include, but are not limited to, academic or progress probation interventions, student success workshops, early alert services, and referrals to other support services. All follow-up services are on a one-to-one basis or through group counseling sessions, student success workshops, etc.
5. Other services provided, consistent with MIS data element SS11, may include subsequent orientations; other assessments (e.g., career and interest assessments, placement assessments for subjects other than entry-level Math, English or ESL, or re-testing); revisions or development of an additional SEP beyond the initial abbreviated and comprehensive SEPs (e.g., if the student changes course of study); and other academic progress services.

Actions that do not qualify for funding as follow-up services are those that are a one-sided action on the part of the college and those that are primarily administrative or clerical.

Additional information on SSSP services and funding guidelines is available in the [SSSP Handbook](#) and [the Student Success MIS Data Elements](#). All SSSP services provided are reported through the MIS data elements regardless of frequency.

.02 **Criteria**

- [Education Code](#) sections 78210-78219, 84044
- [California Code of Regulations, title 5](#), sections 51024, 55500-55534, and 58106
- [SSSP Handbook](#)
- [the Student Success MIS Data Elements](#)
- [9/28/2016 memo from Interim Chancellor Skinner](#)

.03 **Compliance Requirement**

Auditors may test all criteria above. Nonexempt students as of the fall 2015 semester and thereafter should be receiving required services, unless reported as exempted to the Chancellor's Office, California Community Colleges. The Chancellor's Office, California Community Colleges has determined that districts must provide a 1:1 funding match for credit and non-credit courses, and the budget act authorizes a 1:1 funding match for noncredit programs. Noncredit programs must submit a program certification form annually to receive SSSP funds. SSSP funds may only be used for expenditures as stated in the SSSP handbook (pages 4.9 - 4.12). College match may only be included for expenditures as stated in the SSSP handbook (pages 4.12 – 4.14) .

.04 **Suggested Audit Procedures**

1. Test student counts for the core services listed in the background section above.
2. Test expenditures of the SSSP for compliance with the criteria listed above.
3. Verify that noncredit programs using SSSP funds submitted a program certification for the current year.

4. Test expenditures of SSSP funding for compliance with the Student Success and Support Program Expenditure Guidelines on the Chancellor's Office, California Community Colleges website, and with the other criteria listed above. The annual Year-End reports or other local documentation held at the college may document expenditures.
5. Verify the college submitted other program-required forms to the Chancellor's Office, California Community Colleges (certifications, mid-year reports, and year-end expenditure reports).
6. Verify the districts have met the match requirements for the SSSP.
7. Test that college MIS data submissions conform to the SSSP data definitions.

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

430 - SCHEDULED MAINTENANCE PROGRAM

.01 Background

The Scheduled Maintenance Program is designed to protect the State's investment in community colleges through the timely repair and maintenance of facilities, to correct and avoid health and safety hazards, to maintain an environment conducive to learning, to prevent the disruption of programs, and to improve long-term cost effectiveness of facility operations.

Scheduled maintenance and special repair means unusual, non-recurring work to restore a facility to a safe and continually usable condition of original intent.

.02 **Criteria**

- [Education Code](#) section 84660
- [California Code of Regulations, title 5](#), sections 57200-57205
- [2013 Budget Act](#) [AB 110, Ch. 20, Item 6870-101-0001(19)] Requirement for audit is on page 532-533, provision 30(a)(1)
- Scheduled Maintenance 5-Year Plan – located in the FUSION system
- Scheduled Maintenance Program Criteria for Evaluating Waiver of 50% District Match
- [Budget and Accounting Manual \(BAM\)](#)
- Block Grant Certification for Expenditures
- [FP99-09 Facilities Planning Unit Advisory dated August 6, 1999](#)

.03 **Compliance Requirement**

Funds provided by the State must be to supplement, not supplant, district deferred maintenance funds. This is the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and the district's match for the Scheduled Maintenance Program for the year under audit.

.04 **Suggested Audit Procedures**

1. Determine how much in district funds was spent in fiscal year 1995-96 in the General Fund on Operation and Maintenance of Plant (Activity Code 6500), excluding any state funds and match dollars expended for "Deferred Maintenance and Special Repairs" as defined in Education Code, section 84660, if reported in Activity Code 6500 (This amount may be found in the audit report for fiscal year 1998-99).
2. Determine how much the district expended for Operation and Maintenance of Plant (Activity Code 6500) in the General Fund for the fiscal year under audit.
3. Determine Scheduled Maintenance and Special Repairs block grant expenditures (include state and district match) for the fiscal year being audited.
4. Determine other Scheduled Maintenance and Special Repairs expenditures incurred and funded by district or other funds for the fiscal year under audit.
5. Add the amounts determined in 2, 3, and 4 above.
6. Add the amounts determined in 1 and 3 above.
7. A reportable instance occurs if the amount identified in **6** above is greater than the amount identified in **5** above. The worksheet below will assist the auditor in determining compliance.

**SCHEDULED MAINTENANCE PROGRAM
MAINTENANCE OF EFFORT WORKSHEET**

1. 1995-96 Operations and Maintenance Expenditures
(Actual from 1998-99 Annual Audit Report). \$ _____

Expenditures for fiscal year being audited

2. General Fund Expenditures – Routine Maintenance and
Operation of Plant (Activity 6500) and Physical Property
and Related Acquisitions (Activity 7100) All Fund
Sources \$ _____

3. Total Scheduled Maintenance and Special Repairs
Block Grant Expenditures (Includes State and District
Match) \$ _____

4. District/Other Funded Scheduled Maintenance and
Special Repairs Expenditures \$ _____

5. Total Expenditures (Add lines 2, 3, and 4) \$ _____

6. Line 1 Plus Line 3 \$ _____

Maintenance of Effort test is adequate if line 5 equals or exceeds line 6.

431 – GANN LIMIT CALCULATION

.01 Background

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit. Each limit is adjusted annually for changes in price index, population and, if applicable, other factors. California Code of Regulations, title 5, section 58303 indicates the district's adopted budget shall also include the appropriations limit and the total annual appropriations subject to limitations. Government Code, section 7908(c) requires each community college district to report to the Chancellor of the California Community Colleges and to the Director of the Department of Finance at least annually its appropriation limit, appropriations subject to limit, state aid apportionments, subventions included within property tax proceeds and amounts excluded from the appropriations subject to limit. Report this information in the Annual Financial and Budget Report (CCFS-311), Part 2 General Fund Supplemental Data.

.02 Criteria

- [Article XIII-B](#), section 1.5 of the California Constitution
- Proposition 111, effective July 1, 1990
- [California Code of Regulations, title 5](#), section 58303
- [Government Code](#), section 7908(c)

.03 Compliance Requirement

Auditors may test all criteria above. Each district's adopted CCFS-311 contains the appropriations limit, and the total annual appropriations subject to limitation as determined pursuant to Government Code, Division 9 (commencing with section 7900). Certified public accountants as part of annual financial audits shall verify the calculation and adoption.

.04 Suggested Audit Procedures

1. Obtain the Gann Limit Worksheet for the current fiscal year from the district business office and compare the summary figures reported in the CCFS-311 with the Gann Limit Worksheet totals.
2. Test the calculations performed on the worksheet.
3. Trace the source figures used on the current year's worksheet back to the source documents. For instance, previous years' attendance figures are available on the CCFS 320s. Line 1.A., the previous year's Apportionment Limit including state transfer, is an accumulation of previous years' calculations. Trace that amount back to the total from the previous year's worksheet. It is not necessary to trace that amount back through the numerous worksheet calculations since 1980.

The district's governing board does not need to certify the worksheet calculations with the change in reporting requirements.

4. Reportable errors exist if calculations are significantly in error or if there is inaccurate summarization of source figures.

435 - OPEN ENROLLMENT**.01 Background**

California Code of Regulations, title 5, section 51006, specifies the governing board of each community college district shall adopt by resolution a policy related to open courses. In addition, a statement of this policy shall be published in the official catalog, schedule of classes, and any addenda to the schedule of classes for which FTES is reported for state apportionment. Finally, each district shall also file a copy of the statement with the Chancellor's Office, California Community Colleges.

.02 Criteria

- [California Code of Regulations, title 5](#), sections 51006, 58050, 58051, 58051.5, 58051.6, 58102, 58104, 58106, 59114, and 59116
- [Penal Code, section 832.3\(c\)](#)
- [Legal Opinion 16-02](#), Dual Enrollment and Assembly Bill 288 (CCAP) by the Chancellor's Office, California Community Colleges
- [AB 288 \(Dual Enrollment\) College and Career Access Pathways \(CCAP\) Partnership Agreement Guidelines for Apportionment Eligibility March 2016](#) by the Chancellor's Office, California Community Colleges

.03 Compliance Requirement – Open Courses

Auditors may test all criteria above. Community college districts shall comply with the California Code of Regulations, title 5, provisions related to open enrollment by the public for all the courses submitted for state apportionment funding.

Courses that qualify for state apportionment must be open to enrollment by the public unless specifically exempted by statute. California Code of Regulations, title 5, sections 58102, 58104, and 58106 outline certain requirements that districts must meet to ensure that their courses are open and available to all students. For example, California Code of Regulations, title 5, section 58104 states that a description of each course must be published in the official catalog and schedule of classes and that for courses that the districts establish or conduct after publication of the general catalog or regular schedule of classes, those classes must also be reasonably well publicized. Furthermore, course announcements shall not be limited to any specialized clientele, nor shall any group or individual receive notice before the public for purposes of preferential enrollment. Anyone who might be interested in enrolling in a particular course section will know it is available and understand that enrollment is open to anyone who meets properly established prerequisites or enrollment limitations through course advertising.

State apportionment is available for in-service training courses in the areas of police, fire, corrections, and other criminal justice system occupations if the courses meet all apportionment attendance and study requirements otherwise imposed by law. At least 15 percent of the enrollment in law enforcement continuing training prescribed in Penal Code, sections 830-832.16 shall consist of persons who are not law enforcement trainees if the persons are available to attend a course. At least 15 percent of the enrollment in in-service fire training courses shall consist of persons who are not volunteers of, nor employed by, a fire protection or fire prevention agency or association, if the persons are available to attend a course (California Code of Regulations, title 5, section 58051(c), (d), and Penal Code section 832.3(c)).

Community colleges may give preference in enrollment to persons employed by or serving in a voluntary capacity with a fire protection or prevention agency or to law enforcement trainees when such persons could not otherwise complete the course within a reasonable time or the time required by statute, and when no other training program is reasonably available. For purposes of state apportionment, classes must be located in facilities identified clearly to promote attendance by the public except where statute allows otherwise. See Legal Advisory 05-04, Distance Education and Open Course Requirements, which provides that the Chancellor's Office, California Community Colleges will from the date of the advisory accept two-way synchronous distance education conducted between fixed locations as being "open" and eligible for apportionment if at least half of the sites are open to all students (California Code of Regulations, title 5, sections 58051(d) and 58051.5(a)(3)).

.04 **Suggested Audit Procedures**

1. Sample the class announcements of classes claimed for state apportionment to ensure that all classes were open to all admitted students unless specifically exempted. Ensure that classes conducted off campus are included in the items tested, if applicable.
2. Ensure all classes included in the above sample are located in facilities clearly identified in such a way to ensure that attendance is open to all admitted students unless exempted by statute. For example, ensure classes offered at a high school campus are scheduled at times that the high school campus is open to the public.
3. Test a sample of classes to ensure that all classes were in the college catalog and in the class schedule for the term offered. There should be a clear and understandable description of each class.
4. Verify in-service training courses meet apportionment attendance and study requirements. Include samples of police, fire, corrections, and other criminal justice system courses offered at the district.

If findings from this test do not provide information as directed below, the Chancellor's Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

439 – PROPOSITION 39 CLEAN ENERGY FUND

.01 Background

The implementing legislation for Proposition 39 added a new chapter within the Clean Energy Job Creation division of the Public Resources Code. Funding provided to community college districts pursuant to Public Resources Code, section 26240(g) is subject to annual audits required by the Education Code, section 84040.

.02 Criteria

- [Public Resources Code, sections 26225-26240](#)
- [Education Code, section 84040](#)
- [Approved CCC Proposition 39 Energy Project Guidelines](#)
- [Project Funding Application](#)
- [Public Contract Code, section 20113](#)

.03 Compliance Requirement

Financial compliance includes: installation of approved plan retrofits or new installations; reflection of the Chancellor's Office, California Community Colleges approved Proposition 39 Project Funding application and Project Measurement and Verification (M&V) documentation in actual equipment installations; supporting documents substantiate purchases; and, for larger ticket items like boilers and HVAC, serial numbers on equipment match serial numbers on supporting purchase documents.

Source documents should support administrative/overhead costs, if allowed. Track and report Proposition 39 funds separately, and do not commingle with other funds. Comply with rules for competitive bidding, and the Public Contract Code.

Install energy efficient retrofit or new installation as required in the approved project scope.

Utility energy cost savings are tracked pre and post retrofit to verify effectiveness by means of the Program Tracking Database.

.04 Suggested Audit Procedures

1. Verify separate tracking and reporting for Proposition 39 funds. There is no comingling of these funds with other state or local funds.
2. Review Final Project Verification Report to ensure completion and that it has appropriate signatures.
3. Trace items on the Chancellor's Office, California Community Colleges approved Proposition 39 Project Funding application and Project Verification Report to supporting documents (invoices, purchase orders, etc).
4. Verify compliance with competitive bid process and other Public Contract Code requirements.
5. Trace a sample of serial numbers on purchase documents for large equipment items such as boilers and HVAC to the equipment to verify items purchased with Proposition 39 funds are in service at the district.

440 - INTERSESSION EXTENSION PROGRAMS**.01 Background**

To assist students in reaching their educational goals, a program to provide access to credit courses during summer and winter intersession programs began in 2014. Community college districts may submit individual campuses for participation in the program through their governing boards. This program is self-supporting. Enrollment in the program is not eligible for state apportionment funding.

.02 Criteria

- [Education Code](#), sections 66025.8, 76141, 76142, 78212, 78230, 78231, Article 2 of Chapter 1 of Part 50, commencing with section 84030
- [California Code of Regulations, title 5, division 6](#), commencing with section 50001, with specific attention to sections 51006, 55002(a), 55041, and 58108

.03 Compliance Requirement

Auditors may test all criteria above. Participating campuses have received permission to participate from the Chancellor's Office, California Community Colleges .

.04 Suggested Audit Procedures

1. Verify that the campus has received approval to participate in the program.
2. Test that the program complies with Education Code sections 78230(c)-(k).

3. Test that the district has the collected and submitted program records as required in Education Code section 78230(l)(1).

475 - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

.01 Background

Disabled community college students are those with exceptional needs who have applied to or enrolled at a community college that, because of a verified disability, cannot benefit from general education classes, activities, and services without specific additional DSPS program support services.

The purposes of these special programs and services are to integrate the disabled student into the general college program; provide educational intervention leading to vocational preparation, transfer, or general education; and increase independence or referral of the students to community resources most appropriate to their needs. These programs apply only when they facilitate the student's measurable progress towards his or her educational goals. Do not count potential students for DSPS funding that have not applied to or enrolled at the college. Disabled Student Programs and Services is a categorical aid program authorized under AB 77 (Chapter 275, Statutes of 1976) as amended by AB 2670 (Chapter 1407, Statutes of 1978). The program is further modified by AB 8 (Chapter 282, Statutes of 1979), and SB 1053 (Chapter 796, Statutes of 1981), amended by AB 746 (Chapter 829, Statutes of 1987). Most recently, AB 2791 amends these programs (Chapter 109, Statutes of 2016). The basis for state allocations for the program are on an excess-costs basis to meet the educational needs of students with verifiable disabilities. Community college districts shall submit student-count data annually to document eligible DSPS students served.

.02 Criteria

- [42 United States Code](#) section 12101
- [Education Code](#), sections 14020.1, 66010.4, 66701,67300-67313, 70901, 71020.5, 84320-84328, and 84850. Beginning January 1, 2017, this section changes language for eligibility from “enrolled” to “applied to or enrolled” in state-sponsored disabled student services programs or courses.
- [California Code of Regulations, title 5](#), sections 56000-56076, 59114, and 59116
- [Management Information Systems Data Mart – DSPS reports](#)
- [Chancellor’s Office, California Community Colleges DSPS Guidance](#) (includes allocations link)

.03 Compliance Requirement

Auditors may test all criteria above. Colleges must allow auditors to review student files for DSPS eligibility.

.04 Suggested Audit Procedures

1. Test student files for eligibility, including that they are “enrolled” prior to January 1, 2017, or have “applied to or enrolled” in the college after January 1, 2017 for state-sponsored disabled student services programs or courses.
2. Test expenditures for appropriate use of DSPS funds.

If findings from this test do not provide information as directed below, the Chancellor’s Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor’s Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor’s Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor’s Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor’s Office, California Community Colleges whether they increase or decrease the audit sample results.

479 - TO BE ARRANGED HOURS (TBA)**.01 Background**

Some courses with regularly scheduled hours of instruction have “hours to be arranged” (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to California Code of Regulations, title 5, sections 58003.1(b) and (c), respectively. Procedures required for the TBA hours are below. In some situations, the entire course might be on TBA, and in that case, this course would follow the same rules.

The Student Attendance Accounting Manual, page 3.3, refers to TBA hours or “hours to be arranged,” which for purposes of this advisory have the same meaning as “HBA” or “hours by arrangement” or any other local term used to designate these hours.

TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to California Code of Regulations, title 5, section 58003.1(f) (i.e., Distance Education courses not computed using other attendance accounting procedures, Independent Study courses, and Cooperative-Work Experience education courses).

.02 **Criteria**

- [Education Code](#), sections 84040 and 88240
- [California Code of Regulations, title 5](#), sections 53415, 55002, 55002.5, 58000, 58003.1, 58006, 58020, 58030, 58050, 58051, 58056, 58102, 58104, 58108, 58168, 58170, 58172, 59020, and 59112, 59114, and 59116
- [Student Attendance Accounting Manual and related advisories](#)
- [Latest Clarification on TBA Memorandum, March 8, 2013](#)
- [Second To Be Arranged \(TBA\) Hours Follow-up Memorandum, June 10, 2009](#)
- [To Be Arranged \(TBA\) Hours Follow-up Memorandum, January 26, 2009](#)
- [To Be Arranged \(TBA\) Hours Compliance Advice \(Legal Advisory 08-02\), October 1, 2008](#)

.03 **Compliance Requirement**

Auditors may test all criteria above. Districts are required to list TBA hours in the schedule of classes, and describe them in the course outline.

Districts need to track TBA hour student participation carefully and make sure they do not claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course.

.04 **Suggested Audit Procedures**

1. Determine a clear description of the course, including the number of TBA hours required, appears in the official schedule of classes or addenda thereto. See the latest clarification on TBA memorandum dated March 8, 2013 in the criteria section above.
2. Determine specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course are included in the official course outline. All enrolled students know of these instructional activities and expectations for completion via class syllabus or other document.
3. Determine apportionment and attendance record compliance as of census date by reviewing supporting documentation such as the attendance roster.

If findings from this test do not provide information as directed below, the Chancellor’s Office, California Community Colleges will consider the audit report incomplete and rejected until amended.

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office, California Community Colleges will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office, California Community Colleges on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office, California Community Colleges is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office, California Community Colleges whether they increase or decrease the audit sample results.

490 – PROPOSITIONS 1D and 51 STATE BOND FUNDED PROJECTS

.01 Background

Per Executive Order S-02-07, department expenditures of Proposition 1D and Proposition 51 bond proceeds shall be subject to audit to determine whether the expenditures made from bond proceeds:

1. Were made according to the established front-end criteria and processes,
2. Were consistent with all legal requirements, and
3. Achieved the intended outcomes.

Community college districts submit claims for reimbursement of expenditures incurred for capital outlay projects to the Chancellor's Office, California Community Colleges. Supported claims are paid. Examples of support include invoices, Capital Outlay Budget Change Proposals (COBCPs), approved equipment lists, and documents that release funds from the Department of Finance for specific project phases (DF14Ds). The Chancellor's Office, California Community Colleges cannot reimburse claims if invoices are not previously paid or incurred prior to release of funds for the specific project phase in question.

.02 Criteria

- [Education Code, sections 81837, 84040, and 101032 through 101039.5](#)
- [California Code of Regulations, title 5, Community College Construction Act, sections 57000-57205](#)
- [Executive Order S-02-07](#)
- Proposition 51 Proposed Laws (not available in Education Code at time of publishing audit Manual)
- Capital Outlay Budget Change Proposals (COBCPs) for projects being tested
- This link gives information and an example of what you need to request from the district under audit.
- Equipment Lists for projects being tested – this link is just an example, you must request one from the district
- Grant Documents (DF14Ds) for projects being tested – these documents authorize the release of project funds by the Department of Finance for selected community colleges to start a project phase

.03 Compliance Requirement

Reported Proposition 1D and Proposition 51 cost for the audit period must be accurately reported, appropriate, incurred for the project, and paid by the district.

.04 Suggested Audit Procedures

1. Test a sample of those project expenditures as shown on claim forms submitted for state reimbursement and paid by the state during the audit period. Verify the date of the expenditure on the reimbursement claim form from invoices or other source documents. Compare the date to the date listed on the related form DF14D, and conclude whether these expenditures were accurately reported, appropriate, incurred for the project, and paid by the district.

491 - PROPOSITION 55 EDUCATION PROTECTION ACCOUNT FUNDS**.01 Background**

Proposition 30 created an Education Protection Account (EPA) within the General Fund. Proposition 55 then extended the EPA through 2030 with no changes to reporting requirements. A community college district shall have sole authority to determine how to spend the moneys received from the EPA in the school or schools within its jurisdiction. The appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Each community college district shall annually publish on its Internet website an accounting of how much money it received from the EPA and how it spent the money. The Annual Budget and Financial Report (CCFS-311) now contains a page for EPA fund expenditures, similar to the Lottery page. Use object code 8630 for EPA revenues.

Expenses paid with funding from the EPA to comply with the additional audit requirement of this section are the only acceptable administrative costs for purposes of this section. Accounting Advisory FS 16-13 clarifies this topic. Sections 250 and 327 in this Manual require reconciliation of and reporting on the EPA account.

.02 Criteria

- [The California Children's Education and Health Care Protection Act of 2016](#)
- [California Constitution Article XIII section 36](#)
- [California Community Colleges Budget and Accounting Manual 2012 edition](#)
- [California Community Colleges Apportionment Reports](#)
- [Accounting Advisory FS 16-13](#)

.03 Compliance Requirement

EPA funds disbursed and expended comply with the California Children's Education and Health Care Protection Act of 2016.

.04 Suggested Audit Procedures

1. Verify the local governing board held an open session public meeting where they took action to adopt a plan to expend EPA funds.
2. Verify the district expended EPA funds according to the board adopted EPA spending plan.
3. Verify EPA funds were not used to support administrative salaries and benefits or other administrative costs consistent with the Chancellor's Office, California Community Colleges Accounting Advisory FS 16-13 dated December 19, 2016.

SECTION 500

FEDERAL COMPLIANCE REQUIREMENTS

SECTION 500 - Federal Compliance Requirements

510 - OVERVIEW

- .01 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200) replaced the Office of Management and Budget Circulars A-133, A-110, and A-21. These revisions include, among various other changes affecting this Manual, an increase to the audit threshold from \$500,000 to \$750,000. There is also a revised audit finding threshold. Under the new requirements, the known and likely questioned costs threshold increases from \$10,000 to \$25,000.
- .02 The U.S. Department of Education now requires institutions that participate in federal student financial aid programs to submit data from their audited financial statements as well as attaching a PDF of their audit report using the eZ-Audit submission system within nine months of their fiscal-year end effective June 16, 2003. Additional information about this process is found at: <https://ezaudit.ed.gov/EZWebApp/common/login.jsp>. Public and/or non-for-profit institutions still need to submit their audit report to the Federal Audit Clearinghouse as required under Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200).
- .03 Recipients of federal awards exceeding \$750,000 are required to have a single or program-specific audit conducted for that year in accordance with the provisions of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200). The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards sets forth the major compliance requirements for an organization-wide audit of a community college district that receives federal assistance. It identifies the programs and related compliance requirements, and provides suggested audit procedures applicable in audits of community college districts. The revised Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is published at the following link: [Code of Federal Regulations](#).
- .04 For those federal programs not covered in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the auditor should use the types of compliance requirements contained in the contract for receipt of federal funds as guidance in selecting the types of compliance tests to perform. The auditor must determine the requirements governing the federal program by reviewing the provisions of contracts and grant agreements and the laws and regulations referred to in such contracts and grant agreements. Auditors should use professional judgment to choose procedures and determine the extent of tests performed. Tailor the audit procedures to individual programs and circumstances. The auditor is also responsible for ensuring that specific requirements modified by a change in a law or regulation are included in the audit procedures.

520 - REQUIRED FEDERAL COMPLIANCE TESTS

- .01 In making a determination not to test a compliance requirement, the auditor must conclude that either the requirement does not apply to the particular non-federal entity or that failure to comply with the requirement will not have a material effect on a major program. Auditors shall consider the compliance requirements and related audit objectives for programs included in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in every audit of non-federal entities with the exception of program specific audits performed using a federal agency's program specific audit guide.
- .02 Interest earned on federal funds is an item of particular interest for community colleges. Such interest is required to be submitted promptly, but at least quarterly, to the federal agency. The district may keep up to \$100 per year for administrative expenses.

521 - CONDITIONAL TESTS OF GENERAL COMPLIANCE (EDGAR)**.01 Background**

Vital components to implementing any federal program are the general administrative requirements contained in section 34 of the Code of Federal Regulations more commonly called the Education Department General Administrative Regulations (EDGAR). EDGAR defines the uses of federal funds and provides administrative procedures that grantees and sub grantees must apply to those funds.

Beyond EDGAR, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), which replaced the Office of Management and Budget Circulars A-133, A-110, and A-21, include, among various other changes impacting this Manual, an increase to the audit threshold from \$500,000 to \$750,000. Find the revised Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at the following link: Code of Federal Regulations.

.02 Compliance Requirement

1. A grantee shall keep financial records that clearly show:
 - a. The amount of funds under the grant;
 - b. How the grantee uses the funds;
 - c. The total cost of the project;
 - d. The share of the cost provided from other sources; and
 - e. Other records to facilitate an effective audit.
2. Generally, financial status reports shall not be required more frequently than quarterly. When reports are required quarterly, they shall be due 30 days after the end of the reporting period. Final reports, addressing both financial status and program performance, shall be due 90 days after the completion of the award.

3. A grantee's financial management system shall provide accurate, current, and complete disclosure of the financial results of each federally sponsored project. The grantee's records shall:
 - a. Provide information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
 - b. Compare outlays with budget amounts for each award.
4. A grantee shall retain records for three years from the date of the submission of the final expenditure report or, for awards renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report. Exceptions to the three year requirement are as follows:
 - a. If any litigation, claim, or audit begins before the expiration of the three-year period, retain the records until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
 - b. Retain records for real property and equipment acquired with federal funds for three years after final disposition.
 - c. The three-year retention period for documents related to indirect cost rate computations or proposals, cost allocation plans and any similar accounting computations shall start on the date of submission of those records for negotiation, if that is the case, or at the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

.03 Criteria

- Code of Federal Regulations, Title 34, Part 74, sections [21](#), [51](#), [53](#), and [71](#); Part 75, sections [730](#) and [732](#); and Part 76, section [730](#).
- [Code of Federal Regulations, Chapter 2, part 200](#)

.04 Compliance Requirement

Procedures for managing equipment purchased with federal funds, until transfer or disposition takes place meet the following requirements:

1. The recipient's property management standards for equipment acquired with federal funds and for federally owned equipment should include all of the following:
 - a. A description of the equipment.
 - b. Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
 - c. Source of the equipment, including the award number.
 - d. Whether title vests in the recipient or the federal government.
 - e. The information needed to calculate the federal share of the equipment.
 - f. Acquisition date and unit acquisition cost.
 - g. Location, use and condition of the equipment and date of information capture.

- h. Ultimate disposition data, including date of disposal and sales price or the method used to determine the current fair market value where a recipient compensates the federal awarding agency for its share.
2. Take physical inventory of equipment and reconcile results with the equipment records at least once every two years, verify the existence, current use, and continued need for the equipment. Investigate differences between physical inventory and accounting records to determine cause of difference. A statistical sampling basis is acceptable.
 4. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Investigate and document loss, damage, or theft of equipment. Implement adequate maintenance procedures to keep the equipment in good condition.

.05 **Criteria**

- [Code of Federal Regulations, Chapter 2, part 200](#)

.06 **Compliance Requirement**

The replacement and/or disposal of federal property require that the grantee follow these procedures:

Replacement of Equipment

When replacing equipment, the recipient may use the replaced equipment as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the federal awarding agency.

Disposition of Equipment

When the recipient no longer needs the equipment, they may use it for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5,000 or more, the recipient may retain the equipment for other uses if compensating the original federal awarding agency or its successor. Compute the amount of compensation by applying the percentage of federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the federal awarding agency. The federal agency shall issue instructions to the recipient no later than 120 calendar days after the recipient's request.

If so instructed or if no disposition instructions occur within 120 calendar days after the recipient's request, the recipient shall sell the equipment and reimburse the federal awarding agency an amount computed by applying the percentage of federal participation in the cost of the original project or program to the sales proceeds. However, the recipient may deduct and retain \$500 or 10 percent of the proceeds, whichever is less, from the federal share for the recipient's selling and handling expenses.

If instructed to ship the equipment elsewhere, the federal government will reimburse the recipient an amount computed by applying the percentage of the recipient's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

If instructed to dispose of the equipment in another way, the federal awarding agency will reimburse recipient for such costs incurred in its disposition.

.07 **Criteria**

- [Code of Federal Regulations, Chapter 2, part 200](#)

530 MAJOR FEDERAL PROGRAMS

.01 In accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), auditors shall use a risk-based approach to determine which federal programs are major programs. This approach shall include consideration of current or prior audit experience, oversight by federal agencies and pass-through entities, and the inherent risk of the federal program. The following steps summarize the process followed to identify major programs:

1. Programs are either "Type A" or "Type B." Type A programs are those programs with federal expenditures in excess of \$750,000, or three percent of the auditee's total federal awards expenditures when those total federal awards expenditures exceed \$25 million, but do not exceed \$100 million. See section .518 of Code of Federal Regulations, Chapter 2, Part 200, for the limits affecting those entities with total federal awards exceeding \$100 million. All federal programs not labeled Type A above are Type B.
2. Type A programs are reviewed to determine which are low-risk. A Type A program is considered low risk if it has been audited as a major program at least once during the two most recent audit periods and, in the most recent audit period, had no audit findings per the criteria in section .518 of Code of Federal Regulations, Chapter 2, Part 200. Auditors should apply professional judgment in determining whether a Type A program is low-risk.
3. Identify and select high-risk Type B programs based on the criteria in section .518 of Code of Federal Regulations, Chapter 2, Part 200, and the auditor professional judgment. Section .519 includes factors such as current and prior audit experience, oversight exercised by federal and pass-through agencies, and the inherent risk of the federal program. The auditor is only required to perform risk assessments on Type B programs that exceed the larger of \$100,000 or 0.3 percent of the total federal awards to the recipient when total federal awards do not exceed \$100 million. See section .518 of Code of Federal Regulations, Chapter 2, Part 200 for the limits affecting those entities with total federal awards greater than \$100 million. Type B programs over 25 percent of the respective Type A threshold require a risk assessment. The auditor is not required to identify more high-risk Type B programs than 25 percent of the number of low-risk Type A programs.
4. At a minimum, the following major programs shall be audited:
 - a. All Type A programs except those classified as low-risk in step 2 above.

- b. All Type B programs identified as high risk.
- c. For districts assessed at low risk, the total major programs selected based on the risk assessment must be at least 20 percent of the total federal awards expended. For districts not considered low risk, the percentage coverage increases to 40 percent.

As such, auditors are required to determine auditee compliance with applicable requirements as stipulated in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200). Obtain additional federal program information from the Catalog of Federal Domestic Assistance at: <<http://www.cfda.gov/>>.

During annual reviews, auditors are to refer directly to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200) for specific compliance tests and suggested audit procedures. Address questions regarding a compliance requirement, including changes in requirements, to the administering agency. Obtain requirements and suggested audit procedures for smaller grant programs not contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200) from the administering agency.

APPENDIX

ILLUSTRATIVE AUDIT REPORT

Illustrative Audit Report

SPECIAL NOTE

This illustrative audit report, including the financial statements, footnotes, supplemental schedules, and auditor comments are for informational purposes to provide general assistance to the District's staff or its auditor. It represents, at best, hypothetical financial statements intended to illustrate various features specific to implementation of GASB Statements. The illustrations that follow do not represent a particular community college district. The independent auditors performing the audit will encounter situations requiring their professional judgment and expertise.

Auditors should consult the actual guidance from **AICPA** and **OMB** regarding the latest appropriate language and standards for each of these illustrative reports.

Sample Community College District

| <u>Table of Contents</u> | <u>Page</u> |
|---|--------------|
| Introduction | 3 |
| Independent Auditor's Report | 4 |
| Management’s Discussion and Analysis (required supplementary information) | 5-9 |
| Basic Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Revenues, Expenses and Changes in Net Position | 11 |
| Statement of Cash Flows..... | 12-13 |
| Notes to the Financial Statements | 14-26 |
| Independent Auditor's Report on Supplemental Information | 27 |
| Required Supplementary Information: | |
| Schedule of Post-Employment Health Care Benefits Funding Progress Organization | |
| Reconciliation of the 50 Percent calculation to audited financial statements. | |
| Reconciliation of Education Protection Account expenditures to audited financial statements. | |
| Schedules of expenditures of Federal and State awards. | |
| Schedule of workload measure for <u>State General Apportionment</u> . | |
| Notes to Supplemental Information..... | 28-36 |
| Independent Auditor's Report on State Compliance Requirements | 37 |
| Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards | 38 |
| Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed In Accordance With Government Auditing Standards | 38 |
| Schedule of Findings and Questioned Costs and Summary of Auditor’s Results | 39-40 |
| Summary Schedule of Prior Audit Findings | 41 |

.01 **INTRODUCTION**

The single audit of the Sample Community College District has the following objectives:¹

- To determine the fairness of presentation of the district's basic financial statements in accordance with accounting principles generally accepted in the United States of America.
- To evaluate the adequacy of the system and provisions affecting compliance with applicable federal and California laws and regulations, with which noncompliance would have a material effect on the district's financial statements and allowability of program expenditures for federal and California financial assistance programs.
- To evaluate the adequacy of the internal control structure sufficient to meet the requirements of auditing standards generally accepted in the United States of America for the purpose of formulating an opinion on the basic financial statements taken as a whole and sufficient to ensure compliance with federal and state regulations.
- To determine whether financial and financially related reports to state and federal agencies present fairly.
- To recommend appropriate actions and improvements to correct internal control compliance with applicable federal and state regulations.

¹. These illustrate objectives that are common to most audits. The auditor will describe the objectives of their individual audits.

Independent Auditor's Report

Board of Trustees
Sample Community College District
Goldfield, California 95814

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Sample Community College District (District) as of and for the year ended June 30, 20xx, which comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. When assessing risk, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[Qualification statement placed here, if necessary.] **Effective for audits of financial statements for periods ending on or after December 15, 2012, the AICPA Statement on Auditing Standards 122 applies to circumstances when a modification to the auditor opinion on the financial statements is necessary.**

Opinion

In our opinion, (except for the qualification [describe qualification] described in the preceding paragraph), the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Sample Community College District as of June 30, 20xx, and the results of its operations, changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Illustrative Audit Report

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Read that report in conjunction with this report in considering the results of our audit, as it is an integral part of an audit performed in accordance with *Government Auditing Standards*. That report appears within this annual report.

Management's Discussion and Analysis (MD&A) on pages 4 through 9 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form an opinion on the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, required by the Code of Federal Regulations, Chapter 2, Part 200, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Auditor's signature]

[Auditor's city and state]

[Date of auditor report]

Management's Discussion and Analysis Fiscal Year Ending June 30, 20xx

New Accounting Standards

The Governmental Accounting Standards Board (GASB) released Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in June 2004, which improves relevance and usefulness of financial reporting.

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" released in February 2009, enhances the usefulness of fund balance information. The district has adopted and applied the above standards for the 20xx-xx fiscal year.

The Chancellor's Office, California Community Colleges recommends that all State community college districts follow the new standards using the Business Type Activity (BTA) model. Sample Community College District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office, California Community Colleges and to report in a manner consistent and comparable with other community college districts.

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current year data. As required by the newly adopted accounting principles, this report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Some of the changes in the financial statements that have resulted from the implementation of these new standards using the BTA model are:

- Revenues and expenses are either operating or non-operating; this operating information was not previously presented.
- Pledges from donors (excluding permanent endowments) are receivables and non-operating revenues at the date of the pledge. Previously, recording pledges as revenue took place after receipt of the related gift.
- Capital assets are included in the statement presentations.
-

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and Net Position of the district as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net Position—the difference between assets and liabilities—are one way to measure the financial health of the district. The net asset data allows readers to determine the resources available to continue the operations of the district.

The Net Position of the district consists of three major categories:

- Invested in capital assets, net of related debt – The district's equity in property, plant, and equipment.

- Restricted Net Position (distinguishing between major categories of restriction.) – The constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.
- Unrestricted Net Position – The district can use them for any lawful purpose. Although unrestricted, the district’s governing board may place internal restrictions on this Net Position, but it retains the power to change, remove, or modify those restrictions.

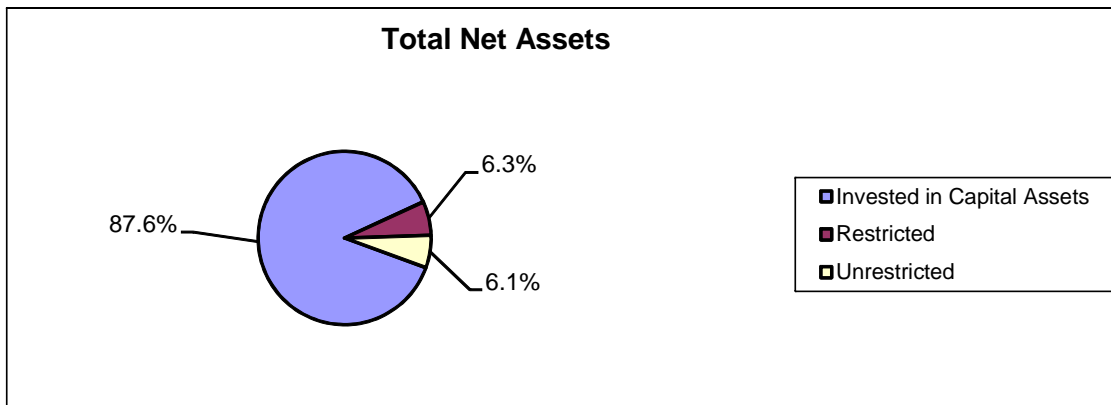
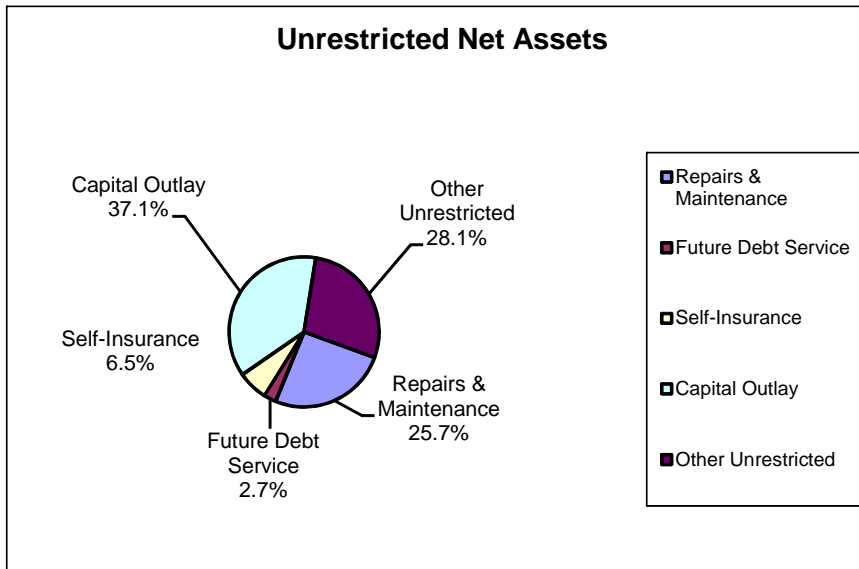
Illustrative Audit Report

Sample Community College District
Statement of Net Position
As of June 30, 20XX

| | 20xx | 20xx | Year-to-Year Change |
|---|--------------------|--------------------|------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 19,271,127 | 20,028,226 | -3.8% |
| Accounts receivable, net | 13,238,545 | 12,715,033 | 4.1% |
| Inventories, prepaid expenses and other | 1,366,659 | 1,475,965 | -7.4% |
| Total Current Assets | 33,876,331 | 34,219,224 | -1.0% |
| Noncurrent Assets | | | |
| Nondepreciable capital assets | 6,348,066 | 7,315,540 | -13.2% |
| Depreciable capital assets, net | 56,451,877 | 98,458,122 | -13.2% |
| Total Noncurrent Assets | 62,799,943 | 105,773,662 | 1.9% |
| TOTAL ASSETS | 96,676,274 | 139,992,886 | 1.3% |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | 5,666,854 | 5,584,985 | 1.0% |
| Deferred outflows of resources related to pensions | 21,532,884 | 19,378,643 | 1.0% |
| TOTAL ASSETS and DEFERRED OUTFLOWS | 123,876,012 | 164,956,514 | 1.0% |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 5,349,074 | 5,407,465 | -1.1% |
| Accrued interest payable | 935,856 | 103,623 | -1.1% |
| Unearned revenue | 2,931,192 | 2,881,413 | -2.4% |
| Total Current Liabilities | 9,216,122 | 8,392,501 | 1.7% |
| Noncurrent Liabilities | | | |
| Compensated absences -- noncurrent portion | 306,117 | 301,227 | |
| Teacher load units -- noncurrent portion | 981,444 | 1,022,865 | 1.6% |
| Bonds payable -- noncurrent portion | 5,766,289 | 5,784,885 | -0.3% |
| Total Noncurrent Liabilities | 7,053,850 | 7,108,977 | -0.2% |
| TOTAL LIABILITIES | 16,269,972 | 15,501,478 | -0.9% |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pensions | 589,774 | 463,121 | 2.0% |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 81,811,698 | 122,659,282 | 2.0% |
| Restricted for: | | | |
| Debt service | 12,887,163 | 12,994,136 | -0.8% |
| Unrestricted | 12,317,405 | 13,338,497 | -7.7% |
| TOTAL NET POSITION | 107,016,266 | 148,991,915 | 1.2% |
| TOTAL LIABILITIES, DEFERRED INFLOWS and NET POSITION | 123,876,012 | 164,956,514 | 1.2% |

The District's financial position, as a whole, improved during the fiscal year ending June 30, 20xx. Its total Net Position increased about 1.2 percent from the previous year due primarily to the increase in capital assets. The suppressed economic climate in California affects the district and reduces levels of state support.

Accounts receivable have increased \$523,000 as students and other service recipients have delayed payments of liabilities owed to the District. Revenue received but not earned has increased by \$168,000 as students paid more fees in advance. The Governing Board designates many of the District's unrestricted Net Position for specific purposes such as insurance reserves, repairs and replacement of equipment, self-insurance, and capital outlay. The following graphs show the allocations of unrestricted Net Position and the portion of total Net Position that is unrestricted:



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the district. The purpose of the statement is to present the revenues received by the district, both operating and non-operating, and the expenses paid by the district, operating and non-

operating, and any other revenues, expenses, gains and losses received or spent by the district. State general apportionment funds, while budgeted for operations, are non-operating revenues according to generally accepted accounting principles.

The district bases changes in total Net Position on the Statement of Net Position on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position.

The district receives operating revenues for providing goods and services to the various customers and constituencies of the district. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the district.

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | 20xx | 20xx | |
|---|--------------|--------------|--------|
| Operating Revenues | 32,317,195 | 33,284,981 | -2.9% |
| Operating Expenses | 94,887,490 | 91,455,282 | 3.8% |
| Operating loss | (62,570,295) | (58,170,301) | 7.6% |
| Non-operating revenues and expenses | 59,938,259 | 58,394,325 | 2.6% |
| Income (Loss) Before Other Revenues Expenses, gains or losses | (2,632,036) | 224,024 | |
| Other Revenues, Expenses, Gains or losses | 5,013,498 | 6,577,597 | -23.8% |
| Increase (decrease) in Net Position | 2,381,462 | 6,801,621 | -65.0% |
| Net Position -- beginning of year | 200,842,361 | 195,100,032 | 2.9% |
| Net Position -- end of year | 203,223,823 | 201,901,653 | 0.7% |

The Statement of Revenues, Expenses, and Changes in Net Position reflect a positive year with an increase in the Net Position at the end of the year. However, the magnitude of this increase is less than the increase noted in fiscal year 20xx-xx. The cost of operations increased by \$3.43 million resulting in part from an \$895,000 increase in salaries and employee benefits. In contrast, utility expense decreased by \$205,000 as the price of energy moderated somewhat from the price spike of late 2000. There was also a \$1.32 million increase in depreciation expense due in part to the completion of one building and additional investment in computer equipment and applications during the preceding year. Finally, the balance for Other Revenue, Expenses, Gains or Losses fell by 23.8% when the District's receipt of state apportionments for future capital projects decreased by 10.2% or \$555,000 and local property taxes and revenues for capital projects decreased by \$1.01 million or 90.5%.

Although the statement shows an operating loss of \$62.6 million, that balance does not reflect the \$59.9 million non-operating revenue and the \$5 million of other revenues received by the District.

Because of these revenues from both state and local sources, the District reports an increase in its Net Position of \$2.4 million dollars for this fiscal year, less than the \$6.8 million reported for fiscal year 20xx. The increase in total Net Position reflects a \$3.5 million increase in capital assets.

Statement of Cash Flows

The statement of cash flows provides additional information about the district’s financial results by reporting its major sources and uses of cash. This information assists readers in assessing the district’s ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. There are several parts to this statement. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution.

The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third sections deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

| | Audit Yr. 20xx | Prior Yr. 20xx |
|---|----------------|----------------|
| Cash received from operations | \$ 31,920,589 | \$ 31,591,133 |
| Cash expended for operations | (87,287,703) | (84,706,071) |
| Net cash used in operating activities | (55,367,114) | (53,114,938) |
| Net cash provided by noncapital financing activities | 58,838,560 | 57,331,093 |
| Net cash used in capital and related financing activities | (6,278,174) | (2,423,505) |
| Net cash provided by investing activities | 1,199,146 | 1,323,779 |
| Net increase in cash and cash equivalents | (1,607,582) | 3,116,429 |
| Cash and cash equivalents, beginning of year | 25,421,769 | 22,305,340 |
| Cash and cash equivalents, end of year | \$ 23,814,187 | \$ 25,421,769 |

District’s Fiduciary Responsibility

The District is the trustee, or fiduciary, for amounts held on behalf of students, clubs and donors for student loans and scholarships. The District’s fiduciary activities are in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District’s other financial statements because we cannot use these assets to finance operations. The District is responsible for using the assets reported in these funds for their intended purposes.

Economic Factors That Will Affect the Future

The economic well-being of California affects the District’s economic strength. As the State’s economy has been weak and intermittent, the impact of continuing restricted state resources to the District has limited its ability to provide access to educational services demanded by potential students. We anticipate continued restrictions in state funding as the state deals with its budget deficit and the weak economic recovery. These conditions will limit the ability of the District to meet the growing demands of its student population.

Illustrative Audit Report

Sample Community College District
Statement of Net Position
As of June 30, 20XX

| | <u>20xx</u> |
|---|--------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | 19,271,127 |
| Accounts receivable, net | 13,238,545 |
| Inventories, prepaid expenses and other | <u>1,366,659</u> |
| Total Current Assets | 33,876,331 |
| Noncurrent Assets | |
| Nondepreciable capital assets | 6,348,066 |
| Depreciable capital assets, net | <u>56,451,877</u> |
| Total Noncurrent Assets | <u>62,799,943</u> |
| TOTAL ASSETS | <u>96,676,274</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charge on refunding | 5,666,854 |
| Deferred outflows of resources related to pensions | <u>21,532,884</u> |
| TOTAL ASSETS and DEFERRED OUTFLOWS | <u>123,876,012</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 5,349,074 |
| Accrued interest payable | 935,856 |
| Unearned revenue | <u>2,931,192</u> |
| Total Current Liabilities | 9,216,122 |
| Noncurrent Liabilities | |
| Compensated absences -- noncurrent portion | 306,117 |
| Teacher load units -- noncurrent portion | 981,444 |
| Bonds payable -- noncurrent portion | <u>5,766,289</u> |
| Total Noncurrent Liabilities | <u>7,053,850</u> |
| TOTAL LIABILITIES | <u>16,269,972</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources related to pensions | 589,774 |
| NET POSITION | |
| Invested in capital assets, net of related debt | 81,811,698 |
| Restricted for: | |
| Debt service | 12,887,163 |
| Unrestricted | <u>12,317,405</u> |
| TOTAL NET POSITION | <u>107,016,266</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS and NET POSITION | <u>123,876,012</u> |

**Sample Community College District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 20xx**

| | District | Alumni Assoc. |
|---|---------------------|------------------|
| OPERATING REVENUES | | |
| Tuition & Fees | \$ 6,437,171 | |
| Less: Scholarship Discounts & Allowances | (1,189,726) | |
| Net Tuition & Fees | 5,247,455 | |
| Contracts, Non-Capital: | | |
| Federal | 7,727,201 | |
| State | 10,622,174 | |
| Local | 2,477,064 | |
| Auxiliary Enterprise Sales and Charges | 6,243,311 | |
| Interest on Student Loans | | |
| Other Operating Revenues | | |
| TOTAL OPERATING REVENUES | 32,317,311 | |
| OPERATING EXPENSES | | |
| Salaries | 49,702,388 | 314,732 |
| Employee Benefits | 11,475,106 | 54,217 |
| Payments to Students | | 205,638 |
| Supplies, Materials, and Other Expenses | 24,307,992 | |
| Utilities | 1,602,004 | |
| Depreciation | 7,800,000 | |
| TOTAL OPERATING EXPENSES | 94,887,490 | 574,587 |
| OPERATING INCOME (LOSS) | (62,570,295) | |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State Apportionments, Non-Capital | 30,201,072 | |
| Local Property Taxes | 25,575,846 | |
| Grants: | | |
| Federal | | |
| State | | |
| Local | | |
| State Taxes and Other Revenues | 2,957,402 | |
| Investment Income – Non-Capital | 1,082,155 | 55,886 |
| Investment Income – Capital | 478,052 | |
| Investment Expense – Capital Asset-Related Debt | (460,227) | |
| Other Non-Operating Revenues | 121,338 | 534,822 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 59,938,259 | 590,708 |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES | (2,632,036) | 16,121 |
| State Apportionments, Capital | 4,907,542 | |
| Local Property Taxes and Revenues, Capital | 105,956 | |
| Grants and Gifts | 0 | |
| INCREASE (DECREASE) IN NET POSITION | 2,381,462 | 16,121 |
| NET POSITION – BEGINNING OF YEAR | 200,842,361 | 4,999,693 |
| NET POSITION – END OF YEAR | 203,223,823 | 5,015,814 |

**Sample Community College District
Statement of Cash Flows
For the Year Ended June 30, 20xx**

| | District Total | Alumni Assoc. |
|--|----------------------------|-----------------------|
| Cash Flows From Operating Activities | | |
| Tuition and Fees | \$ 5,508,342 | \$ |
| Federal Grants and Contracts | 7,502,052 | |
| State Grants and Contracts | 10,224,457 | |
| Local Grants and Contracts | 2,477,064 | |
| Payments to Suppliers | (24,178,133) | |
| Payments for Utilities | (1,636,879) | |
| Payments to/on-behalf of Employees | (49,727,123) | (314,732) |
| Payments for Benefits | (11,431,620) | (54,217) |
| Student Loans/Grants | (19,275) | (205,638) |
| Auxiliary Enterprise Sales and Charges | 6,208,674 | (16,936) |
| Other Receipts (Payments) | <u>(294,673)</u> | |
| Net Cash Provided (Used) by Operating Activities | (\$55,367,114) | (591,523) |
| Cash Flows From Noncapital Financing Activities | | |
| State Apportionments and Receipts | 30,201,072 | |
| Property Taxes | 25,558,467 | |
| State Taxes and Other Revenues | 2,957,402 | |
| Grants & Gifts for Other Than Capital Projects | | 379,210 |
| Other Receipts (Payments) | <u>121,619</u> | |
| Net Cash Provided (Used) by Noncapital Financing Activities | 58,838,560 | 379,210 |
| Cash Flows From Capital and Related Financing Activities | | |
| State Apportionments for Capital Purposes | 4,907,542 | |
| Purchases of Capital Assets | (11,298,123) | |
| Proceeds from Sales of Capital Assets | 0 | |
| Interest Paid on Capital Debt | (273,872) | |
| Principal Paid on Capital Debt | (186,355) | |
| Interest on Capital Investments | 478,052 | |
| Local Property Taxes and Other Revenues for Capital Purposes | 105,956 | |
| Capital Debt and Lease Obligations (net) | <u>(11,374)</u> | |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (6,278,174) | 0 |
| Cash Flows From Investing Activities | | |
| Proceeds from Sales and Maturities of Investments | 6,100,466 | 272,352 |
| Interest on Investments | 1,082,155 | 55,886 |
| Purchase of Investments | <u>(5,983,475)</u> | <u>(98,182)</u> |
| Net Cash Provided (Used) by Investing Activities | 1,199,146 | 230,056 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,607,582) | 17,743 |
| Cash Balance -- Beginning of Year | <u>25,421,769</u> | <u>736,679</u> |
| Cash Balance -- End of Year | <u><u>\$23,814,187</u></u> | <u><u>754,422</u></u> |

**Reconciliation of Net Operating Revenues (Expenses) to
Net Cash Provided (Used) by Operating Activities**

| | | |
|---|----------------|-----------|
| Operating Income (Loss) | (\$62,570,295) | (574,578) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation Expense | 7,800,000 | |
| Changes in assets and liabilities: | | |
| Receivables, net | (523,512) | (16,936) |
| Student Loans Receivable, net | (19,275) | |
| Inventories | 113,069 | |
| Accounts Payable | (58,391) | |
| Deferred Revenue | (167,767) | |
| Prepaid Expenses | 11,891 | |
| Compensated Absences | 47,166 | |
| Other Liabilities | 0 | |
| Net Cash provided (used) by operating activities: | (\$55,367,114) | (591,523) |

Noncash Transactions

Report information about all noncash investing, capital, and financing activities during the period. Present this information in a separate schedule and may be in either a narrative or a tabular format. If space permits, present the schedule on the same page as the statement of cash flows.

Sample Community College District Notes to the Financial Statements

June 30, 20xx

Note 1 – Organization and Nature of Activities

Reporting Entity – The Sample Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. The District consists of one community college located in Goldfield, California. While the District is a political subdivision of the State, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District is classified as a state instrumentality under Internal Revenue Code section 115, and is also classified as a charitable organization under Internal Revenue Code section 501(c)(3), and is therefore exempt from federal taxes. The criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement 14 as amended by GASB Statement 39 influenced the decision to include a potential component unit in the reporting entity. The three criteria for requiring discreet presentation of a legally separate, tax-exempt organization as a component unit are the “direct benefit” criterion, the “entitlement/ability to access” criterion, and the “significance criterion”. The District identified the Sample Community College Alumni Association as its only potential component unit.

The District will report the Alumni Association (Association) as a component unit. The Association established as a legally separate, not-for-profit corporation to support the district and its students. It contributes to various scholarship funds for the benefit of district students and contributes directly to the college. The funds contributed directly by the association to Sample Community College are significant to the college’s financial statements. The district will discreetly present the Association as a component unit that in the District’s annual financial statements. The Alumni Association also issues a stand-alone audited, financial report. The District or the Association can distribute this report.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation – GASB released Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities,” which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. Sample Community College District (district) adopted and applied these new standards beginning in 2001-02 as required. In May 2002, the GASB released Statement No. 39, “Determining Whether Certain Organizations Are Component Units,” which amends GASB Statement 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The district adopted and applied this standard for the 20xx-xx fiscal year as required.

The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38 and 39. This presentation provides a comprehensive, entity-wide perspective of the District’s assets, cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting – For financial reporting purposes, the District is a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements present using the economic resources measurement focus and the accrual basis of accounting. The district has eliminated all material intra-agency transactions.

The District records revenues when earned and expenses when incurred regardless of the timing of the related cash flow. It has also elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District comply with the Chancellor's Office, California Community Colleges's *Budget and Accounting Manual*.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the District considers all liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the county treasurer's investment pool are cash equivalents.

Restricted Cash and Cash Equivalents – Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts and amounts.

Accounts Receivable – Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District does not record an allowance for uncollectible accounts. When receivables are determined to be uncollectible, the district writes them off.

Inventories – The district values inventories, primarily bookstore merchandise, at the lower of cost or market using the first in, first out ("FIFO") method.

Capital Assets – The district records capital assets at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The district capitalizes renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the asset. The district charges routine repairs and maintenance expense as operating expense in the year it occurred.

Depreciation of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for most equipment and vehicles, and 3 years for technology equipment such as computers.

Net Position - GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. Classify net position according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Incurred debt not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.
- **Restricted:** Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources to incurred expense for purposes for which both restricted and unrestricted resources are available. None of the District's restricted net position has resulted from enabling legislation adopted by the District.
- **Unrestricted:** Net position that is not subject to externally imposed constraints. Designate unrestricted net position for specific purposes by action of the Board of Trustees if not otherwise limited by contractual agreements with outside parties. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are the only alternative.

State Apportionments – The district bases certain current year apportionments from the state on various financial and statistical information of the previous year, and records any prior year corrections due to the recalculation in February 20xx in the year computed by the State.

On-Behalf Payments – GASB Statement 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement System on behalf of all Community Colleges in California. The new government-wide conversion entries relating to the pension reporting requirements of GASB 68 rely on LEAs having recognized the state's on-behalf pension contribution in their funds. Prior to the issuance of GASB 68, the district recorded this entry at the consolidation entry level for GASB 35 business-type activity reporting. GASB 68 is now forcing LEAs to follow the GAAP requirement within the funds.

Deferred Revenues – Deferred revenues include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Operating Revenues – Operating revenues include all revenues from programmatic sources. Non-operating revenues include state apportionments, state and local tax revenues, investment income, and gifts.

Classification of Revenues – The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, local property taxes, and investment income. The district classifies revenues according to the following criteria:

- Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local contracts and federal appropriations, and (4) interest on institutional student loans.
- Non-operating revenues – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, most federal, state and local grants, and other revenue sources described in GASB Statement No. 34, such as state appropriations and investment income.

Investments – In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the district reports investments at fair value. However, the district records cash in the county treasury and some investments at cost, which approximates fair value.

Restricted Cash and Cash Equivalents – The district classifies cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other non-current assets as a non-current asset in the statement of Net Position.

Compensated Absences – The district accrues compensated absence costs when earned by employees. The district recognizes accumulated unpaid employee vacation benefits at year-end as liabilities of the District. The District also participates in and accrues “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

The district does not recognize accumulated sick leave benefits as liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable. The district adds unused sick leave to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

Scholarship Discounts and Allowances – Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students’ behalf. The district records certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, as operating revenues in the district’s financial statements. The District has recorded a scholarship discount and allowance to the extent that revenues from such programs satisfy tuition, fees, and other student charges.

Note 3 – Cash and Investments

| | |
|----------------------------|----------------------|
| Cash in County Treasury | <u>\$ 21,637,342</u> |
| Cash on hand and in banks | <u>2,140,247</u> |
| Total Cash | \$ 23,814,187 |
| Investments | <u>\$ 1,805,006</u> |
| Total Cash and Investments | <u>\$ 25,619,193</u> |

As provided for by *Education Code*, section 41001, a significant portion of the District's cash balances deposited with the County Treasurer enhances interest earnings through county investment activities. The *California Government Code*, sections 16520–16522, require California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and hold collateral in the name of the District. All cash held by financial institutions is entirely insured or collateralized. At June 30, 20xx, the District's investments primarily consist of certificates of deposits, and bonds carried at cost plus accretion of bond discount, which approximates market value.

Cash in banks and specifically identifiable investments classified according to credit risk into one of three categories and summarized as follows:

- Category 1 - includes investments that are insured or registered or for which securities the district holds or its agent in the district's name and deposits insured or collateralized with securities held by the district;
- Category 2 - includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the district's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the district's name;
- Category 3 - includes uninsured and unregistered investments for which the securities the broker or dealer holds, or by its trust department or agent, but not in the district's name.

All certificates of deposit are as required by California state law collateralized for any amount exceeding FDIC or FSLIC coverage. The institutions hold the Collateral in trust by and the State Superintendent of Banking acts as monitor.

Illustrative Audit Report

| | 1 | Category 2 | 3 | Carrying Amount | Market Value |
|---------------------------------|-----------|---------------|---|--------------------|-----------------|
| Cash in County Treasury | | \$16,879,769 | | \$16,879,769 | \$16,879,769 |
| Cash Held by Fiscal Agents | | 6,216,796 | | 6,216,796 | 6,216,796 |
| Cash in Banks | \$622,950 | 94,672 | | 717,622 | 717,625 |
| Total cash and cash equivalents | \$622,950 | \$23,191,237 | | \$23,814,187 | \$23,814,187 |
| Investments: | | | | | |
| Certificates of Deposit | | \$1,805,006 | | | \$1,805,006 |
| Total Investments | | \$1,805,006 | | | \$1,805,006 |

The certificates of deposit bear interest at rates ranging from 2.5% to 4.3%.

Note 4 – Accounts Receivable

Accounts receivable consist of the following at June 30, 20xx (Audit Yr.):

| | |
|------------------------------|---------------------|
| Federal Grants and Contracts | \$11,034,298 |
| Tuition and Fees | 1,668,713 |
| Auxiliaries | 402,559 |
| Other | 132,975 |
| | <u>\$13,238,545</u> |

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 20xx, is summarized as follows:

| | Beginning Balance July 1, 20xx | Additions | Reductions | Ending Balance June 30, 20xx |
|--------------------------------|--------------------------------------|------------|------------|------------------------------------|
| Land | 26,845,352 | | | 26,845,352 |
| Infrastructure | 11,970,307 | 1,625,000 | | 13,595,307 |
| Buildings | 125,405,188 | 5,700,200 | | 131,105,388 |
| Furniture | 42,496,662 | 2,449,143 | 42,500 | 44,903,305 |
| Library materials | 27,216,915 | 1,523,780 | 218,000 | 28,522,695 |
| Capitalized collections | 1,163,240 | | | 1,163,240 |
| Total | 235,097,664 | 11,298,123 | 260,500 | 246,135,287 |
| Less accumulated depreciation: | | | | |
| Infrastructure | 2,307,839 | 105,310 | 62,500 | 2,413,149 |
| Buildings | 26,314,820 | 4,275,407 | | 30,590,227 |
| Furniture, etc. | 14,453,953 | 2,105,861 | 42,500 | 16,517,314 |
| Library materials | 10,698,571 | 1,251,682 | 218,000 | 11,732,253 |
| Capitalized collections | 563,677 | 61,740 | | 625,417 |
| | 54,338,860 | 7,800,000 | 260,500 | 61,878,360 |
| Capital Assets, net | 180,758,804 | 3,498,123 | 0 | 184,256,927 |

Note 6 – Short Term Debt – Tax Anticipation Notes

The District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary because the District’s operating expenses are continuous throughout the academic year while property tax collections are received approximately on their April 1 and October 1 due dates. Short-term activity for the audit year ended June 30, 20xx, was as follows:

| | Beginning Balance July 1, 20xx | Issued | Redeemed | Ending Balance June 30, 20xx |
|------------------------|---|---------------|-----------------|---|
| Tax Anticipation Notes | \$0 | \$9,000,000 | \$9,000,000 | \$0 |

Note 7 – Long- term Liabilities

Long-term liabilities for the year ended June 30, 20xx, are summarized as follows:

| | Beginning Balance July 1, 20xx | Additions | Reductions | Ending Balance June 30, 20xx |
|------------------------------------|---|--------------------|--------------------|---|
| Leases and bonds | | | | |
| Lease obligations | \$4,621,742 | \$856,475 | \$867,849 | \$4,610,368 |
| General obligations | 1,627,334 | 0 | 0 | 1,627,334 |
| Revenue bonds | 0 | 0 | 0 | 0 |
| Total lease and bond obligations | 6,249,076 | 856,475 | 867,849 | 6,237,702 |
| Other liabilities | | | | |
| Compensated absences | 1,769,045 | 262,889 | 215,723 | 1,816,211 |
| Total other liabilities | 1,769,045 | 262,889 | 215,723 | 1,816,211 |
| Total long-term obligations | \$8,018,121 | \$1,119,364 | \$1,083,572 | \$8,053,913 |

Amounts due within one year include lease obligations of \$1,467,818 and compensated absences of \$1,510,049.

Note 8 – Revenue Bonds and Notes Payable

The outstanding bonded debt of Sample Community College District on June 30, 20xx is:

| Date of Issue | Interest | Maturity Rate % | Amount of Original Date | Outstanding Issue | Redeemed Current July 1, 20xx | Outstanding Year |
|------------------|----------|--------------------|-------------------------------|----------------------|-------------------------------------|---------------------|
| Jun 30, 2009 | | | | | | |

Note 9 – Lease Obligations

The District has entered into various capital and non-cancelable operating leases for land, buildings, and equipment with lease terms in excess of one year. Future minimum lease payments under these agreements are as follows:

| Fiscal Year | Minimum Lease Payments |
|------------------------------|------------------------|
| 2004-2005 | \$ 455,303 |
| 2005-2006 | 470,783 |
| 2006-2007 | 486,790 |
| 2007-2008 | 503,340 |
| 2008-2009 | 520,454 |
| 2009-2013 | 2,980,022 |
| 2013-2018 | 3,404,099 |
| 2018-2023 | 1,529,181 |
| Total Minimum Lease Payments | \$10,349,971 |

Note 10 - Employee Retirement System

Multiple-employer defined benefit pension plans maintained by agencies of the State of California cover qualified employees. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

A. *State Teachers' Retirement System (STRS)*

1. Plan Descriptions

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges, and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators working under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, section 22000 et seq.) established benefit provisions for STRS. Obtain copies of the STRS annual financial report from the STRS Executive Office, 7667 Folsom Boulevard Sacramento, California 95851.

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, they may have post-retirement cost-of-living adjustments.

Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is the average salary earnable for the highest three consecutive years of service.

The plan permits early retirement options at age 55 or age 50 with at least 30 years of service. Disability benefits are available up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member terminates, the accumulated member contributions are refundable. The features of the CD Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

2. Funding Policy

Active members of the DB Plan are required to contribute 8.0% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2002-03 was 8.25% of annual payroll. State statute establishes the contribution requirements of the plan. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The district contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

3. Annual Pension Cost

The District's total contributions to STRP for the fiscal years ended June 30, 20xx, 20xx, and 20xx were \$2,683,908, \$2,507,662, and \$2,496,378, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

In their most recent actuarial valuation of the DB Plan as of June 30, 2006, the independent actuaries for STRS determined that, at June 30, 2006, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$2.2 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$2.2 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

In their most recent actuarial valuation of the CB Plan as of June 30, 20xx, the independent actuaries for STRS determined that, at June 30, 20xx, the actuarial value of the CB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$1.2 million. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

B. *California Public Employees' Retirement System (CalPERS)*

1. Plan Descriptions

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Obtain copies of the CalPERS annual financial report from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

2. Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the district is required to contribute an actuarially determined rate. The district's contribution rate to CalPERS for fiscal year 20xx-20xx was 2.894% beginning with the first pay period ending in July 20xx; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 20xx. On May 16, 20xx, CalPERS approved a school-employer contribution rate of 10.42% beginning with the first pay period that ends in July 20xx.

3. Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 20xx, 20xx, and 20xx were \$1,947,354, \$680,756, and \$0, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 20xx, actuarial valuation (the most recent actuarial information available) included:

- (a) An 8.25% investment rate of return (net of administrative expense);
- (b) An overall growth in payroll of 3.75% annually; and
- (c) An inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

Funded Status of Retirement Plans by Member Category

| Member Category | 6/30/x1 | 6/30/x2 | 6/30/x3 | 6/30/x4 | 6/30/x5 |
|-----------------|---------------|---------------|---------------|---------------|--------------|
| State | 120.0% | 123.5% | 110.5% | 103.7% | 90.3% |
| School | <u>135.8%</u> | <u>137.0%</u> | <u>124.2%</u> | <u>116.3%</u> | <u>97.4%</u> |
| Public Agency | 129.6% | 128.2% | 127.3% | 114.8% | N/A |

C. Deferred Compensation

The district offers its employees CalPERS administered 457 Deferred Compensation Program (Program). The plan, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

During fiscal year 20xx-20xx, Program membership grew to 12,729 from 10,472 with assets increasing from \$195.2 million to \$226.6 million, because of \$64.2 million in contributions, investment losses of \$21.5 million, and distributions and withdrawals paid to participants of \$10.4 million.

NOTE 11 – Joint Powers Agreement:

The District participates in two joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP); and the Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes.

ASCIP arranges for and provides property, liability and excess workers' compensation insurance for its member school districts. The district pays a premium commensurate with the level of coverage requested.

SELF arranges for and provides a self-funded or additional insurance for excess liability fund for approximately 1,100 public educational agencies. A board of 16 elected voting members, elected alternates and two ex-officio members, govern SELF. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

Condensed financial information of ASCIP and SELF for the most current year available is as follows:

| | ASCIP 6/30/20xx (Unaudited) | SELF 6/30/20xx (Audited) |
|--|-----------------------------------|--------------------------------|
| Total Assets | \$80,514,569 | \$112,123,757 |
| Total Liabilities | 45,409,240 | 64,483,431 |
| Retained Earnings | \$35,105,329 | \$ 47,640,326 |
| Total Revenues | \$48,632,152 | \$ 25,828,579 |
| Total Expenditures | 33,766,606 | 11,022,709 |
| Net increase/(decrease in retained earnings) | \$14,865,546 | \$ 14,805,870 |

NOTE 12 – Functional Expenses

| | Salaries | Employee Benefits | Supplies Materials & Other Expenses & Services | Depreciation | Total |
|---|-------------------|-------------------|--|------------------|-------------------|
| Instructional Activities | 29,274,706 | 5,026,096 | 2,798,280 | | 37,099,082 |
| Academic Support | 3,976,191 | 791,782 | 2,513,270 | | 7,281,243 |
| Student Services | 6,560,715 | 1,170,461 | 1,606,419 | | 9,337,595 |
| Plant Ops & Maint. | 2,783,334 | 722,932 | 4,508,339 | | 8,014,605 |
| Instructional Support Services | 4,721,727 | 3,339,256 | 3,057,380 | | 11,118,363 |
| Community Services & Economic Development | 745,536 | 80,326 | 466,380 | | 1,292,242 |
| Ancillary Services & Auxiliary Operations | 1,494,072 | 321,303 | 7,254,799 | | 9,067,174 |
| Physical Property & Related Acquisitions | 149,107 | 22,950 | 3,705,129 | | 3,877,186 |
| Depreciation. Expense | | | | 7,800,000 | 7,800,000 |
| Total. | 49,702,388 | 11,475,106 | 25,909,996 | 7,800,000 | 94,887,490 |

NOTE 13 - Commitments and Contingencies

A. *Vacation and Sick Leave (Compensated Absences)* – Accumulated unpaid employee vacation benefits are accrued when earned by employees and recognized at year-end as liabilities of the District. The District also participates in and accrues “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave adds to the creditable service period for calculation of retirement benefits for eligible employees when they retire. Sick leave accumulates without limit for each employee at the rate of one day for each month worked. However, the employees do not gain a vested right to accumulated sick leave nor are they paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave. See note 7 for the accrued balance of compensated absences as of June 30, 20xx.

B. *Leases* – The District has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after xx days written notice to lessors. The district expects that in the normal course of business similar leases will replace most of these leases. See note 9 for minimum lease payments of operating leases as of June 30, 20xx.

C. *State and Federal Allowances, Awards and Grants* - The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, we believe that any required reimbursements will not be material. The District overreported attendance in certain adult education off-campus courses that may result in the repayment to the state for the overclaimed and reimbursed FTES. We extrapolated and reported he overstatement of FTES is within the related finding(s).

NOTE 14 - SUBSEQUENT EVENTS (If applicable.)

NOTE 15 – STRS Early Retirement Incentive Program

The District has adopted an early retirement incentive program pursuant to Education Code sections 22714 and 87488, whereby the service credit to eligible employees increases by two years (and age increases by two years). Eligible employees must have five or more years of service under the State Teachers’ Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District (retire during the window period in the formal action taken by the district’s governing board).

Retiree Information

| Position <u>Vacated</u> | Age | Service <u>Credit</u> | <u>Retired Employee</u> | | <u>Replacement Employee</u> | |
|----------------------------|-----|--------------------------|-------------------------|-----------------|-----------------------------|-----------------|
| | | | <u>Salary</u> | <u>Benefits</u> | <u>Salary</u> | <u>Benefits</u> |
| Instructor | 63 | 29 | \$86,000 | \$10,000 | \$36,000 | \$5,000 |
| Instructor | 68 | 26 | 84,000 | 10,000 | 0 | 0 |
| Counselor | 72 | 30 | <u>75,000</u> | <u>12,000</u> | <u>29,000</u> | <u>4,500</u> |
| | | | \$245,000 | \$32,000 | \$65,000 | \$9,500 |

Additional Costs to Employer:

Because of this early retirement incentive program, the District has incurred (or expects to incur) \$205,000 in additional costs. The breakdown in additional costs is below:

| | |
|--|------------------|
| Retirement Costs (including interest, if applicable) | \$175,000 |
| Post-retirement Health and Benefit Costs | 25,000 |
| Administrative Costs | <u>5,000</u> |
| Total Additional Costs | <u>\$205,000</u> |

(Space intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Post-Employment Health Care Benefits Funding Progress

Sample Community College District
Schedule of Postemployment Healthcare Benefits Funding Progress
 Year ended 12/31/2012

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (Entry age normal method) (AAL) | Unfunded actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------------|---|---|--------------|-----------------|---|
| 11/1/2010 | \$ - | \$ 63,338,909 | \$ 63,338,909 | - | 71,904,498 | 88% |
| 12/1/2012 | \$ - | \$ 57,364,482 | \$ 57,364,482 | - | 62,307,635 | 92% |

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (Entry Age Normal Cost) (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------------|---|---|--------------|-----------------|---|
| 5/7/2012 | | | | | | % |
| | | | | | | % |
| | | | | | | % |

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (Entry age normal method) (AAL) | Unfunded actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------------|---|---|--------------|-----------------|---|
| 11/1/2010 | \$ - | \$ 63,338,909 | \$ 63,338,909 | - | 71,904,498 | 88% |
| 12/1/2012 | \$ - | \$ 57,364,482 | \$ 57,364,482 | - | 62,307,635 | 92% |

Independent Auditor's Report on Supplementary Information

Board of Trustees
Sample Community College District
Goldfield, California 95814

We have audited the basic financial statements of Sample Community College District (District) for the year ended June 30, 20xx, and have issued our report thereon dated December 8, 20xx. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the standards identified by the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor's Office, California Community Colleges. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

To form an opinion on the financial statements of the business-type activities and discretely presented component unit of the District, which collectively comprise the District's basic financial statements, we conducted the audit. The accompanying supplementary information, presented for purposes of additional analysis, is not a required part of the basic financial statements and includes the following supplementary information:

- Schedule of Other Postemployment Benefits (OPEB) Funding Progress
- Schedule of District's Proportional Share of the Net Pension Liability
- Schedule of District Contributions
- Reconciliation of governmental funds to the statement of net position. Please see the options listed on pages 6-12 and 6-13 of the Budget and Accounting Manual ([BAM](#)) for your options in presenting this data.
- Reconciliation of the 50 Percent Law calculation to audited financial statements
- Reconciliation of Education Protection Account expenditures to audited financial statements
- Schedules of expenditures of Federal and State awards
- Schedule of workload measure for State General Apportionment
- Notes to the supplementary information

The information in these supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

[Signature]

[Date]

**Sample Community College District
Organization**

June 30, 20xx

Sample Community College District established on July 1, 1963, and covers an area of approximately 12 square miles located in Sacramento County. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|---------------------|---------------|---------------------|
| Mr. David Johnson | President | April 20xx |
| Mr. Norman Richards | Secretary | April 20xx |
| Mrs. Jan McDonald | Member | April 20xx |
| Mr. James Wilde | Member | April 20xx |
| Mrs. Louise Hanson | Member | April 20xx |

ADMINISTRATION

Dr. Georgia Scott
Superintendent

Mr. Thomas Sharp
Assistant Superintendent

Mrs. Mildred Coleman
Assistant Superintendent

**Sample Community College District
Schedule of Expenditures of Federal Awards
For the year ended June 30, 20xx**

| Federal Grantor/ Pass-Through Entity Program or Cluster Title | Subrecipient Award Amount | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal |
|---|---------------------------------|---------------------------|---|---------------|
| U.S. Department of Education | | | | |
| Financial Aid Cluster: | | | | |
| College Work Study | | 84.033 | | \$xxx,xxx |
| Campus X | \$xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |
| Perkins Loan | | 84.038 | | xxx,xxx |
| Campus X | xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |
| Pell Grant | | 84.063 | | xxx,xxx |
| Campus X | xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |
| Adult Basic Education (ABE) | | | | |
| Adult Basic Education | | 84.002 | | xxx,xxx |
| Campus X | xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |
| ABE – Citizenship | | 84.002 | | xxx,xxx |
| Campus X | xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |
| ABE – ESL | | 84.002 | | xxx,xxx |
| Campus X | xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |
| Upward Bound | | | | |
| Campus X | xxx,xxx | 84.047 | | xxx,xxx |
| Campus Y | xxx,xxx | | | |
| Talent Search II | | | | |
| Campus X | xxx,xxx | 84.044 | | xxx,xxx |
| Campus Y | xxx,xxx | | | |
| Student Support Services | | | | |
| Campus X | xxx,xxx | 84.042 | | xxx,xxx |
| Campus Y | xxx,xxx | | | |
| Title III - Strengthening Institutions | | | | |
| Campus X | xxx,xxx | 84.031 | | xxx,xxx |
| Campus Y | xxx,xxx | | | |
| Pass through California Department of Education (CDE): | | | | |
| Vocational And Technical Education Act (VTEA) | | | | |
| Tech Prep VTEA, Education | | 84.048 | | xxx,xxx |
| Campus X | xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |
| Title I-C VTEA | | 84.048 | | xxx,xxx |
| Campus X | xxx,xxx | | | |
| Campus Y | xxx,xxx | | | |

Illustrative Audit Report

U.S. Department of Health and Human Services:

Passed through CDE:

| | | |
|---|---------|---------|
| Temporary Assistance to Needy Families (TANF) | 93.558 | xxx,xxx |
| Campus X | xxx,xxx | |
| Campus Y | xxx,xxx | |

Department of Labor:

| | | |
|----------------|---------|---------|
| WIA Assessment | | xxx,xxx |
| Campus X | xxx,xxx | |
| Campus Y | xxx,xxx | |

Department of Agriculture:

| | | |
|---------------------------|---------|---------|
| FC Childcare Food Program | | xxx,xxx |
| Campus X | xxx,xxx | |
| Campus Y | xxx,xxx | |

Total federal awards expended for loan or loan guarantee programs xxx,xxx

| | |
|----------|---------|
| Campus X | xxx,xxx |
| Campus Y | xxx,xxx |

Noncash value of Value of federal awards expended xxx,xxx

| | |
|----------|---------|
| Campus X | xxx,xxx |
| Campus Y | xxx,xxx |

**Sample Community College District
Schedule of State Financial Awards
For the year ended June 30, 20xx**

| Program Name | Program Revenues | | | Total | Total Program Expenditures |
|---|------------------|---------------------|-----------------|-----------|----------------------------|
| | Cash Received | Accounts Receivable | Deferred Income | | |
| State Awards | | | | | |
| Disabled Student Program & Services | \$xxx,xxx | \$xx,xxx | \$x,xxx | \$xxx,xxx | \$xxx,xxx |
| Extended Opportunity Program & Services | xxx,xxx | xx,xxx | x,xxx | xxx,xxx | xxx,xxx |
| Cal Grant | | | | | |
| CalWORKS | | | | | |
| Care Program | | | | | |
| Child Development Center | | | | | |
| Economic Development | | | | | |
| Funds for Student Success | | | | | |
| Block Grant | | | | | |
| Instructional Equipment – Block Grant | | | | | |
| Multimedia | | | | | |
| State Block Grant FY xx | | | | | |
| State Funds for Instructional Materials | | | | | |
| Student Success Scorecard | | | | | |
| Teacher & Reading Development Partnership | | | | | |
| Temporary Assistance to Needy Family (TANF) | | | | | |
| Telecommunication Technology | | | | | |
| Infrastructure Program (TTIP) | | | | | |
| Scheduled Maintenance | | | | | |
| General Childcare Grant | | | | | |
| Staff Development | | | | | |
| Total State Programs | | | | | |

**Sample Community College District
Schedule of Workload Measures for State General Apportionment
Annual (Actual) Attendance as of June 30, 20xx**

| Categories | Reported Data | Audit Adjustments | Revised Data |
|---|------------------|----------------------|-----------------|
| A. Summer Intersession (Summer 20xx only) | | | |
| 1. Noncredit ¹ | | | |
| 2. Credit | | | |
| B. Summer Intersession (Summer 20xx – Prior to July 1, 20xx) | | | |
| 1. Noncredit ¹ | | | |
| 2. Credit | | | |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | | | |
| (b) Daily Census Contact Hours | | | |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit ¹ | | | |
| (b) Credit | | | |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | | | |
| (b) Daily Census Contact Hours | | | |
| (c) Noncredit Independent Study/Distance Education Courses | | | |
| D. Total FTES | | | |
| Supplemental Information (subset of above information) | | | |
| E. In-Service Training Courses (FTES) | | | |
| H. Basic Skills courses and Immigrant Education | | | |
| (a) Noncredit ¹ | | | |
| (b) Credit | | | |
| <u>CCFS 320 Addendum</u> | | | |
| CDCP Noncredit FTES | | | |
| Centers FTES | | | |
| (a) Noncredit ¹ | | | |
| (b) Credit | | | |

¹ Including Career Development and College Preparation (CDCP) FTES

**Sample Community College District
Reconciliation of Annual Financial and Budget
Report (CCFS-311) With
Audited Financial Statements**

For the fiscal year ended June 30, 20xx

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund |
|--|-----------------|----------------------------|-----------------------------|-------------------------|
| June 30, 20xx, Annual Financial and Budget Report (Form CCFS-311) Fund Balances | | | | |
| Adjustments and Reclassifications increasing (decreasing) fund balance: Prior Year Post Closing Entries Post-Closing Entries Under (Over) Statement of Accounts Receivable (Under) Over Statement of Accounts Payable (Under) Over Statement of Deferred Revenue (Under) Statement of Accrued Vacation Reclassification of interfund operating transfers Other | | | | |
| Net Adjustments and Reclassifications | | | | |
| June 30, 20xx Audited Financial Statements Fund Balance | | | | |

Reconciliation of Governmental Funds to the Statement of Net Position

Please see the options listed on pages 6-12 and 6-13 of the Budget and Accounting Manual ([BAM](#)) for your options in presenting this data.

**Sample Community College District
Reconciliation of ECS 84362 (50 Percent Law) Calculation
For the year ended June 30, 20xx**

Illustrative Audit Report

| | Object/TOP Codes | Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 | | | Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 | | |
|---|---------------------|---|----------------------|-----------------|---|----------------------|-----------------|
| | | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| <u>Academic Salaries</u> | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | | | | | | |
| Other | 1300 | | | | | | |
| Total Instructional Salaries | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | | | | | | |
| Other | 1400 | | | | | | |
| Total Non-Instructional Salaries | | | | | | | |
| Total Academic Salaries | | | | | | | |
| <u>Classified Salaries</u> | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | | | | | | |
| Other | 2300 | | | | | | |
| Total Non-Instructional Salaries | | | | | | | |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | | | | | | |
| Other | 2400 | | | | | | |
| Total Instructional Aides | | | | | | | |
| Total Classified Salaries | | | | | | | |
| Employee Benefits | 3000 | | | | | | |
| Supplies and Materials | 4000 | | | | | | |
| Other Operating Expenses | 5000 | | | | | | |
| Equipment Replacement | 6420 | | | | | | |
| Total Expenditures Prior to Exclusions | | | | | | | |

**Sample Community College District
Reconciliation of ECS 84362 (50 Percent Law) Calculation
For the year ended June 30, 20xx**

Illustrative Audit Report

| | Object/TOP Codes | Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 | | | Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 | | |
|---|------------------|---|-------------------|--------------|---|-------------------|--------------|
| | | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| Exclusions | | | | | | | |
| Activities to Exclude | | | | | | | |
| Instructional Staff–Retirees’ Benefits and Retirement Incentives | 5900 | | | | | | |
| Student Health Services Above Amount Collected | 6441 | | | | | | |
| Student Transportation | 6491 | | | | | | |
| Noninstructional Staff-Retirees’ Benefits and Retirement Incentives | 6740 | | | | | | |
| Objects to Exclude | | | | | | | |
| Rents and Leases | 5060 | | | | | | |
| Lottery Expenditures | | | | | | | |
| Academic Salaries | 1000 | | | | | | |
| Classified Salaries | 2000 | | | | | | |
| Employee Benefits | 3000 | | | | | | |
| Supplies and Materials | | | | | | | |
| Software | 4100 | | | | | | |
| Books, Magazines, & Periodicals | 4200 | | | | | | |
| Instructional Supplies & Materials | 4300 | | | | | | |
| Noninstructional, Supplies & Materials | 4400 | | | | | | |
| Total Supplies and Materials | | | | | | | |
| Other Operating Expenses and Services | 5000 | | | | | | |
| Capital Outlay | | | | | | | |
| Library Books | 6000 | | | | | | |
| Equipment | | | | | | | |
| Equipment | 6400 | | | | | | |
| Equipment - Additional | 6410 | | | | | | |
| Equipment - Replacement | 6420 | | | | | | |
| Total Equipment | | | | | | | |
| Total Capital Outlay | | | | | | | |
| Other Outgo | 7000 | | | | | | |
| Total Exclusions | | | | | | | |
| Total for ECS 84362, 50% Law | | | | | | | |
| Percent of CEE (Instructional Salary Cost / Total CEE) | | | | | | | |
| 50% of Current Expense of Education | | | | | | | |

**Sample Community College District
Notes to Required Supplemental Information**

For the year ended June 30, 20xx

PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and presents the accrual basis of accounting. The information in this schedule presents in accordance with requirements of the Code of Federal Regulations, Chapter 2, Part 200. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The loan or loan guarantee outstanding balance at the end of the audit period is \$xxx,xxx. The district did (or did not) elect to use the 10 percent de minimis indirect cost rate.

Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Present the information in this schedule to comply with reporting requirements of the California Community College Chancellor's Office, California Community Colleges.

Schedule of Workload Measures for State General Apportionment

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of ECS 843632 (50 Percent Law Calculation)

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

Proposition 30 EPA Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Sample Reports

For Report samples, please see current guidance from the [AICPA](#).

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/DownloadableDocuments/IllustrativeStateandLocalGovernmentReports2015.pdf>

<http://www.aicpa.org/Research/Standards/AuditAttest/Pages/SAS.aspx>

and

<http://www.aicpa.org/interestareas/governmentalauditquality/resources/illustrativeauditorsreports/pages/default.aspx>

**Sample Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 20xx**

(See 20xx AICPA Government Audit Guide)

Summary of Auditors' Results

Financial Statements

Type of opinion on financial statements: _____

Internal control over financial reporting: _____

Material Weakness Identified? _____

Significant deficiency identified but not considered material weaknesses? _____

Noncompliance material to financial statements noted? _____

Federal Awards

Internal control over major programs: _____

Material weakness identified? _____

Significant deficiency identified but not considered material weaknesses? _____

Type of opinion issued on compliance for major programs: _____

Any audit findings disclosed that are required to be reported in accordance With Code of Federal Regulations, Chapter 2, Part 200, section .510(a)? _____

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| | |
| | |
| | |

Dollar threshold used to distinguish between Type A and Type B programs: _____

Auditee qualified as low-risk auditee? _____

State Awards

Internal control over state programs: _____

Material weakness identified? _____

Significant deficiencies identified but not considered material weaknesses? _____

Type of opinion issued on compliance for state programs: _____

Financial Statement Findings for the Year Ended June 30, 20xx

The following represent **significant deficiency** related to the financial statements that are in accordance with generally accepted government audit standards. [Insert each finding in the section below with its appropriate number.]

20xx -1 Finding

[Insert Finding]

Recommendation

[Insert Recommendation]

District Response

[Insert the District's Response]

Federal Award Findings and Questioned Costs for the Year Ending 20xx

[Insert criteria, condition, questioned costs, context, effect, cause, recommendation, views of responsible official and corrective actions.]

State Award Findings and Questioned Costs for the Year Ending 20xx

[Insert criteria, condition, questioned costs, context, effect, cause, recommendation, views of responsible official and corrective actions as referenced in section 280 – Audit Findings]

**Sample Community College District
Summary Schedule of Prior Audit Findings**

June 30, 20xx

Except as specified in previous sections of this report, summarized below is the status of all audit findings reported in the prior year's schedule of audit findings and questioned costs and of any other unresolved audit finding from previous years.

| Finding Reference Number ²⁰ | Recommendation | Current Status | Explanation if Not Fully Implemented |
|--|----------------|----------------|---|
|--|----------------|----------------|---|

²⁰ Use the identification number referenced by the California Community Colleges in their follow-up activities.