



Key Fiscal Questions for Trustees

CALIFORNIA'S COMMUNITY COLLEGES are complex organizations; budgets, financial reports, and accounting can be daunting. Even though most trustees do not have financial or accounting backgrounds, they provide direction for and monitor the fiscal strength of the district. They must understand basic fiscal concepts, budgets and financial reports, and be able to evaluate internal controls and audits. They should ask the right questions and understand the answers.

State Budget Allocations & Constraints

Do you have a basic understanding of how state budget allocations to districts are determined?

Are you aware of the implications of Proposition 98 guarantees?

Do you understand how your district's allocation is affected by prior year revenues, COLA, equalization, and enrollment patterns?

Are you aware of and do you understand the implications of categorical funding and other state funds that are targeted for a specific purpose?

Do you understand the 50% law, 75/25 rule, full time faculty obligation regulations, and their impact on the budget?

Budget Development

Does board policy require an appropriate level of involvement by administrators, faculty, staff, and students in the budget development process?

Is your board aware of and has it discussed the planning assumptions on which the budget is based?

Do you understand the projected revenues and other resources in the budget? Are the projections based on reasonable assumptions? Are the revenues from state funds, federal funds, grants, donations, student fees, and property taxes, and other resources clearly stated?

Does the board have policy guidelines for budget allocations? For instance, are mission priorities reflected in the overall allocations? If your board has established target percentages for personnel, reserves, new initiatives, etc., have the targets been met?

Do you understand the expenditure categories? Are the projected expenditures realistic given past history and probable influences on expenditures? Are the proportion of funds

dedicated to personnel, maintenance, supplies, and other major categories appropriate? Do they meet the 50% law and make progress toward the full time faculty obligation?

Is the ending balance or unrestricted reserves sufficient to meet unexpected needs?

Are the following clearly identified in the budget?

- The level of debt
- The level of income compared to the level of expenditures, and
- Cash is sufficient to meet expenses

Long-Range Planning

Is your board aware of the implications of making long-term commitments, such as:

- employee union contracts, including retirement and health benefits,
- construction and maintenance,
- new programs,
- indebtedness, and
- multi-year contracts?

Has your board explored and does it understand the long-range impact of:

- State and regional economic trends,
- Enrollment projections and trends,
- Facility and maintenance needs, and
- The need to upgrade technology and other equipment?

Does the district's planning process ensure that educational and facilities master plans are linked to long-range budget projections? Are technology and program plans linked to the master plans?

Is your board sufficiently confident that revenues will be available to cover projected financial commitments?

Fiscal Management

Does your board have clear policy guidelines for fiscal and asset management?

Does your board receive quarterly financial statements? Do you understand them? Do the statements provide a clear picture of the fiscal condition of the institution? Are they timely?

Does the institution have sufficient "cash" on hand to meet its needs?



Does the institution have sufficient internal controls or an internal audit system? Does management follow-up on potential problems in a timely manner?

Are you assured that:

- Funds allocated to specific purposes or that are restricted are not commingled or transferred without approvals required by board policy and law?
- Deferral of payments and other ways of spreading expenses over a period of time are appropriate and do not commit the organization to liabilities that it cannot meet? Do you understand the payment schedules?

Audits

Districts are required to have an annual audit conducted by an external firm. Do you understand the purposes of financial audits?

Does your board help develop the request for proposals and select the auditing firm? Does the firm report to the board?

Do you understand the concept of “generally accepted auditing principles” and the CCC System standards used to evaluate the soundness of public institutions?

If your board has an audit or finance committee do you ensure that their reports and recommendations are discussed thoroughly by the entire board?

Policies & Parameters

Has the board adopted all policies that it is legally required or advised to have? Are they regularly reviewed and current?

Has the board established parameters or guidelines for budgeting, financial management, investments, collective bargaining, contracting, purchasing, and facilities?

Investments

Does your board have an investment policy that defines an appropriate level of risk and reflects other investment values of your board?

Are you confident that college funds are invested securely and appropriately? How do you know?

Foundation & Gifts

Is your board confident that gifts are accounted for and used appropriately?

Is your board aware of how the foundation is spending its money? Does the foundation comply with related laws and board policy? Are you assured that its required financial reports are filed in a timely manner?

Monitoring & Reporting

Does your board use the monitoring criteria and tools provided by the CCC System Office and the Accrediting Commission? Do you understand the standards and regulations that apply to community college finance?

How much responsibility for financial monitoring does your board delegate to the CEO and/or to a subcommittee of the board? Does the board have clear expectations and parameters for the authority delegated?

Does the district have systems and controls in place that prevent and detect wrongdoing and inefficiency?

Do all trustees adhere to practices that prevent conflict of interest and uphold ethical conduct?

Are fiscal reports required by state and federal agencies accurate and filed in a timely manner? Does your board review the reports when required? When you are asked to approve the reports, do you understand them well enough to approve them?

Are you willing to:

- Ask tough questions?
- Ask “stupid” questions?
- Do the work necessary to learn how to evaluate budget reports, quarterly financials, and the audit? ○