Table B.1
Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	• Reviewed state law and regulations pertaining to CCC budgeting and financial reporting. • Reviewed policies and procedures from districts and the Chancellor's Office related to districts' reserves, budgeting, and reporting practices and the Chancellor's Office's oversight. • Reviewed other reserve guidance from the GFOA and the GASB.
2	For a selection of five community college districts chosen for their diversity of geography and size, and Calbright College, do the following: a. Determine the account balances for the unrestricted general fund from fiscal years 2018–19 through 2024–25. b. Identify the anticipated year-end amount of the unrestricted general fund balance for fiscal year 2025–26. c. Determine the increase or decrease in the unrestricted general fund balance and percentage the reserve represented of the districts' total operating expenditures, each year for fiscal years 2018–19 through 2025–26.	• Using Chancellor's Office data, judgmentally selected five diverse districts by size, equivalent student body, geographic location, and general fund reserves calculated by the Chancellor's Office using financial data that districts reported to it. • For the five selected districts and Calbright, obtained the districts' annual financial and budget information for fiscal years 2018–19 through 2024–25 from the Chancellor's Office's publicly available data to determine the unrestricted general fund balance and total general fund expenditures for each year. • For each district and year, calculated the reserve levels that the unrestricted general fund balance represented out of all general fund expenditures and determined the increase or decrease in reserve levels. • Calculated the ending unrestricted general fund balances for fiscal year 2025–26 using districts' historical expenditures and reserves from fiscal years 2018–19 through 2024–25 and compared our forecast to the districts' projections. • To ensure that districts did not hold excessive financial resources in funds other than the general fund, we performed the following: - Reviewed a judgmental selection of two large projects from other governmental funds to determine whether districts appropriately allocated unrestricted resources and the purpose of those allocations. - Reviewed whether each project was properly authorized, assessed the thoroughness of the project plans, and determined whether the project spending occurred over a reasonable time frame.
3	Determine whether the selected districts and Calbright College complied with the Chancellor's Office's guidelines for unrestricted general fund balances. a. If a district's balance is less than the Chancellor's Office's guidelines, obtain the district's justification for not complying with the guidelines. b. If a district maintains a large reserve, obtain the district's justification for maintaining the large reserve.	• Interviewed staff at each of the six districts to understand the causes of increased reserves, whether the districts have developed any spending plans, and what barriers the districts face in spending excess unrestricted balances in their general fund.

continued on next page . . .

	AUDIT OBJECTIVE	METHOD
4	Identify and evaluate the Chancellor's Office's oversight of district reserves, including steps the Chancellor's Office takes to review and validate districts' reserves and ensure that districts responsibly manage and align spending of reserves with student and system needs.	• Interviewed Chancellor's Office staff and reviewed all relevant documentation related to its policies and procedures on monitoring districts' reserve funds. • Reviewed and evaluated the Chancellor's Office's verification process of districts' annual fiscal reports. • Compared the amounts of unrestricted and restricted reserves in the six districts' annual fiscal reports for fiscal year 2024–25 and interviewed representatives of the six districts to obtain their perspective on any discrepancies. • Interviewed Chancellor's Office staff, reviewed relevant documentation, and evaluated the actions the Chancellor's Office takes to monitor whether districts are reducing excess fund balances by spending on student services. • Interviewed representatives of each district to obtain their perspective and experience with the Chancellor's Office and its guidance regarding maintaining reserves. • Reviewed each district's restricted and unrestricted fund balances for all funds for fiscal year 2024–25 to determine whether the districts appropriately classified the fund balances, and interviewed district staff for perspective on discrepancies.
5	To the extent possible, determine for the selected districts and Calbright College as it relates to their unrestricted general fund whether: a. Districts with high reserves also report budget constraints, staffing issues, or cuts. b. Districts opted to increase reserves at the expense of investments in instruction, infrastructure, or student support. c. There is any effect on student equity because of high reserves, particularly for low-income or underserved populations. d. There is any effect on a school's credit rating because of a high reserve. e. The districts conducted any planning related to the impact of potential reductions in federal funding related to high reserve holdings. f. There is any effect on reported student outcomes related to high reserves	• Reviewed Chancellor's Office's data for selected districts related to the following factors to determine trends and comparison to statewide metrics: - Enrollment trends - Faculty count and demographics - Course count and composition • Reviewed Chancellor's Office's student outcome data, such as course completion rates, transfer rates, and degrees attained for selected districts, both in aggregate and separately along the following equity lines to determine trends and areas of concern: - Race - Gender - Economic Status - Sexual Orientation • Reviewed selected districts' budgets to determine trends in spending on different faculty classifications. • Reviewed Chancellor's Office's data on student support services, such as counseling, orientation, and education planning services, to determine trends in availability. • Reviewed district documents to determine the districts' program review process and the extent to which the review affected spending decisions. • Reviewed applicable credit rating methodologies from credit rating agencies to determine the extent that reserves affected credit ratings. • Reviewed credit opinions issued to districts by credit rating agencies to determine the extent to which districts' unrestricted fund balances affected credit ratings.
6	Review and assess any other issues that are significant to the audit.	We did not identify any other issues to review during the course of the audit.

Source: Audit workpapers.