

# STANDARD NINE:

## FINANCIAL RESOURCES

The institution has adequate financial resources to achieve, maintain and enhance its programs and services. The level of financial resources provides a reasonable expectation of financial viability and institutional improvement. The institution manages its financial affairs with integrity, consistent with its educational objectives.

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### A. FINANCIAL PLANNING

A.1 Financial planning supports institutional goals and is linked to other institutional planning efforts.

unrestricted revenue, which is used to support education programs, is funded by the state, and there are limited resources for discretionary expenditures and innovative program improvements.

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### DESCRIPTION

Financial planning is shaped and influenced by needs of the instructional program and student services, including the number and types of classes offered, number of faculty and staff hired, and the equipment and supplies purchased. Financial resource allocation and re-allocation are linked to the *Educational Master Plan* (Doc. 9.1), including capital projects that support instructional programs contained in the *Citrus College Educational and Facilities Master Plan* (Doc. 9.2) and the *Five-Year Construction Plan* (Doc. 9.3). Additionally, financial planning is influenced by the recommendations of regular program review (Doc. 9.4).

### SELF-EVALUATION

Financial planning is difficult both in the context of financial resources and resources for capital projects because of the district's dependence upon state funding. Eighty-five percent of the college's

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A.2 Annual and long-range financial planning reflect realistic assessments of resource availability and expenditure requirements. In those institutions which set tuition rates, and which receive a majority of funding from student fees and tuition, charges are reasonable in light of the operating costs, services to be rendered, equipment, and learning resources to be supplied.

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### DESCRIPTION

Budget planning at Citrus College begins with the Financial Resources Committee. A budget calendar and budget assumptions (Doc. 9.5) are considered and approved by the committee, then presented to the Board of Trustees for approval. The budget assumptions presented for the committee's approval reflect the most current information available for projection of revenues and expenditures for the budget year. Projection of revenues for budget planning is started in January

of each year after the governor presents the state budget proposal. Ninety percent of the general fund revenues are state funded. The state of California's economy, therefore, is the key factor in projecting college revenues and is monitored continuously through the legislative process until the state budget is adopted.

Assessments for expenditures are carefully prepared with current, vacant and new hires of faculty and staff positions incorporated into the budget documents. Eighty to eighty-five percent of the college's unrestricted expenditures support personnel and benefits. Other expenditure requirements are assessed based upon prior year expenditures with adjustments for rate increases and needs or requests for augmentation. All revenue and expenditures are reviewed by the Financial Resources Committee and are then submitted to the Board of Trustees for adoption (Doc. 9.6).

The college has developed a five-year budget projection that uses the assumption and assessment process as used in the annual budget development. The *Five-Year Budget Projections* (Doc. 9.7) includes the current long-term faculty and classified negotiated contracts, using estimating for COLA and growth.

## SELF-EVALUATION

Current procedures provide a practical approach to reflect assessments of resource availability and expenditure requirements for annual budget development.

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A.3 Annual and long-range capital plans support educational objectives and relate to the plan for physical facilities.

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## DESCRIPTION

An *Educational Master Plan* (Doc. 9.1) was developed in 2000 for use in the annual *Five-Year Construction Plan* (Doc. 9.3) and the development of the comprehensive 10-year *Citrus College Educational and Facilities Master Plan* (Doc. 9.2). The *Educational Master Plan* (Doc. 9.1) is the product of a comprehensive, collegewide planning process that included participation from faculty, staff, students and administrators. The purpose of the plan was to develop a research-based document, which can be used as the foundation for all decisions regarding instructional programs, support services, staffing and capital plans.

## SELF-EVALUATION

The college has done an outstanding job in preparing annual and long-range capital plans in support of educational objectives and for physical facilities. The college continues to receive, through state capital project funding, a generous share of funds for construction and/or renovation of existing facilities (Doc. 9.8). The planning process is highly participatory involving many constituencies of the college.

## PLANNING AGENDA

1. A local general obligation bond is anticipated to be approved by the Board of Trustees for the March 2004 election. The passage of the bond will allow the implementation of the master plan (Doc. 9.2).

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A.4 Institutional guidelines and processes for financial planning and budget development are clearly defined and followed.

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## DESCRIPTION

Committees, such as steering, president's council, physical resources, and education and financial resources, disseminate financial planning strategies to various college constituencies. The budget calendar and budget assumptions (Doc. 9.5) clearly define budget development and are followed. The budget format provides data that is clear, comprehensive and timely. The ability to identify faculty and staff positions and evaluate expenditures from prior years is a key element in budget development provided in the college budget.

## SELF-EVALUATION

Institutional guidelines and processes for financial planning are clearly defined and followed. Educational programs and facility needs to support the programs are reviewed and evaluated on an ongoing basis. This can be supported by the continuous growth in enrollment that the college has experienced and the college maintaining adequate reserves the last several years. The institutional guidelines and processes for budget development are also clearly defined and followed. The small percentage variances of budget to actuals as reported in the annual independent audit report (Doc. 9.9) is an excellent evaluation of the college's budget development process.

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A.5 Administrators, faculty, and support staff have appropriate opportunities to participate in the development of financial plans and budgets.

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## DESCRIPTION

Through the budget process, administrators, faculty and support staff have opportunities to contribute to the development of financial planning. Budget planning is a six-month process beginning in April. The preliminary budget, along with the budget assumptions (Doc. 9.5) approved by the Financial Resources Committee and the Board of Trustees, is distributed at this time to change, correct, augment and determine financial program needs for individual departments. Upon approval, additional data are submitted to the business office for budget entry. A copy of the preliminary budget as developed is distributed to vice presidents, program directors, Academic Senate and classified staff.

## SELF-EVALUATION

Financial planning and budget development processes are reliable and effective at the business office level. The effort to communicate and delineate the information on a broader scale to faculty, administrators and staff could be more consistent. Financial planning and budgets are not always shared with individual departments. Inconsistencies in the planning process create mistrust in the process.

## PLANNING AGENDA

2. The deans will identify and implement strategies to improve faculty and staff understanding of budget and participation in the budget development process.

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B. FINANCIAL MANAGEMENT

B.1 The financial management system creates appropriate control mechanisms and provides dependable and timely information for sound financial decision-making.

A community college task force committee was formed and has met on a monthly basis since December 2000 to develop a standard account code structure to accommodate our needs and meet the requirements in the *California Community Colleges Budget and Accounting Manual* (BAM). Implementation is scheduled for fiscal year 2003-04. The college is scheduled to be online March 30, 2003.

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## DESCRIPTION

The college uses the Los Angeles Office of Education Program Budgeting and Accounting System (PBAS) (Doc. 9.10). This allows access to real-time financial data. The system facilitates expenditure monitoring and revenue management. The PBAS system interfaces with the Human Resources System (HRS) for payroll posting and produces comprehensive and timely data.

## SELF-EVALUATION

The system combines the detailed accounting for revenue and expenditures with the college budget, thereby creating appropriate control and dependable and timely information for sound financial decision making. The fiscal services director and the accounting supervisor are responsible for monitoring and reporting this activity as required by state and federal laws. The system also allows for financial data to be posted to the intranet where financial transactions are accessible in a timely manner to department managers for their review.

The college will implement a new financial system through Los Angeles County Office of Education (LACOE) in 2003, using PeopleSoft as the software provider and BearingPoint Inc. as the implementation partner.

## PLANNING AGENDA

3. The college will implement PeopleSoft in 2003-04.

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B.2 Financial documents, including the budget and independent audit, reflect appropriate allocation and use of financial resources to support institutional programs and services. Institutional responses to external audit findings are comprehensive and timely.

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## DESCRIPTION

The college, including the auxiliary organizations, adheres to the *California Community Colleges Budget and Accounting Manual*, the California Education Code, the Chancellor's Office guidelines and generally accepted accounting principles in the management and accounting of its financial resources.

An independent certified public accounting firm, in accordance with California law, audits all financial resources of the college annually. An opinion is rendered as to the financial position of various funds of the college, as well as the

adequacy of accounting procedures, safeguards and internal controls.

## **SELF-EVALUATION**

The college and student auxiliary organizations respond in a timely manner to any findings and recommendations made in the annual audit report (Doc. 9.9). In the last six years, there have been very few findings and no adjustments to the ending balance of college funds.

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**B.3** The institution practices effective oversight of finances, including management of financial aid, externally funded programs, contractual relationships, auxiliary organization or foundations, and institutional investments.

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## **DESCRIPTION**

The Financial Aid Office processed over 5,910 applications for financial aid during the 2002-2003 academic year, an increase of 5.50 percent over the previous year. The Financial Aid Office adheres to federal and state regulations governing the financial aid programs. As required by law, the college's financial aid program undergoes an annual compliance audit.

The fiscal services staff requests funds for federal financial aid from the United States Department of Education and are aware of the three-day federal compliance level. Categorical programs are reviewed for college maintenance of effort levels. Externally funded program files are updated with current contracts and letters of expenditure approval for equipment needs. Data is compared with the adopted budget (Doc. 9.6).

The Associated Students Organization (ASO), an auxiliary organization, uses the same standard accounting practices as the college. Signatures and backup material are required for all transactions. The associate dean of student affairs and auxiliary services has oversight responsibilities for the fund. All checks require the associate dean's signature as well as that of the vice president of finance and administrative services. The same audit firm used by the college annually audits the fund. The audit report (Doc. 9.9) is presented to the Board of Trustees annually.

The Citrus College Foundation, a non-profit 501 (c) (3) corporation, is governed by a volunteer community board, which includes the superintendent/president, vice president of instruction, vice president of finance and administrative services, director of foundation and grants, and a representative from the Board of Trustees. The foundation adheres to the organization's approved investment policy (Doc 9.11) and financial reports are reviewed at all executive board and full board of directors meetings.

The Finance Committee meets regularly to review investment performance, policy and procedures, and other financial matters. Vicenti, Lloyd and Stutzman, LLP, conducts the foundation's annual audit (Doc. 9.9). The audit report is distributed to the Foundation Board of Directors and the college's Board of Trustees.

## **SELF-EVALUATION**

The financial aid program's compliance with state and federal regulations has never been questioned by any audit findings. Office operations have improved since the installation of Power FAIDS. The financial aid director hired consultants to improve the automated program's interface with the college's financial system. The fiscal services office has a seven-day turn around on providing federal payments to students.

ASO is using MAS90 (network version) as their financial system. There is one user in the student business office and one in the fiscal services office. This allows for easier reconciliation between the college and ASO records.

As the foundation's endowment continues to grow, some concern has been expressed that the investment policy and strategies may be too conservative. Occasionally, cumulative financial summaries are not received in a timely manner.

## PLANNING AGENDA

4. The foundation's Finance Committee is considering hiring an outside financial investment firm to diversify the foundation's investments and increase its rate of return.
5. The foundation directors are researching ways to relinquish the organization's account functions to an outside agency to increase the timeliness of financial reports.

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B.4 Auxiliary activities and fundraising efforts support the programs and services of the institution, are consistent with the mission and goals of the institution, and are conducted with integrity.

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## DESCRIPTION

A wide range of interest groups participate in the college's auxiliary activities and fundraising efforts. These groups represent a broad cross section of college programs, including, but not limited to, athletics, fine and performing arts, campus departments and student organizations. Each of

these groups reflects the mission and goals of the college in a somewhat different manner. The foundation maintains the responsibility of overseeing all off-campus fundraising activities to ensure that these efforts are congruent with the college's mission and goals.

## SELF-EVALUATION

The college's student business office provides financial support services for a broad spectrum of campus programs and organizations. Because of the diversity of groups conducting these activities, there is a tremendous variation in how funds are generated and the purposes for which they are used. Student business office personnel work with the various account holders to minimize or eliminate actions or procedures that would compromise the financial integrity of the organizations served. The associate dean of student affairs is responsible for the accountability of fundraising by campus organizations, and the foundation and grants director oversees all other college fundraising. Annual audits have periodically generated exceptions that are subsequently addressed.

The student business office staff will continue to work with the various auxiliary account holders in order to ensure that they understand and comply with all requirements related to financial accounting standards.

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B.5 Contractual agreements with external entities are governed by institutional policies and contain appropriate provisions to maintain the integrity of the institution.

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## DESCRIPTION

The college uses many contractual agreements to support the music programs, theatre department, contract education, noncredit education, community education, deferred maintenance program, preventive maintenance and capital projects. The project manager develops contractual agreements, which are submitted to the vice president of finance and administrative services for review and then submitted to the Board of Trustees for approval. To limit liability for the college, legal counsel has reviewed the standard agreement used to employ external entities. Bid procedures and policies are strictly followed. All payments are processed through the PBAS system. In addition, the system issues 1099s that enable the fiscal services office to monitor the process effectively to comply with Internal Revenue Services regulations.

## SELF-EVALUATION

The college has policies and procedures in place that safeguard the integrity of the institution through contractual agreements with external entities. The college adheres to the Education Code, Title V and government code regulations when entering into contractual agreements. By processing contractual agreements with external entities through the PBAS system, the college has better audit control of contractual agreements. The Los Angeles County Office of Education specifically audits all B Warrant payments of contracts. The system has an efficient and timely production of 1099s.

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B.6 Financial management is regularly evaluated and the results are used to improve the financial management system.

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## DESCRIPTION

Fiscal services staff, utilizing the PBAS, regularly evaluates fiscal management. Budget to actual expenditures are compared on a regular basis. All payroll posting and subsequent reporting is processed through the county's Human Resource System (HRS). Requisitions and purchase orders, after receiving college approval, are input through PBAS, providing reports to fiscal services that ensure accuracy and availability of funds. Financial reports are made available to cost center managers on the college intranet.

## SELF-EVALUATION

The fiscal services office, cost-center managers and the college, on the whole, have reliable, timely, responsive and comprehensive data on which to make prudent budgetary decisions.

## PLANNING AGENDA

6. The college will convert to a new financial system through the Los Angeles County Office of Education in 2003. The selected replacement system is PeopleSoft Financials for Education and Government, version 7.5. The system provides fully integrated financial software with online and real-time processing, as well as batch/offline processing and ad hoc inquiry and reporting.

7. The 13 community colleges in Los Angeles County are part of Phase IV implementation scheduled for fiscal year 2003-04. We will be adopting the budget, conducting financial transactions and closing the fiscal year in June 2004 using PeopleSoft Financials. Training is scheduled to begin in January 2003 with a transition date of March 2003.

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C. FINANCIAL STABILITY

- C.1 Future obligations are clearly identified and plans exist for payment.

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**DESCRIPTION**

The college's only long-term debt is accrued vacation.

**SELF-EVALUATION**

Adequate controls exist to limit the college's vacation liability. Board policy and contractual agreements limit the number of vacation days an employee is allowed to accrue. Payroll is responsible for posting, tracking and reporting of vacation liability for managers. Managers are then responsible for overseeing the vacation liabilities of their departments.

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- C.2 The institution has policies for appropriate risk management.
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**DESCRIPTION**

The college is a member of a property and liability Joint Powers Authority (JPA) with other community colleges and K-12 school districts. The college is also a member of a workers compensation joint powers authority, composed of seven community college districts, and a member of the California Community College Risk Management Association.

These JPAs provide risk management services to the college, and the college's vice president of human resources is responsible for the administration of these programs. The safety coordinator administers and maintains the college's injury illness prevention plan, hazard communication plan and other environmental health and safety programs. The safety coordinator provides resources and assistance to supervisors and managers for training on issues of safety awareness and injury prevention for their departmental staff. The risk management coordinator works closely with the claims administrator to ensure timely reporting and adjudication of claims.

**SELF-EVALUATION**

The college has a good safety record. Recent severity and frequency reports suggest that the occurrence of industrial injuries is moderate at Citrus College. The college endeavors to respond proactively to all reports of hazards and near-miss incidents and works closely with the facilities departments to identify, evaluate and mitigate potential physical hazards on campus. Statistical

reports from Keenan & Associates and the college's own Supervisor's Report of Injury or Illness forms are evaluated regularly to determine if improvements to work/learning environments or to work procedures can be made to reduce injury recurrences and minimize risk.

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C.3 Cash flow arrangements or reserves are sufficient to maintain stability.

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## DESCRIPTION

The college's cash flow is enhanced each year by issuance of a TRANS (Tax Revenue Anticipation Note) through the Los Angeles County Office of Education. A one-year note is received July 1 and is paid back by the end of the fiscal year in two payments in March and June. In the interim, the cash earns interest in the county treasury and is available if there is a temporary cash flow problem.

Regarding reserves, it is the philosophy of the board to maintain a 5 percent reserve to ensure against emergencies and sudden decline of enrollment.

## SELF-EVALUATION

The college has maintained a reasonable cash balance, and the TRANS issue has increased interest income providing an extra level of security. The college monitors its cash flow to ensure adequate cash for payroll and payment of expenditures.

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C.4 The institution has a plan for responding to financial emergencies or unforeseen occurrences.

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## DESCRIPTION

The college maintains a 5 percent reserve throughout the fiscal year, as recommended by the California Community College Chancellor's Office, for responding to financial emergencies or unforeseen occurrences. The college's Board of Trustees is keenly aware that these reserves must be maintained to ensure financial stability. By monitoring revenues and expenditures throughout the fiscal year, making appropriate adjustments to the revenues and curtailing expenditures appropriately the college has increased the ending balance over the last five years as documented in the annual audit report (Doc. 9.9) in the schedule of trends and analysis.

## SELF-EVALUATION

The combined general fund ending balance June 30, 2002, was 14.8 percent. This reserve was higher than anticipated, yet, at the time of this self study will be sorely needed to offset the drastic cuts to the 2002-03 community college funding recommended by the governor. The college has begun the task of reducing programs and services to students for the 2003-2004 year in anticipation of the 10.5 percent reduction in funding, while still maintaining the 3 percent required reserves. Faculty, staff and administrators will work closely to develop a plan that will keep the college solvent through the most dramatic financial downturn the California community college system has ever endured.

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## **STANDARD NINE**

### **SUPPORTING DOCUMENTS**

- 9.1 Educational Master Plan, 2000
- 9.2 Citrus College Educational and Facilities Master Plan, 2001
- 9.3 Five-Year Construction Plan, 2004-08 and 2005-09
- 9.4 Program Review Handbook, 2002-2003
- 9.5 Budget Assumptions
- 9.6 Adopted Budget, 2002-2003
- 9.7 Five-Year Budget Projection
- 9.8 List of Capital Projects
- 9.9 Audit Report, 2002
- 9.10 PBAS Document 200R-5
- 9.11 Investment Policy