



# Audited Financial Statements; Budgets

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# Student Learning Objectives



- Know the basic components of an independent audit report
- Know what the basic purpose of an independent audit is
- Know the two sections of the annual audit report
- Understand the five major difference between the formats of audited financial statements and a district's publish budget



# Three Ways to Look at a District's Financial Status

- Tentative, Final (Adoption), and Working Budgets
  - What is planned; planned compared to prior years; BAM format
- CCFS311 Report
  - What is actually happening; BAM format
- Audit Financial Statements
  - What actually happened; audited; GASB format

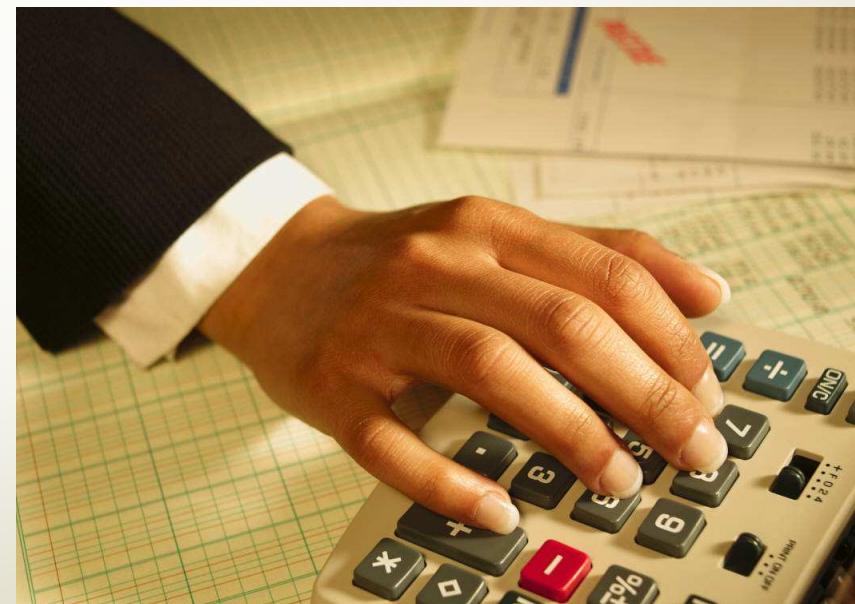
# Purpose of an Independent Audit

- What an audit tells you
- What an audit doesn't tell you



# How an Audit is Prepared

- Prepared annually
- Inspection of records and documents
- Statistically sampling
- Interviews
- Draft audit, District input, then final
- Presented to the Board
- Sent to a clearing house and the CCCCO



Typical Audit Reports for a District  
From Grossmont – Cuyamaca CCD

<http://www.gcccd.edu/district-business-services/annual-audit-reports.html>

- Summary of Audits
- 2012-2013 Annual District Audit Report
- 2012-2013 Foundation for Grossmont & Cuyamaca Colleges Audit Report
- 2012-2013 Auxiliary Organization Audit Report
- 2012-2013 PEAR Plan Audit Report
- 2012-2013 Prop R Audit
- 2012-2013 Prop R Performance Audit

# Required Components of the Annual District Audit Report

- Partial List of Required Audit Components
  - Opinion Letter – very important
  - Management's Discussion & Analysis
  - Financial statements
  - Notes to Financial Statements
  - Supplemental Information  
(see next slide)



# Supplemental Information

- Audit Findings & Questioned Costs
- Prior Year Audit Findings
- Summary of Auditor Results
- Report on State Compliance

## Two Detailed Examples

- San Diego Community College District (SDCCD)
  - Go to: <http://bussrv.sdccd.edu/index.cfm?action=audits>
  - Select 2012 – 2013
  - Review Table of Contents
- Southwestern Community College District (SWCCD)
  - Go to: <http://www.swccd.edu/index.aspx?page=1874>
  - Select *Basic Financial Statements for the Year Ended June 30, 2013* 2012 – 2013
  - Review Table of Contents





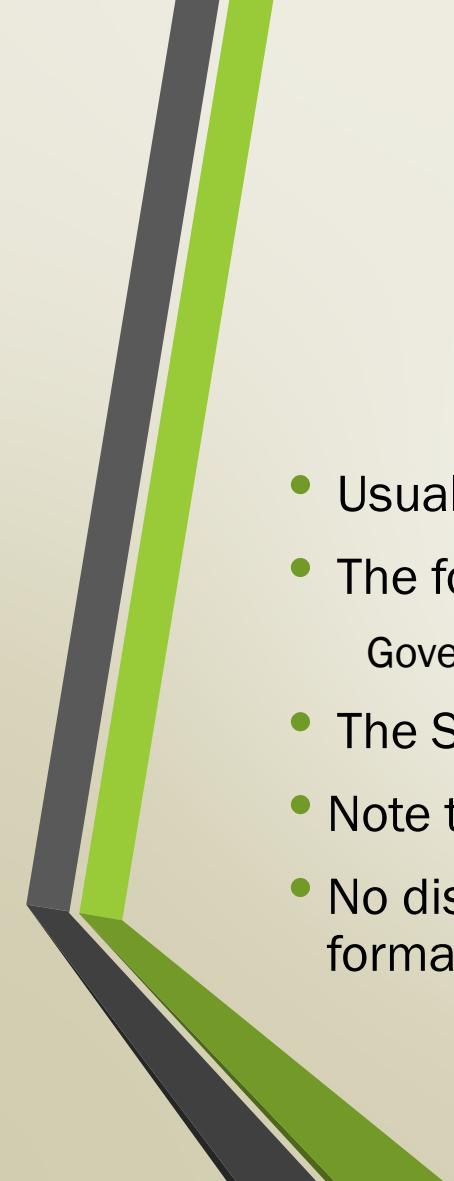
## Opinion Letter

- Go to the San Diego Community College District FY13 audit:  
<http://bussrv.sdccd.edu/index.cfm?action=audits>
  - Click on the 2012 – 2013 audit
  - Go to pages 2 and 3 for the Opinion Letter
  - The critical paragraph is “Opinions” on page 2
  - It is an “unqualified opinion, “ the gold standard.
- Now, go back to the Southwestern CCD audit
  - Can you find the 2012 – 2013 opinion Letter?
  - Is it a Qualified or Unqualified audit?

# Management Discussion & Analysis

- Go to the San Diego Community College District FY13 audit:  
<http://bussrv.sdccd.edu/index.cfm?action=audits>
- Click on the 2012 – 2013 audit
- Go to page 4 and then skim pages 4 – 12, The Management Discussion and Analysis





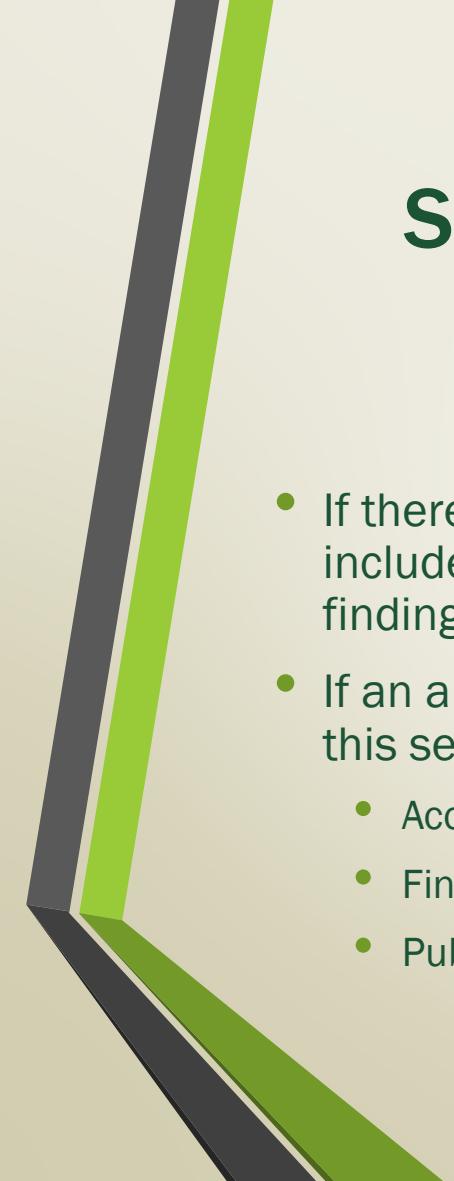
# Financial Statements

- Usually prepared by the auditors from information provided by the district
- The format is dictated by GASB  
Government Accounting and Standards Board
- The SDCCD FY13 financial statements are on pages 13 - 19
- Note that the format looks nothing like a district's budget documents
- No district internal constituencies use the audited financial statements format

# Schedule of Audit Findings & Questioned Costs

- For the SDCCD, pages 76 – 80
- Look at page 77 – this is truly an exceptional audit report!!!
- An audit finding is not necessarily a bad thing, unless...
- Go to the next slide





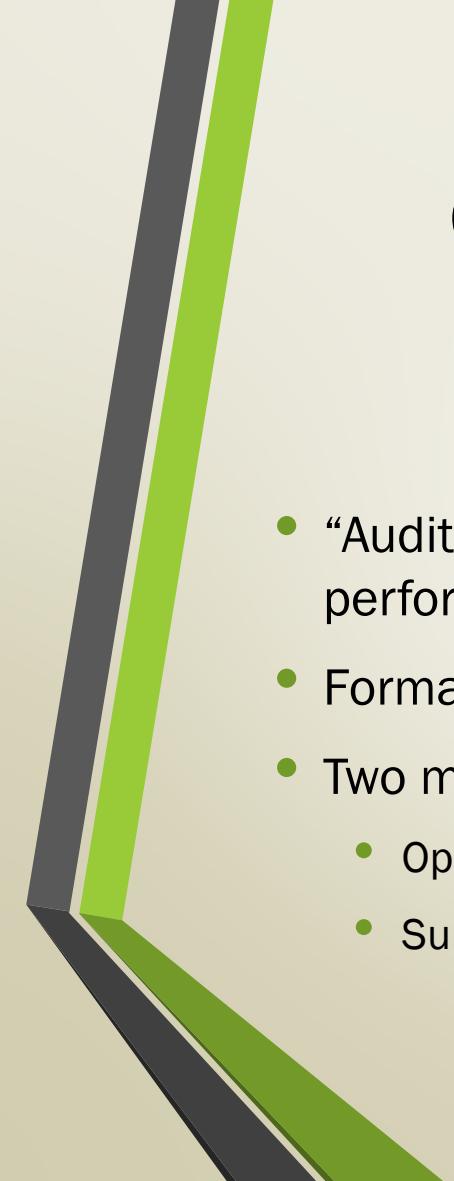
# Summary Schedule of Prior Year Audit Findings

- If there were audit findings in the prior year then the following audit report must include a section concerning how successfully the district addressed those findings
- If an audit finding has not been adequately addressed and it is noted again in this section it can be a serious problem for the district
  - Accreditation
  - Financial institutions
  - Public's confidence in the district's financial controls



# Report on State Compliance

- Pages 65 -67 of the Southwestern 2013 audit



# Quick Summary – Audited Financial Statements

- “Audit” refers only to reliability of the financial statements, not performance
- Format makes them useless to most internal constituencies
- Two most useful sections to a lay person
  - Opinion Letter
  - Summary of Audit Results



# Formats of Audited Financial Statements and District Budget Reports

- The two formats are very different
- Financial statements
  - Format dictated by GASB; Financial accounting
  - Intended audience is outside financial institutions and investors
- District budget reports
  - Format dictated by the BAM; Fund Accounting
  - Intended audiences are district constituencies including the public
- Go to Southwestern, San Diego or Grossmont-Cuyamaca and compare formats of an Final/Adoption Budget and an Audit's financial statement

# Typical Adoption (Final) and Tentative Budget Format

## Grossmont – Cuyamaca

### 2014 Adoption Budget

	Actual 10/11	Actual 11/12	Actual 12/13	Tentative Budget 13/14	Adoption Budget 13/14
<b>ACADEMIC SALARIES:</b>					
11 Contract Teachers	\$14,717,253	\$14,407,607	\$13,005,040	\$14,161,975	\$13,988,468
12 Contract Adm, Counselors, Librarians	3,777,324	3,903,859	3,073,763	3,470,962	3,474,229
13 Hourly Teachers	9,983,453	9,112,735	9,359,578	9,711,696	10,771,566
14 Hourly Adm, Counselors, Librarians	403,676	408,912	612,430	655,411	673,764
Object Group 1000 Total	\$28,881,705	\$27,833,113	\$26,050,811	\$28,000,044	\$28,908,027

# Typical Budget Management Format

## Imaginary Biology Department

OBT	OBT NAME	BUDGET	EMCUMBER	EXPENSE	BALANCE
11	Cont. Teachers	400,000	100,000	300,000	0
13	Hrly. Teachers	300,000	0	200,000	100,000
45	Supplies	<u>10,000</u>	<u>1,000</u>	<u>6,000</u>	<u>3,000</u>
	TOTAL	710,000	102,000	506,000	102,000

## Review of SLOs

- Know what the basic components of an independent audit report are
- Know what the basic purpose of an independent audit is
- Know the two most valuable sections of the annual audit report
- Understand the five major differences between the formats of audited financial statements and a district's budget reports



*The End*