



Los Angeles Community College District

Report on Audited Basic Financial Statements

June 30, 2012

LOS ANGELES COMMUNITY COLLEGE DISTRICT

June 30, 2012 and 2011

Los Angeles County, California:

- East Los Angeles College
- Los Angeles City College
- Los Angeles Harbor College
- Los Angeles Mission College
- Pierce College
- Los Angeles Southwest College
- Los Angeles Trade-Technical College
- Los Angeles Valley College
- West Los Angeles College

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

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INTRODUCTION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

EAST • CITY • HARBOR • MISSION • PIERCE • SOUTHWEST • TRADE-TECHNICAL • VALLEY • WEST
OFFICE OF THE CHANCELLOR

December 19, 2012

Members, Board of Trustees
Los Angeles Community College District

Ladies and Gentlemen:

I have received and reviewed and am pleased to submit the Annual Financial Report of the Los Angeles Community College District (District) for the fiscal year ended June 30, 2012. This report is presented in six sections, which include an Introduction, the Management's Discussion and Analysis, the Independent Auditors' Report, the Basic Financial Statements, the Supplemental Financial Information, and Other Supplemental Information as noted in the table of contents. The report also includes all Funds of the Los Angeles Community College District as well as those of student organizations.

The introductory section contains my remarks to the Annual Financial Report and a brief summary of the District's employment and enrollment. The Independent Auditors' Report provides the auditor's opinion on the audit. The Management's Discussion and Analysis provides the management information and analysis on the district's financial changes and condition for the year. The basic financial statements include the three financial statements, as well as the notes to the basic financial statements. Supplementary information includes the combining and individual funds and account group financial statements and schedules, a description of the organization of the District, a schedule of full-time equivalent students and apprenticeship clock hours and a reconciliation of the financial statements to the Annual Financial and Budget report submitted to the State of California. Also included in this section are the independent auditors' reports on the internal accounting and administrative controls of the District as well as the State and Federal compliance required by the California State Department of Finance and the Single Audit Act of 1984. The final section provides the current year's audit findings and recommendations as well as the implementation status of the auditor's prior year recommendations.

The District is responsible for the accuracy, completeness and fairness of the financial statements, including all disclosures. We believe that the data presented are accurate in all material respects and present fairly the financial activities of the District's various Funds, and that the informative disclosures are sufficient to provide an understanding of the District's fiscal affairs. The auditors' opinion included in the annual report reflects our belief.

The District and its nine campuses provide a broad range of educational services to students within the Los Angeles area. The nine Los Angeles community colleges comprise one of the nation’s largest community college systems – the result of a movement which had its beginning in the California State Legislature in 1907, the year the Caminetti Bill was passed, permitting high schools to offer postgraduate courses. The Ballard Act of 1917 and the Deering Act of 1929 assured financial support for the State’s community colleges.

In March 1931, a separate Los Angeles Junior College District was created and granted a taxing power of its own and was designed to serve a larger area than the city. The Board of Education and the Superintendent of Los Angeles County Schools assumed administrative control of the District. Due to the dramatic expansion during the postwar period, the state’s two-year junior colleges were moved away from the secondary education system and into higher education. In 1967, Governor Reagan authorized establishment of a Board of Governors for the California Community Colleges. In that same year, legislation passed which provided for a separate community college Board of Trustees and administration. The first Trustees of the Los Angeles Community College District were sworn into office on July 1, 1969.

The Los Angeles Community College District serves approximately 137,770 students, employs approximately 3,559 full-time and 6,280 part-time personnel and covers a service area of more than 800 square miles.

Enrollment

The Los Angeles Community College District’s enrollment for the fiscal year ended June 30, 2012 decreased by 2.0% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2011-12 fiscal years were as follows:

	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	27,770	28,460
Los Angeles City College	18,664	18,475
Los Angeles Harbor College	10,205	9,943
Los Angeles Mission College	10,132	9,713
Pierce College	20,453	20,340
Los Angeles Southwest College	6,632	6,980
Los Angeles Trade-Technical College	14,795	13,974
Los Angeles Valley College	18,569	17,912
West Los Angeles College	10,703	10,191
Instructional Television	729	900
Total districtwide	<u>138,652</u>	<u>136,888</u>

The Los Angeles Community College District's FTES (Full time equivalent student) figures for the fiscal year ended June 30, 2012 the measure by which the State of California funds Community Colleges, decreased by 5.3% from the previous year as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	22,956	1,635
Los Angeles City College	12,586	1,690
Los Angeles Harbor College	7,130	63
Los Angeles Mission College	6,018	336
Pierce College	13,724	356
Los Angeles Southwest College	4,291	717
Los Angeles Trade-Technical College	11,917	517
Los Angeles Valley College	11,722	509
West Los Angeles College	6,490	291
Instructional Television	581	—
Total districtwide	<u>97,415</u>	<u>6,114</u>

Your attention is directed to the Independent Auditors' Report, the Management's Discussion and Analysis, and the Basic Financial Statement sections which represent the complete representation of the district's financial information.

Sincerely,



Daniel LaVista, Ph.D.
Chancellor

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KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District:

We have audited the accompanying financial statements of the Los Angeles Community College District (the District) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on page 3 through 14 and schedule of other postemployment benefits funding progress and employer contribution on page 42 are not a required part of the basic financial statements but are supplemental information required by U.S. generally accepted accounting principles. The management's discussion and analysis does not include a discussion of 2011 information that U.S. generally accepted accounting principles require to supplement, although not required to be a part of, the basic financial statements. We have applied certain limited procedures to the 2012 information, which consisted principally of inquires 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.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental financial information on page 43 through 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental financial information on page 43 through 58 has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

December 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

This section presents Management's Discussion and Analysis (MD&A) of the Los Angeles Community College District's (the District) financial activities for the fiscal year ended June 30, 2012. The MD&A has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities as of June 30, 2012 by \$734.5 million (net assets). Of this amount, \$47.4 million (unrestricted net assets) may be used to meet the District's ongoing obligations and \$110.0 million (restricted net assets) may be used for the District's ongoing obligations related to programs with external restrictions. The remaining component of the District's net assets represents \$577.1 million of amounts invested in capital assets, net of related debt.
- The District's total net assets decreased \$23.4 million for the fiscal year ended June 30, 2012. A significant portion of the decrease in the District's net assets was a result of decreases in state apportionments, investment income, and local tax for General Obligation (G.O.) Bonds for the fiscal year ended June 30, 2012.
- The District's investment in capital assets (net of depreciation) increased by \$357.4 million or 11.0% during the year ended June 30, 2012. Capital construction projects related primarily to the Proposition A, Proposition AA, and Measure J Bonds accounted for \$3,175.0 million in capital assets (net of depreciation) at June 30, 2012.
- The District's total noncurrent liabilities decreased by \$30.0 million or 0.8% during the fiscal year ended June 30, 2012. The decrease is primarily due to a \$4.9 million net decrease in unamortized bond issue premium and deferred interest of advance G.O. bond refunding, a \$31.8 million payment of matured G.O. bond, a \$3.3 million increase in current portion of G.O. bond payable, a \$0.4 million decrease in capital lease obligation, a \$11.0 million increase in net other postemployment benefits (OPEB) obligation, and a \$0.6 million decrease in accrued vacation benefits, general liability, and workers' compensation.

Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These statements require the District to report its basic financial statements at an entity-wide level under the business-type activity reporting model. This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include four components: (1) balance sheets; (2) statements of revenues, expenses, and changes in net assets; (3) statements of cash flows; and (4) notes to basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

The balance sheet represents the entire District's combined assets, liabilities, and net assets, including Associated Student Organization's financial information. Changes in total net assets as presented on the balance sheet are based on the activities presented in the statement of revenues, expenses, and changes in net assets. The statement of revenues, expenses, and changes in net assets represents the revenues received, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the District. The statement of cash flows presents detailed information about the cash activities of the District during the year. The purpose of these basic financial statements is to summarize the financial information of the District, as a whole, and to present a long-term view of the District's finances.

Balance Sheet

The balance sheet presents the assets, liabilities, and net assets of the District as of the end of the 2012 fiscal year. The balance sheet is a point-in-time financial statement. The purpose of the balance sheet is to present to the readers of the basic financial statements a fiscal snapshot of the District. The balance sheet presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). From the data presented, readers of the balance sheet are able to determine the assets available to continue the operations of the institution. Readers are also able to determine how much the institution owes vendors, investors, and lending institutions.

Finally, the balance sheet provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the institution's equity in property, plant, and equipment owned by the institution. The second net asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final net asset category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

Statement of Revenues, Expenditures, and Changes in Net Assets

Changes in total net assets as presented on the balance sheet are based on the activities presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues received by the District, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the District.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

Financial Analysis of the District as a Whole

As of June 30, 2012, the District's net assets have decreased by \$23.4 million or 3.1% from \$758.0 million at June 30, 2011 to \$734.5 million at June 30, 2012. Current and other assets decreased by \$440.2 million and capital assets increased by \$357.4 million. Current liabilities decreased by \$29.4 million and noncurrent liabilities decreased by \$30.0 million.

Summary Schedule of Net Assets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 1,052,173,045	1,492,403,201	(440,230,156)
Capital assets, net	<u>3,620,765,994</u>	<u>3,263,330,199</u>	<u>357,435,795</u>
Total assets	<u>4,672,939,039</u>	<u>4,755,733,400</u>	<u>(82,794,361)</u>
Liabilities:			
Current liabilities	295,856,238	325,213,898	(29,357,660)
Noncurrent liabilities	<u>3,642,540,933</u>	<u>3,672,545,326</u>	<u>(30,004,393)</u>
Total liabilities	<u>3,938,397,171</u>	<u>3,997,759,224</u>	<u>(59,362,053)</u>
Net assets:			
Invested in capital assets, net of related debt	577,104,600	569,739,941	7,364,659
Restricted – expendable	110,035,655	123,110,120	(13,074,465)
Unrestricted	<u>47,401,613</u>	<u>65,124,115</u>	<u>(17,722,502)</u>
Total net assets	<u>\$ 734,541,868</u>	<u>757,974,176</u>	<u>(23,432,308)</u>

In fiscal 2012, the District added \$417.8 million of capital assets, capitalized interest of \$31.6 million, depreciated \$88.4 million of capital assets, and disposed \$3.6 million of FF&E net of accumulated depreciation.

The \$440.2 million decrease in current and other assets is a result of \$456.1 million decrease in cash and investments primarily due to no new General Obligation Bond issuances, \$10.4 million decrease in deposits with trustees, \$9.4 million increase in prepaid expenses and inventory primarily due to the new Photovoltaic Energy projects, \$18.0 million increase in various receivables primarily due to the increased deferral of principal apportionment, and \$1.1 million decrease in bond issuance costs.

The \$29.4 million decrease in current liabilities is primarily due to a \$34.6 million decrease in accounts payable of which \$28.0 million was a result of decreased construction-related payables, the \$0.1 million increase in deferred revenue, the \$1.5 million increase in accrued liabilities of which is primarily related to accrued interest, and the \$3.6 million increase in the current portion of long-term debt.

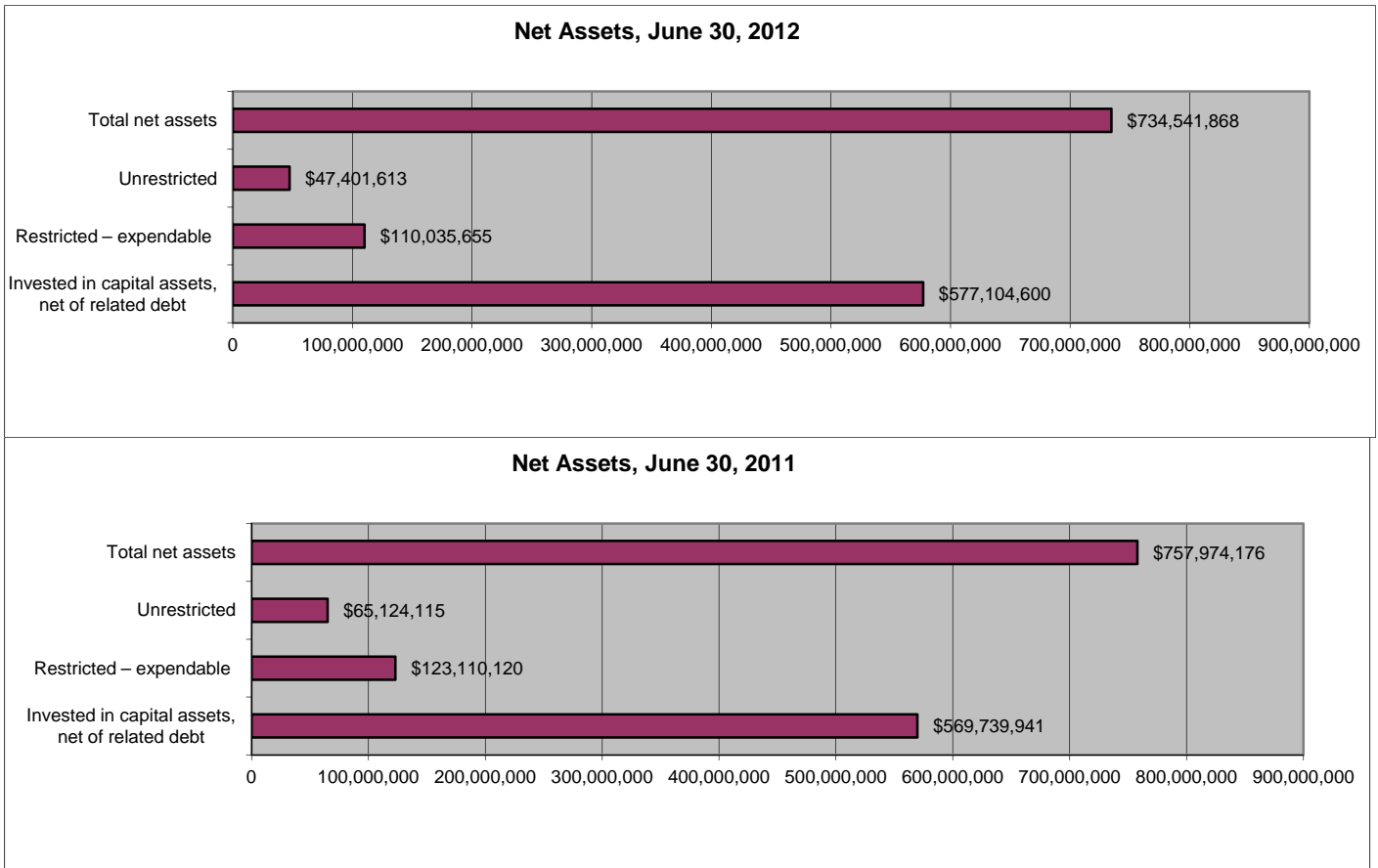
The \$30.0 million decrease in noncurrent liabilities is primarily due to a \$4.9 million net decrease in unamortized bond issue premiums and deferred interest of advance G.O. bond refunding, \$31.8 million payment of matured G.O. bond, a \$3.3 million increase in current portion of G.O. bond payable, a \$0.4 million decrease in capital

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

lease obligation, a \$11.0 million increase in net OPEB obligation, due primarily to lower interest rates used in the computation, and a \$0.6 million decrease in accrued vacation benefits, general liability, and workers' compensation. The District maintains all bond proceeds in the County of Los Angeles Treasury cash and investment pool. The majority of the District's long-term debt is used to fund the construction and acquisition of capital assets.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. The assets of the District exceeded its liabilities as of June 30, 2012 by \$734.5 million (net assets). A significant portion of the District's net assets represents \$556.8 million of restricted cash, cash equivalents, and investments for capital projects, \$48.7 million of cash with trustee – noncurrent, \$3,620.8 million of capital assets, \$3,504.9 million debt of G.O. Bonds, and \$99.2 million of unamortized bond premiums.

Summary Schedule of Revenues, Expenses, and Changes in Net Assets
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Operating revenues:			
Net tuition and fees	\$ 48,621,889	46,954,787	1,667,102
Grants and contracts, noncapital	117,464,938	115,634,357	1,830,581
Other	23,709,013	26,687,029	(2,978,016)
Nonoperating revenues:			
State apportionments, noncapital	313,245,356	356,946,497	(43,701,141)
Property taxes	145,692,486	146,176,621	(484,135)
Investment income	16,836,960	22,782,544	(5,945,584)
Federal financial aid grants, noncapital	193,109,034	184,049,355	9,059,679
State financial aid grants, noncapital	9,357,553	7,077,840	2,279,713
Other	21,626,598	7,810,378	13,816,220
Other revenues:			
State apportionments, capital	25,053,697	37,615,351	(12,561,654)
Federal subsidy	10,565,625	21,659,531	(11,093,906)
Local tax for G.O. Bonds	208,208,423	229,419,760	(21,211,337)
Local property taxes and revenues, capital	928,655	980,543	(51,888)
Total revenues	<u>1,134,420,227</u>	<u>1,203,794,593</u>	<u>(69,374,366)</u>
Expenses:			
Operating expenses:			
Salaries	383,261,749	395,001,621	(11,739,872)
Employee benefits	152,131,778	134,652,551	17,479,227
Supplies, materials, and other operating expenses and services	354,747,457	330,426,859	24,320,598
Other	99,519,154	92,734,756	6,784,398
Total operating expenses	<u>989,660,138</u>	<u>952,815,787</u>	<u>36,844,351</u>
Nonoperating expenses:			
Interest expense	166,988,861	132,204,881	34,783,980
Other	1,203,536	1,659,790	(456,254)
Total expenses	<u>1,157,852,535</u>	<u>1,086,680,458</u>	<u>71,172,077</u>
Change in net assets	\$ <u>(23,432,308)</u>	<u>117,114,135</u>	<u>(140,546,443)</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

The summary of revenues, expenses, and changes in net assets reflects a decrease of \$4.3 million in the net assets at the end of the year as explained below.

Operating revenue for tuition and fees, grants, and contracts – noncapital resulted in a net increase of \$0.5 million, due to:

- (1) \$1.7 million increase in tuition and fees due to increase in student fees and scholarship discounts and allowances
- (2) \$1.8 million increase in federal and state funded programs primarily due to increase in Direct Loan and decrease in both the Higher Education Act and the Cal Grant
- (3) \$3.0 million decrease in auxiliary enterprise sales and charges.

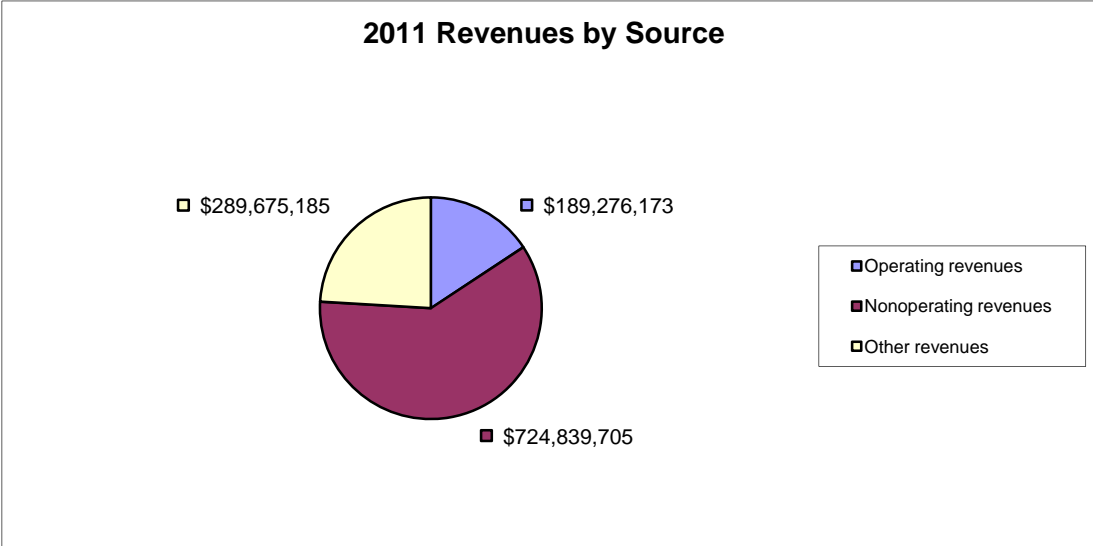
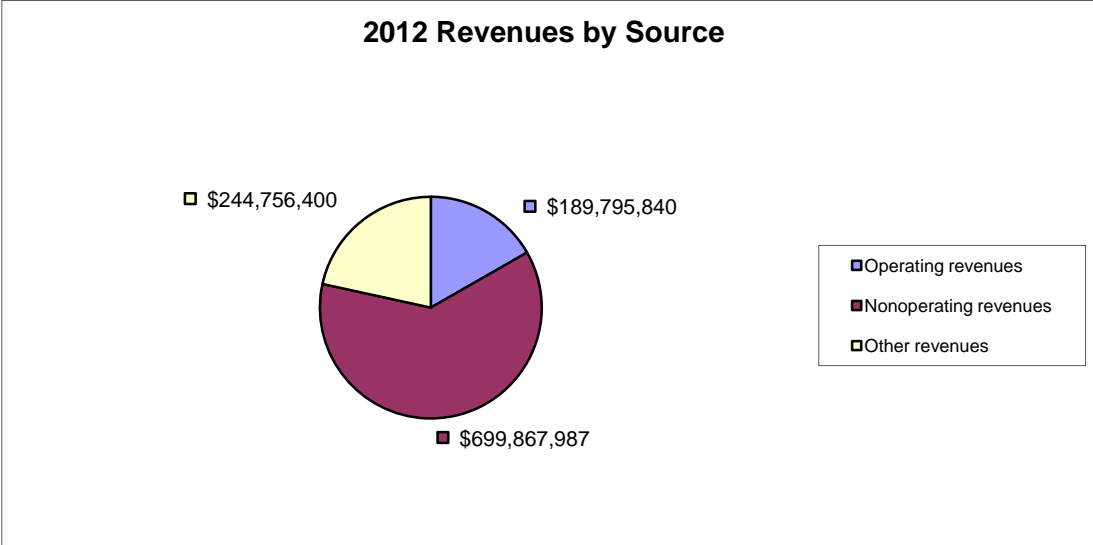
Nonoperating revenues decreased \$24.9 million and other revenue decreased \$44.9 million. The net decrease is due in part to the following:

- (1) State apportionment is made up of state general revenue less local property tax and 98% of the enrollment fees. The \$43.7 million decrease in state apportionments is primarily from the \$46.45 million (or -7.65%) decreased in state general revenue and \$3.59 million increased in Redevelopment Agency (RDA) residual income.
- (2) \$5.9 million decrease in investment income is primarily due to lower interest rate and no new G.O. Bonds issued during fiscal year 2011-2012.
- (3) \$9.1 million increase in federal financial aid grants, noncapital primarily due to increased recipients of Pell grants.
- (4) \$2.3 million increase in state and financial aid grants, noncapital due to increases in Cal grants awarded to students.
- (5) \$13.8 million increase in other nonoperating revenue is primarily due to the incentives received associated with the Photovoltaic Energy projects.
- (6) \$12.6 million decrease in state apportionment, capital is primarily related to decrease spending of state funded capital outlay projects.
- (7) \$11.1 million decrease in federal subsidy due to the August 2012 Build America Bond subsidy was not received before the fiscal year ended.
- (8) \$21.2 million decrease in Local tax for G.O. Bonds due to the property taxes levied associated with G.O. Bonds issued Proposition A, Proposition AA, and Measure J.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

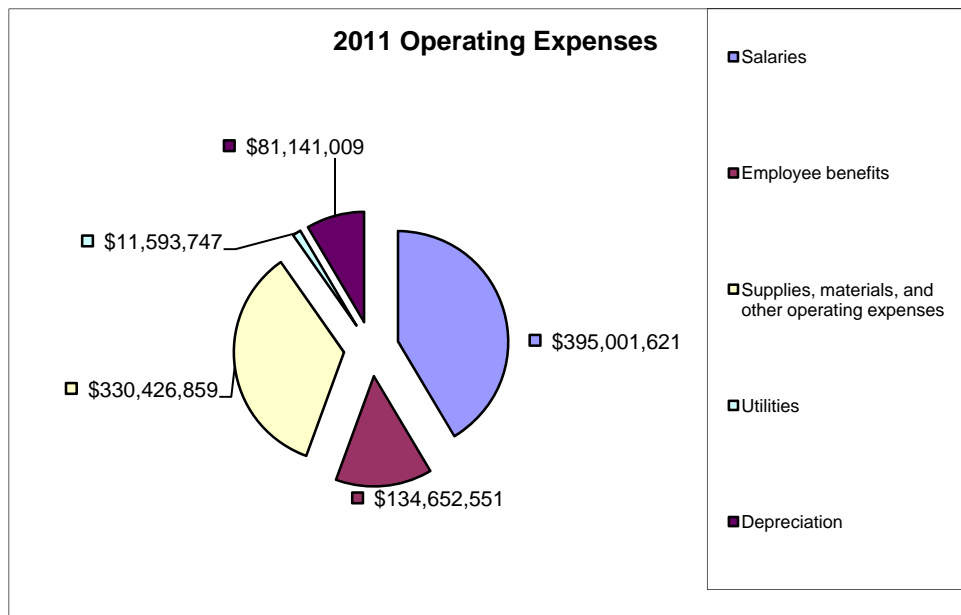
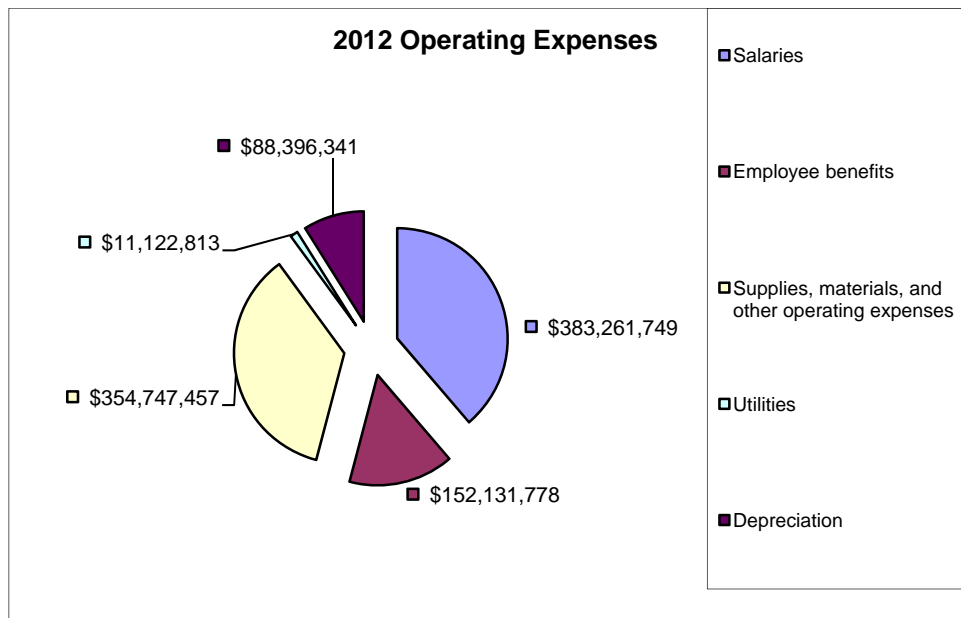


LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

Operating expenses increased \$36.8 million, primarily due to a \$11.7 million decrease in salaries due to reduction in instructional salaries and substitute & relief and hourly salaries; \$17.5 million increase in employee benefits, which is primarily attributable to \$3.2 million increase in medical insurance, a \$3.6 million increase in State unemployment insurance as the rate more than doubled, and prior year's \$9.7 million reduction in workers' compensation liability based on actuarial study, \$24.3 million increase in supplies, materials, and other operating expenses and services is primarily attributable to student loans and student grants, \$0.5 million decrease in utilities, and \$7.3 million increase in depreciation expense.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2012 and 2011 totaled \$3,620.8 million and \$3,263.3 million, respectively (net of accumulated depreciation). This investment comprises a broad range of capital assets including land, buildings, construction in progress, works of art, infrastructure and land improvement, and furniture and equipment. The following schedules summarize the District's capital assets as of June 30, 2012 and 2011:

Capital Assets, Net

	Balance at June 30	
	2012	2011
Land	\$ 191,638,756	185,450,616
Land improvements	374,157,571	342,997,956
Buildings	2,539,077,378	2,256,180,747
Construction in progress	925,558,076	806,463,269
Works of art	518,000	518,000
Furniture and equipment	85,344,686	114,396,958
Infrastructure	<u>4,214,474</u>	<u>4,214,474</u>
Total	4,120,508,941	3,710,222,020
Less accumulated depreciation	<u>(499,742,947)</u>	<u>(446,891,821)</u>
Net capital assets	<u>\$ 3,620,765,994</u>	<u>3,263,330,199</u>

In fiscal 2012, the District added \$417.8 million of capital assets, capitalized interest of \$31.6 million, depreciated \$88.4 million of capital assets, and disposed \$3.6 million of FF&E net of accumulated depreciation. During the year ended June 30, 2012, the District's investments in facility master plans, construction, and building improvements increased due to funding from Proposition A, Proposition AA, and Measure J Bonds. The District had a significant number of building projects ongoing funded from Proposition A, Proposition AA, and Measure J bond money.

In April 2001, the District became the first community college district in the State to pass a property tax financed bond, Proposition A, under the new requirements of the Strict Accountability in Local School Construction Act of 2000. Valued at \$1.245 billion, the District's Proposition A Bond Construction Program stands as one of the largest community college bonds ever passed in California. The bond measure was designed to implement a capital improvement program for each of the nine colleges within the District.

In May 2003, the voters passed another G.O. Bond, Proposition AA, for \$980 million. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District and refinance other outstanding debts of the District and colleges. The District is in a major capital construction program that will continue for the next several years.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

In November 2008, the voters passed another G.O. Bond, Measure J, for \$3.5 billion. The bond measure was designed to finance additional construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

The District is in the eleventh year of the Proposition A, the ninth year of Proposition AA, and the fourth year of the Measure J Bond construction programs. Approximately, \$3.5 billion has been spent to date for Proposition A, Proposition AA, and Measure J Bonds combined for several capital projects at all nine colleges and to refinance outstanding debt (Certificates of Participation Notes) at both the District and colleges. The District anticipates completion of these capital projects by the year 2017. The District has issued to date all of authorized amounts of Proposition A and Proposition AA Bonds, and \$1,625.0 million of the Measure J authorization amounts.

Long-Term Debt

At June 30, 2012 and 2011, the District had \$3,504.9 million and \$3,536.7 million in long-term debt, respectively. The District's long-term debt decreased during the year ended June 30, 2012 as a result of the \$31.8 million debt services payments to matured G.O. Bonds. There were no new G.O. Bond issuances in fiscal year 2011-2012.

Summary of Outstanding Long-Term Debt

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
G.O. Bonds:		
G.O. Bonds Proposition A, 2001 Series	—	10,590,000
G.O. Bonds Proposition AA, 2003 Series	68,950,000	71,760,000
G.O. Bonds Proposition A and AA, 2004 Series	89,625,000	92,695,000
G.O. Bonds Proposition A, 2005 Series	430,410,000	431,075,000
G.O. Bonds Proposition AA, 2006 Series	284,050,000	292,480,000
G.O. Bonds Proposition A, 2007 Series	382,575,000	382,830,000
G.O. Bonds Proposition A and AA, 2008 Series	624,300,000	630,315,000
G.O. Bonds Measure J, 2009 Series	425,000,000	425,000,000
G.O. Bonds Measure J, 2010 Series	1,200,000,000	1,200,000,000
	<u>\$ 3,504,910,000</u>	<u>3,536,745,000</u>

The District's debt rating from Moody's and Standard and Poor's was Aa1 and AA in fiscal year 2011 and Aa1 and AA in fiscal year 2012.

Further information regarding the District's capital assets and long-term debt can be found in notes 6 and 10 in the accompanying notes to the basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

Economic Factors

State Economy

On June 27, 2012, the Governor signed the balanced state budget (AB 1464) for fiscal year 2012-13 with a balanced budget closing the \$15.7 billion deficit gap by cutting a \$8.3 billion of program expenditures and assumed that the passage of his tax measure ballot (Proposition 30) in November 2012 would generate approximately \$6.8 to \$9 billion in revenue annually.

On November 6, 2012, voters approved Proposition 30, the Schools and Local Public Safety Protection Act of 2012, to raise taxes specifically as follows:

1. Increase the state's sale tax by 0.25 percent (one-quarter cent) from January 1, 2013 to December 31, 2017.
2. Increase marginal personal income tax rates on high-income earners making over \$250,000 (joint filers earning \$500,000) by 1 percent to 3 percent for tax year 2012 through 2018 progressively:
 - i. A 10.3 percent tax bracket for single filers' taxable income between \$250,001 to \$300,000 and joint filers' taxable income between \$500,001 and \$600,000;
 - ii. An 11.3 percent tax bracket for single filers' taxable income between \$300,001 to \$500,000 and joint filers' taxable income between \$600,001 and \$1,000,000; and
 - iii. A 12.3 percent tax bracket for single filers' taxable income above \$500,000 and joint filers' taxable income above \$1,000,000.

Revenues raised by Proposition 30 are part of California's 2012-13 spending plan to close a \$15.7 billion budget gap and address the state's structural deficit. It would help California pay down debt from previous years' budget shortfalls and avoid further spending cuts in public education, public safety, and health and human services programs.

All Proposition 30 funds generated by the temporary tax increase would count toward the Proposition 98 guarantee for K-12 and community colleges. K-12 schools, county offices of education, and charter schools would receive 89 percent of the Proposition 30 fund, and the remaining 11 percent will go to California Community Colleges.

With the passage of Proposition 30, in fiscal year 2012-13, California Community Colleges avoid midyear trigger cuts of \$338.5 million and will receive \$209 million in new funding:

- \$50 million in growth funding to help restore some of the Full Time Equivalent Students (FTE) lost in recent years
- \$159.9 million to buy down system cash deferrals
- Fully hold harmless protection from any shortfalls in RDA-related revenues.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2012

Student Enrollment and State Funding

The student enrollment fee increased from \$36 per unit to \$46 per unit in 2012-13, effective summer 2012. The State is allocating \$50 million for enrollment growth for California community colleges. The District will receive an additional \$3.9 million in enrollment growth revenue for 2012-13 fiscal year to offer more classes for the winter 2013 Intersession, spring 2013, and summer 2013.

With funding restoration from Proposition 30, the District plans to begin to restore programs and services and offer more classes in the winter 2013 and summer 2013 Intersessions. The District will continue to monitor the State budget and plan accordingly to align with the state funds to be realized in the 2013-14 fiscal year and future years.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Balance Sheets

June 30, 2012 and 2011

Assets	2012	2011
	2012	2011
Current assets:		
Cash and cash equivalents (note 3)	\$ 73,096,852	118,695,937
Short-term investments (note 3)	—	47,189
Accounts receivable, net of allowance (note 4)	168,625,961	150,909,486
Student loans receivable, net current portion (note 4)	191,564	222,527
Deposit with bond trustee – current portion	134,350,409	114,483,559
Inventory	5,729,821	5,625,763
Prepaid expenses and other assets	40,359,566	31,139,742
Total current assets	422,354,173	421,124,203
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	4,240,905	21,833,138
Restricted investment (note 3)	552,561,013	945,407,573
Student loans receivable, net of allowance for uncollectible accounts – noncurrent portion (note 4)	2,007,272	1,700,693
Deposit with bond trustee – noncurrent portion	48,663,504	78,971,515
Bond issuance costs, net	22,346,178	23,366,079
Capital assets (note 6):		
Land	191,638,756	185,450,616
Land improvements	374,157,571	342,997,956
Buildings	2,539,077,378	2,256,180,747
Construction in progress	925,558,076	806,463,269
Works of art	518,000	518,000
Machinery and equipment	85,344,686	114,396,958
Infrastructure	4,214,474	4,214,474
Subtotal	4,120,508,941	3,710,222,020
Accumulated depreciation	(499,742,947)	(446,891,821)
Capital assets, net	3,620,765,994	3,263,330,199
Total assets	\$ 4,672,939,039	4,755,733,400

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Balance Sheets

June 30, 2012 and 2011

Liabilities and Net Assets	2012	2011
	<u> </u>	<u> </u>
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 146,065,733	180,593,143
Deferred revenue	5,935,650	5,769,582
Compensated absences (note 10)	7,813,291	7,593,023
General liability (notes 10 and 11)	2,040,943	2,747,219
Workers' compensation (notes 10 and 11)	5,334,321	3,974,688
Accrued interest and other accrued liabilities	87,274,876	85,827,833
Amounts held in trust for others	536,026	536,007
Long-term debt – current (note 10)	40,342,985	37,022,985
Capital leases – current (note 10)	512,413	1,149,418
	<u> </u>	<u> </u>
Total current liabilities	295,856,238	325,213,898
Noncurrent liabilities:		
Compensated absences (note 10)	7,771,755	8,131,701
General liability (notes 10 and 11)	1,072,057	51,781
Workers' compensation (notes 10 and 11)	26,673,679	27,975,312
Net OPEB obligation (note 8)	42,798,605	31,827,954
Long-term debt, net of current portion (note 10)	3,563,740,446	3,603,670,817
Capital leases, net of current portion (note 10)	484,391	887,761
	<u> </u>	<u> </u>
Total noncurrent liabilities	3,642,540,933	3,672,545,326
Total liabilities	<u> </u>	<u> </u>
	3,938,397,171	3,997,759,224
Net assets:		
Invested in capital assets, net of related debt	577,104,600	569,739,941
Restricted for:		
Expendable:		
Scholarships and loans	7,048,643	6,918,425
Debt service	90,077,567	100,316,927
Other special purposes	12,909,445	15,874,768
Unrestricted	47,401,613	65,124,115
	<u> </u>	<u> </u>
Total net assets	734,541,868	757,974,176
Total liabilities and net assets	<u> </u>	<u> </u>
	\$ 4,672,939,039	4,755,733,400

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Statements of Revenues, Expenditures, and Changes in Net Assets
Years ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Tuition and fees	\$ 109,698,504	90,822,681
Less scholarship discounts and allowances	(61,076,615)	(43,867,894)
Net tuition and fees	48,621,889	46,954,787
Grants and contracts, noncapital:		
Federal	72,486,531	67,791,900
State	30,717,027	33,049,562
Local	14,261,380	14,792,895
Net grants and contracts, noncapital	117,464,938	115,634,357
Auxiliary enterprise sales and charges	23,709,013	26,687,029
Total operating revenues	189,795,840	189,276,173
Operating expenses:		
Salaries	383,261,749	395,001,621
Employee benefits	152,131,778	134,652,551
Supplies, materials, and other operating expenses and services	354,747,457	330,426,859
Utilities	11,122,813	11,593,747
Depreciation	88,396,341	81,141,009
Total operating expenses	989,660,138	952,815,787
Operating loss	(799,864,298)	(763,539,614)
Nonoperating revenues (expenses):		
State apportionments, noncapital	313,245,356	356,946,497
Local property taxes	145,692,486	146,176,621
State taxes and other revenue	1,738,940	1,350,920
Investment income – noncapital	763,342	976,448
Investment income – capital	16,073,618	21,806,096
Interest expense on capital asset-related debt, net of capitalized portion	(166,988,861)	(132,204,881)
Federal financial aid grants, noncapital	193,109,034	184,049,355
State financial aid grants, noncapital	9,357,553	7,077,840
Other nonoperating revenue	19,887,658	6,459,458
Other nonoperating expense	(1,203,536)	(1,659,790)
Total nonoperating revenues	531,675,590	590,978,564
Loss before other revenues and expenses	(268,188,708)	(172,561,050)
State apportionments, capital	25,053,697	37,615,351
Federal subsidy	10,565,625	21,659,531
Local tax for G.O. Bonds	208,208,423	229,419,760
Local property taxes and revenues, capital	928,655	980,543
(Decrease) increase in net assets	(23,432,308)	117,114,135
Net assets:		
Beginning of year	757,974,176	640,860,041
End of year	\$ 734,541,868	757,974,176

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Tuition and fees, net	\$ 49,033,698	47,946,628
Grants and contracts	118,131,932	114,388,691
Payments to suppliers	(367,092,596)	(314,986,097)
Payments for utilities	(11,122,813)	(11,593,747)
Payments to employees	(381,843,059)	(393,133,059)
Payments for benefits	(139,113,870)	(134,706,340)
Bookstore and cafeteria sales	25,082,381	25,947,901
Net cash used in operating activities	<u>(706,924,327)</u>	<u>(666,136,023)</u>
Cash flows from noncapital financing activities:		
State apportionments	287,169,725	342,030,551
Property taxes	145,692,486	146,176,621
State taxes and other revenues	1,738,940	1,350,920
Federal financial aid grants	193,109,034	184,049,355
State financial aid grants	9,357,553	7,077,840
Other receipts	17,683,985	4,656,312
Net cash provided by noncapital financing activities	<u>654,751,723</u>	<u>685,341,599</u>
Cash flows from capital financing activities:		
Proceeds from issuance of capital debt	—	916,180,250
Capital appropriations, local property tax, grant and gift, and capital	32,219,175	49,652,349
Local tax for G.O. Bond	224,263,434	182,989,576
Purchases of capital assets	(442,985,638)	(508,643,483)
Principal paid on capital debt and leases	(33,007,099)	(30,487,961)
Interest paid on capital debt and leases	(197,713,803)	(161,212,586)
Bond issuance costs	—	(8,329,228)
Other receipts (payments)	—	980,000
Net cash (used in) provided by capital financing activities	<u>(417,223,931)</u>	<u>441,128,917</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of Investments	1,415,725,116	975,607,969
Interest received on investments	13,311,468	16,859,858
Purchase of investments	(1,022,831,367)	(1,440,389,165)
Net cash provided by (used in) investing activities	<u>406,205,217</u>	<u>(447,921,338)</u>
Net (decrease) increase in cash and cash equivalents	<u>(63,191,318)</u>	<u>12,413,155</u>
Cash and cash equivalents – beginning of the year	140,529,075	128,115,920
Cash and cash equivalents – end of year	\$ <u>77,337,757</u>	<u>140,529,075</u>
Reconciliation of net operating loss to net cash used in by operating activities:		
Operating loss	\$ (799,864,298)	(763,539,614)
Appraisal adjustments, net		
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	88,396,341	81,141,009
Changes in assets and liabilities:		
Receivables, net	4,521,583	1,261,720
Inventories	(104,058)	518,990
Other assets	(5,595,830)	7,992,321
Accounts payable	(7,629,562)	8,460,882
Deferred revenue	166,068	164,296
General liability	314,000	(434,216)
Workers' compensation	58,000	(9,001,852)
Compensated absences	(139,678)	144,975
Net OPEB obligation	10,970,651	7,103,711
Other liabilities	1,982,456	51,755
Net cash used in operating activities	<u>\$ (706,924,327)</u>	<u>(666,136,023)</u>
Noncash capital financing activities:		
Equipment acquired through new capital lease obligations	\$ 131,722	102,057
Additions to capital assets included in accounts payable	(25,283,293)	29,153,236
Refunding of bond anticipation note through escrow account	—	300,000,000
Amortization of accrued bond original issue premiums	5,187,985	5,146,503
Amortization of deferred issuance costs and prepaid interest	(1,432,516)	(5,997,060)

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

(1) Organization and Reporting Entity

The Los Angeles Community College District (the District) is a political subdivision of the State of California (the State) and is located within the County of Los Angeles, California (the County). The District's operations consist principally of providing educational services to the local residents of the District. In conjunction with educational services, the District also provides supporting student services such as the operation of campus bookstores and cafeterias. The District consists of nine community colleges located within the County.

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's board of trustees. The District's basic financial statements include the financial activities of the District and the totals of the trust and agency funds, which primarily represent Associated Student Organizations and amounts for scholarships within the District. Associated Student Organizations are recognized agencies of the District and were organized in accordance with provisions of the California Education Code to control the administration of student funds. The financial affairs of the Associated Student Organizations are administered under the direction of the college financial administrators at the respective colleges, with the supervision and guidance of the District's deputy chancellor.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(b) *Financial Reporting*

The basic financial statements required by Governmental Accounting Standards Board (GASB) Statement Nos. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, include a balance sheet; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The District is considered a special purpose government under the provisions of GASB Statement No. 35. Accordingly, the District has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the District to be reported in a single column. In accordance with the business-type activities reporting model, the District prepares its statements of cash flows using the direct method. The effect of internal activities between funds or groups of funds has been eliminated from these basic financial statements. The District's operating revenue includes tuition, fees, and federal and state revenues. Operating costs include cost of services as well as materials, contracts, personnel, and depreciation.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

(c) ***Net Assets***

The District's net assets are classified into the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Expendable: Net assets subject to externally imposed conditions that can be fulfilled by actions of the District or by the passage of time. Net assets may be restricted for such things as capital projects, debt repayment, escrow accounts, and/or educational programs.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the board of trustees or may otherwise be 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 needed.

(d) ***Cash and Cash Equivalents***

The District participates in the common investment pool of the County, which is stated at cost that approximates fair value. For purposes of the statements of cash flows, the District considers all cash and a portion of the investments pooled with the County plus any other cash deposits or investments with initial maturities of three months or less to be cash and cash equivalents.

(e) ***Inventory***

Bookstore, cafeteria, and supply inventories are recorded at cost on the first-in, first-out basis and expensed on the consumption method.

(f) ***Properties and Depreciation***

Properties are carried at cost or at appraised fair market value at the date received in the case of properties acquired by donation and by termination of leases for tenant improvements, less allowance for accumulated depreciation. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets.

Current ranges of useful lives for depreciable assets are as follows:

Land improvements	15 years
Buildings	50 years
Building improvements	20 years
Furniture, fixtures, and equipment	3 to 7 years
Vehicles	5 years
Infrastructure	15 years
Leasehold improvements	7 years

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

The District's capitalization threshold is as follows:

Movable equipment	\$	5,000 and above
Land, buildings, and infrastructure		50,000 and above

(g) *Accrued Employee Benefits*

The District has accounted for vacation leave benefits that have been earned as a liability within the balance sheets. Accumulated sick leave benefits are not recognized 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.

(h) *Deferred Revenue*

A majority of the deferred revenue balance represents cash collected in advance for tuition and student fees and will be recognized as revenue in the period in which it is earned.

(i) *Income Taxes*

The District is a political subdivision of the State and is treated as a governmental entity for tax purposes. As such, the District is generally not subject to federal or state income taxes. However, the District remains subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

(j) *Estimates*

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

(3) Cash and Investments

Cash and investments at June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents in County Treasury	\$ 44,464,311	115,113,167
Cash in banks	<u>32,873,446</u>	<u>25,415,908</u>
Total cash and cash equivalents	<u>77,337,757</u>	<u>140,529,075</u>
Investments:		
Investments in County Treasury	549,318,121	942,570,257
Other	<u>3,242,892</u>	<u>2,884,505</u>
Total investments	<u>552,561,013</u>	<u>945,454,762</u>
Deposit with trustee:		
Investments in County Treasury	169,893,353	185,377,974
Other	<u>13,120,560</u>	<u>8,077,100</u>
	<u>183,013,913</u>	<u>193,455,074</u>
Total cash, and investments and deposit with trustee	\$ <u>812,912,683</u>	<u>1,279,438,911</u>

The California Government Code requires California banks and savings and loan associations to collateralize the District's deposits by pledging government securities as collateral. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. At no time during the year did the value of the collateralized property fall below 110% of uninsured deposits.

As provided for by the State of California Education Code, amounts are also deposited by the District in the Los Angeles County Treasurer's Pool (the County Pool) for the purpose of increasing interest earnings through the County's investment activities. At June 30, 2012 and 2011, the District's cash and investments consist primarily of deposits and investments in the County Pool. The District reports amounts involuntarily invested in the County Pool as cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from the pool without notice or penalty. The District reports amounts involuntarily invested in the County Pool (such as unspent bond proceeds and local property tax collected to pay bond principal and interest) as investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments. Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, federal agencies, municipalities, commercial paper rated A by Standard & Poor's Corporation or A3 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the County of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

membership includes the Treasurer and Tax Collector, the Auditor Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative. Investments held by the County Treasurer are stated at fair value, except for certain nonnegotiable securities that are reported at cost because the effect of valuating the nonnegotiable securities at cost rather than fair market value is immaterial to the District's financial position. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. At June 30, 2012 and 2011, the District had \$763,675,785 and \$1,243,061,398 invested in the County Pool, respectively.

The County Treasurer mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to 1.5 years. The weighted average maturity of cash and investments in the Los Angeles Treasurer's Pool was 1.69 years and 1.64 years at June 30, 2012 and 2011, respectively. The County Pool does not maintain a credit rating.

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Tax delinquencies	\$ 23,702,817	20,688,288
Federal and state programs	12,366,433	15,028,430
Local tax for G.O. Bonds	26,324,893	21,373,118
State lottery	8,358,420	7,467,200
Interest receivable	631,584	2,294,077
Accounts receivable – principal apportionment	102,466,673	78,889,667
Accounts receivable – campus students	2,779,352	2,135,006
Accounts receivable – student loan programs	4,078,688	4,027,749
Bookstore	272,099	1,611,914
State of California – capital outlay	8,742,413	14,979,236
Other	6,783,178	8,512,197
Subtotal	196,506,550	177,006,882
Less allowance for doubtful accounts	(25,681,754)	(24,174,176)
Total, net	\$ 170,824,796	152,832,706

The allowance for doubtful accounts is maintained at an amount sufficient to reserve the possible uncollectible receivable balances. Tax delinquencies represent prior and current year unpaid / uncollected property taxes that were assessed and billed by the County during the 2011-2012 year and prior. The District receives tax revenues from the County biannually in December and April. Any amounts that remain unpaid and not received by the District within the fiscal year are considered delinquent. The County's board of supervisors is the taxing authority that levies and collects tax revenues.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

(5) Accounts Payable and Accrued Liabilities

Accounts payable at June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Vendors payable	\$ 18,791,680	24,516,447
Capital outlay and program management	109,570,420	134,853,713
Payroll accrual	11,309,302	9,727,511
Grants	6,215,328	7,418,741
Financial aid payable	179,003	918,951
Election expense payable	—	3,157,780
Total	<u>\$ 146,065,733</u>	<u>180,593,143</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

(6) Capital Assets

A summary of changes in capital assets is as follows:

	2012				Balance at June 30, 2012
	Balance at July 1, 2011	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 185,450,616	—	—	6,188,140	191,638,756
Construction in process	806,463,269	418,282,791	—	(299,187,984)	925,558,076
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>992,431,885</u>	<u>418,282,791</u>	<u>—</u>	<u>(292,999,844)</u>	<u>1,117,714,832</u>
Capital assets being depreciated:					
Land improvements	342,997,956	—	—	31,159,615	374,157,571
Buildings	2,256,180,747	930,323	—	281,966,308	2,539,077,378
Furniture, fixtures, and equipment	114,396,958	11,083,764	(20,009,957)	(20,126,079)	85,344,686
Infrastructure	4,214,474	—	—	—	4,214,474
Total capital assets being depreciated	<u>2,717,790,135</u>	<u>12,014,087</u>	<u>(20,009,957)</u>	<u>292,999,844</u>	<u>3,002,794,109</u>
Total capital assets	3,710,222,020	430,296,878	(20,009,957)	—	4,120,508,941
Less accumulated depreciation	<u>(446,891,821)</u>	<u>(69,237,090)</u>	<u>16,385,964</u>	<u>—</u>	<u>(499,742,947)</u>
Capital assets, net	<u>\$ 3,263,330,199</u>	<u>361,059,788</u>	<u>(3,623,993)</u>	<u>—</u>	<u>3,620,765,994</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

	2011				Balance at June 30, 2011
	Balance at July 1, 2010	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 168,871,047	16,579,569	—	—	185,450,616
Construction in process	832,901,357	585,790,884	(8,495,898)	(592,461,553)	817,734,790
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>1,002,290,404</u>	<u>602,370,453</u>	<u>(8,495,898)</u>	<u>(592,461,553)</u>	<u>1,003,703,406</u>
Capital assets being depreciated:					
Land improvements	311,015,970	—	—	29,443,666	340,459,636
Buildings	1,710,456,039	—	—	536,991,507	2,247,447,546
Furniture, fixtures, and equipment	86,451,006	2,534,572	—	25,411,380	114,396,958
Infrastructure	3,599,474	—	—	615,000	4,214,474
Total capital assets being depreciated	<u>2,111,522,489</u>	<u>2,534,572</u>	<u>—</u>	<u>592,461,553</u>	<u>2,706,518,614</u>
Total capital assets	3,113,812,893	604,905,025	(8,495,898)	—	3,710,222,020
Less accumulated depreciation	<u>(365,750,812)</u>	<u>(81,141,009)</u>	<u>—</u>	<u>—</u>	<u>(446,891,821)</u>
Capital assets, net	<u>\$ 2,748,062,081</u>	<u>523,764,016</u>	<u>(8,495,898)</u>	<u>—</u>	<u>3,263,330,199</u>

Capitalized Interest

Included in additions to capital assets is \$31,622,062 and \$67,006,249 of capitalized interest at June 30, 2012 and 2011, respectively.

(7) Lease Commitments

The District leases various assets, as lessee, under operating and capital lease agreements. Lease payments under these leases (including month-to-month leases) approximating \$7,296,226 have been reported in the accompanying statements of revenues, expenses, and changes in net assets.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

At June 30, 2012, minimum lease commitments under long-term lease contracts were as follows:

Year ending June 30:		
2013	\$	782,401
2014		412,721
2015		71,132
2016		36,443
2017		3,221
Total	\$	<u>1,305,918</u>

(8) Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System. In addition, certificated employees not participating in the State Teachers' Retirement System may participate in the Public Agency Retirement Systems (PARS) or elect Social Security. Classified employees not participating in the Public Employees' Retirement System may participate in the PARS, which is a defined contribution plan. On September 2, 2003, the District offered to every adjunct faculty member who is not a mandatory CalSTRS Defined Benefit Program member, the CalSTRS Cash Balance Plan.

(a) Plan Descriptions and Provisions

State Teachers' Retirement System (STRS) – Full-time certificated employees participate in the STRS, a cost sharing multiple employer contributory public employee retirement system defined benefit pension plan. An actuarial valuation by employer is not available. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Employees attaining the age of 60 with 5 years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of 2% of their final compensation for each year of service. Final compensation is defined as the highest average salary earned during 3 consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90% of final compensation are available to members with 5 years of service. A family benefit is available if the deceased member had at least one year of service and was an active member or on disability leave. After 5 years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

Benefit provisions for STRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, Section 22000 et seq.). STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the STRS Executive Office.

California Public Employees' Retirement System (PERS) – Full-time classified employees participate in the PERS, an agent multiple employer contributory public employee retirement system

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the state of California. The District is part of a cost sharing pool within PERS. An actuarial valuation by employer is not available. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each.

Employees are eligible for retirement at the age of 50 and are entitled to a monthly benefit of 1.1% of final compensation for each year of service credit. The rate is increased if retirement is deferred beyond the age of 50, up to age 63. Retirement compensation is reduced if the plan is coordinated with Social Security.

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 through the date of separation.

Benefit provisions for PERS are established by the Public Employees' Retirement Law (Part 3 of the California Government Code, Section. 20000 et seq.). PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the PERS Executive Office.

State Teachers' Retirement System (STRS) – Defined Benefit and Cash Balance Benefit Program

On September 2, 2003, LACCD implemented the Cash Balance program and offered it to its adjunct faculty who are not mandatory CalSTRS Defined Benefit Program members. In addition, adjunct faculty have the option of participating in one of the following three retirement plans: CalSTRS Defined Benefit Program, The Public Agency Retirement System (PARS), or Social Security.

Public Agency Retirement System – Alternate Retirement System (PARS – ARS)

The Omnibus Budget Reconciliation Act of 1990 (Section 11332) extends the Social Security tax to state and local government employees not participating in a qualified public retirement system. Internal Revenue Code 3121(b)(7)(F) proposed regulations allow employers to establish an alternative retirement system in lieu of Social Security taxes. Such an alternative system was authorized on June 26, 1991 to be established by the end of calendar year 1991 for certain employees not participating in STRS or PERS.

On December 4, 1991, the District's board of trustees adopted PARS, a defined contribution plan qualifying under Sections 401(a) and 501 of the Internal Revenue Code, effective January 1, 1992, for the benefit of employees not participating in STRS or PERS who were employed on that date or hired thereafter. The District has appointed Phase 11 Systems, in which Imperial Trust Company serves as the trustee, to manage the assets of the PARS plan and serve as the Trust Administrator.

Total contributions to PARS are 7.50%. The employer contribution is 4.00% and the employee contribution is 3.50%. Contributions are vested 100.00% for employees. Employees can receive benefits when they retire at age 60, become disabled, terminate employment, or die.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

(b) Contributions Required and Contributions Made

For fiscal year 2011-12, the District was required by statute to contribute 8.25%, 10.923%, 4.25%, and 4.00% of gross salary expenditures to STRS, PERS (pooled), Cash Balance, and PARS, respectively. Participants are required to contribute 8.00%, 7.00%, 3.75%, and 3.50% of gross salary to STRS, PERS, Cash Balance, and PARS, respectively for the year ended June 30, 2012.

The District's contributions for the years ended June 30, 2012, 2011, and 2010 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
STRS:		
2012	\$ 15,925,376	100%
2011	15,827,894	100
2010	15,594,117	100
PERS:		
2012	\$ 14,360,463	100%
2011	14,039,142	100
2010	12,702,976	100
Cash Balance STRS:		
2012	\$ 1,354,573	100%
2011	1,388,971	100
2010	1,248,329	100
PARS-ARS:		
2012	\$ 532,942	100%
2011	657,301	100
2010	554,501	100

The District's employer contributions to STRS, PERS, Cash Balance, and PARS Alternate Retirement System (ARS) met the required contribution rate established by law.

(c) Other Postemployment Benefits (OPEB)

The District provides postemployment healthcare benefits for eligible employees who retire with CalPERS or CalSTRS pension benefits immediately upon termination of employment from the District through the Los Angeles Community College District Postretirement Health Benefits Plan (the Plan). The Plan is a single employer OPEB plan, and obligations of the plan members and the District are based on negotiated contracts with the various bargaining units of the District. The District follows the reporting requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

Plan Description

Retirees receiving a pension from either CalSTRS or CalPERS are eligible for benefits depending on their most recent date of hire and their benefit eligibility service. The District pays a percentage of the eligible retirees' medical, dental, and vision plan premiums as follows:

	<u>Years of service</u>	<u>Premium paid by district</u>
Hire date:		
Before 2/11/1992	3	100%
Between 2/11/1992 and 6/30/1998	7	100
On or after 7/1/1998	10 – 15	50
On or after 7/1/1998	15 – 20	75
On or after 7/1/1998	20 and more	100

The retirement eligibility for CalPERS retirees is a minimum age of 50 and minimum years of service of 5. The retirement eligibility for CalSTRS retirees is a minimum age of 55 and minimum years of service of 5 or a minimum age of 50 with 30 years of service.

Employees subject to a 2001 agreement between the District and the District's Police Officer's Association may be eligible to receive benefits through Los Angeles County Employees Retirement Association (LACERA) that are paid by the District. Such eligible retirees shall receive medical, dental, and vision benefits. The District pays 100% of LACERA's premiums reduced by 4% for each year of service under LACERA up to 25 years. This reduction only applies to employees with more than 10 years of service under LACERA.

Employees that are not eligible for District paid contributions are still eligible for retiree coverage under California Assembly Bill 528 (AB528). At retirement, such retirees must pay for coverage at a rate based on blended active and retiree costs. As of the latest actuarial study, AB528 retiree contributions are expected to cover all costs; and, accordingly, no liabilities are calculated.

The retirement health benefit continues for the lifetime of a surviving spouse and for other dependents as long as they are entitled to coverage under pertinent eligibility rules.

Currently, the District has about 4,000 active full-time employees who are eligible for postretirement health benefits and 3,300 retirees and surviving spouses who receive postretirement health benefits.

Actuarial Methods and Assumptions

The actuarial valuations involve the use of estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the types of benefits provided and the pattern of cost sharing between the District and plan members at the time of each valuation. The projection of these benefits is for financial reporting purposes only and does not

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the entry age normal cost method with an open 30 year amortization period as a level percent of pay was used as the cost method to calculate for the annual required contribution (ARC). The actuarial assumptions included a 5.81% blended discount rate based on the assumed long-term return on plan assets and employer assets. A 3.25% wage inflation assumption was used as well as an annual medical and dental/vision trend rate of 9.00% and 4.00%, respectively, initially, reduced by decrements to an ultimate rate of 5.00% and 4.00%, respectively, after 8 years.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay as you go financing requirements. Additionally, the District's board of trustees adopted a resolution dated April 23, 2008 (com No. BF2) to establish an irrevocable trust with CalPERS to prefund a portion of retiree health benefit costs.

The trust is to be funded with annual contributions by the District of approximately 1.92% of the total full-time salary expenditures in the District. Additionally, the District will direct an amount equivalent to the federal Medicare Part D subsidy returned to the District each year into the trust fund. The District deposited \$7,174,244 and \$10,686,434 to the irrevocable trust with CalPERS during FY2012 and FY2011, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

Annual OPEB Costs and Net OPEB Obligation

Before the implementation of GASB Statement No. 45, the District's expenses for postretirement health benefits were recognized only when paid. The District's annual OPEB cost (expense) is now calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any Unfunded Actuarial Accrued Liability (UAAL) over a period of 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 41,511,000	40,643,000
Interest on net OPEB obligation	1,847,000	1,454,000
Adjustment to annual required contribution	<u>(1,515,000)</u>	<u>(1,189,000)</u>
Annual OPEB cost	41,843,000	40,908,000
Contributions made	<u>(30,872,349)</u>	<u>(33,804,289)</u>
Increase in net OPEB obligation	10,970,651	7,103,711
Net OPEB obligation, beginning of year	<u>31,827,954</u>	<u>24,724,243</u>
Net OPEB obligation, end of year	\$ <u><u>42,798,605</u></u>	\$ <u><u>31,827,954</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB costs</u>	<u>Percentage of annual OPEB costs contributed</u>	<u>Net OPEB obligation</u>
June 30, 2012	\$ 41,843,000	73.78%	\$ 42,798,605
June 30, 2011	40,908,000	82.63	31,827,954

Funded Status Information

The District's funding status information is as follows:

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 2011	\$ 34,185,000	593,388,000	559,203,000	5.76%	\$ 272,400,000	205.29%
July 1, 2009	8,925,840	545,041,000	536,115,160	1.64	251,957,000	212.78

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

As of June 30, 2012 and 2011, the District has set aside approximately \$35.5 million and \$30.3 million, respectively, in an external trust fund. The fair value of the trust fund as of June 30, 2012 and 2011 was approximately \$41.7 million and \$34.2 million, respectively.

Other Benefits

Effective January 1, 2010, the District provided an annual contribution of \$1,500 to benefited active employees and pre-Medicare retirees into a health reimbursement account for five years.

(9) Commitments and Contingencies

The District receives a substantial portion of its total revenues under various governmental grants, all of which pay the District based on reimbursable costs as defined by each grant. Reimbursement recorded under these grants is subject to audit by the grantors. Management believes that no material adjustments will result from the subsequent audit of costs reflected in the accompanying basic financial statements.

The District is a defendant in various lawsuits at June 30, 2012. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, based in part on the advice of counsel, the resolution of these matters will not have a material adverse effect on the basic financial condition of the District or is adequately covered by insurance.

The District has entered into various contracts for the construction of facilities throughout the campuses. At June 30, 2012, the total value of these outstanding commitments is \$862,882,089.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

(10) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2012 and 2011:

	Balance at July 1, 2011	2012		Balance at June 30, 2012	Due within one year
		Additions	Deletions		
G.O. Bonds 2001 Series A	\$ 10,590,000	—	(10,590,000)	—	—
G.O. Bonds 2003 Series A, B, and C	71,760,000	—	(2,810,000)	68,950,000	2,950,000
G.O. Bonds 2004 Series A and B	92,695,000	—	(3,070,000)	89,625,000	3,200,000
G.O. Bonds 2005 Series A	431,075,000	—	(665,000)	430,410,000	12,715,000
G.O. Bonds 2006 Series E	292,480,000	—	(8,430,000)	284,050,000	8,750,000
G.O. Bonds 2007 Series A	382,830,000	—	(255,000)	382,575,000	415,000
G.O. Bonds 2008 Series E1 and F1	621,415,000	—	(920,000)	620,495,000	3,870,000
G.O. Bonds 2008 Series E2 and F2	8,900,000	—	(5,095,000)	3,805,000	3,255,000
G.O. Bonds 2009 Series A and B	425,000,000	—	—	425,000,000	—
G.O. Bonds 2010 Series C, D, and E	1,200,000,000	—	—	1,200,000,000	—
Unamortized bond premiums	104,361,415	—	(5,187,985)	99,173,430	5,187,985
Deferred amount on bond refunding	(412,613)	—	412,613	—	—
Workers' compensation claims	31,950,000	5,392,321	(5,334,321)	32,008,000	5,334,321
General liability	2,799,000	2,354,943	(2,040,943)	3,113,000	2,040,943
Compensated absences	15,724,724	9,568,525	(9,708,203)	15,585,046	7,813,291
Capital lease obligations	2,037,179	131,722	(1,172,098)	996,803	512,413
Total	\$ <u>3,693,204,705</u>	<u>17,447,511</u>	<u>(54,865,937)</u>	<u>3,655,786,279</u>	<u>56,043,953</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

	2011				
	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>	<u>Due within one year</u>
G.O. Bonds 2001 Series A	\$ 19,835,000	—	(9,245,000)	10,590,000	10,590,000
G.O. Bonds 2003 Series A, B, and C	74,435,000	—	(2,675,000)	71,760,000	2,810,000
G.O. Bonds 2004 Series A and B	95,645,000	—	(2,950,000)	92,695,000	3,070,000
G.O. Bonds 2005 Series A	431,720,000	—	(645,000)	431,075,000	665,000
G.O. Bonds 2006 Series E	300,625,000	—	(8,145,000)	292,480,000	8,430,000
G.O. Bonds 2007 Series A	382,990,000	—	(160,000)	382,830,000	255,000
G.O. Bonds 2008 Series E1 and F1	621,415,000	—	—	621,415,000	920,000
G.O. Bonds 2008 Series E2 and F2	13,850,000	—	(4,950,000)	8,900,000	5,095,000
G.O. Bonds 2009 Series A and B	425,000,000	—	—	425,000,000	—
G.O. Bonds 2010 Series C, D, and E	—	1,200,000,000	—	1,200,000,000	—
Unamortized bond premiums	93,327,668	16,180,250	(5,146,503)	104,361,415	5,187,985
Deferred amount on bond refunding	(5,363,974)	—	4,951,361	(412,613)	—
Revenue bonds	406,652	—	(406,652)	—	—
Bond anticipation notes	300,000,000	—	(300,000,000)	—	—
Workers' compensation claims	40,951,852	—	(9,001,852)	31,950,000	3,974,688
General liability	3,233,216	2,313,002	(2,747,218)	2,799,000	2,747,219
Compensated absences	15,579,749	9,538,433	(9,393,458)	15,724,724	7,593,023
Capital lease obligations	3,246,431	102,057	(1,311,309)	2,037,179	1,149,418
Total	\$ 2,816,896,594	1,228,133,742	(351,825,631)	3,693,204,705	52,487,333

(a) G.O. Bonds

On April 10, 2001, the voters of the County passed Proposition A, a \$1.2 billion General Obligation (G.O.) Bond measure.

On June 7, 2001, the District issued the 2001 Series A G.O. Bonds (Proposition A) in the amount of \$525,000,000 with an average interest rate of 4.63% maturing in 2012. The proceeds of this first Series of G.O. Bonds are being used to finance the construction, equipping, and improvement of college and support facilities at the District's nine colleges.

As of June 30, 2012, the 2001 Series A G.O. Bonds (Proposition A) had been fully repaid.

On May 20, 2003, the voters of the County passed Proposition AA, a \$980 million G.O. Bond measure.

On July 29, 2003, the District issued the 2003 Series A, B, and C G.O. Bonds (Proposition AA) in the amount of \$189,685,000, with interest rates ranging from 2% to 5% maturing in 2028. The bond

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

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measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2003 Series A, B, and C		
	Principal	Interest	Total
Year(s) ending June 30:			
2013	\$ 2,950,000	3,325,650	6,275,650
2014	3,100,000	3,195,713	6,295,713
2015	3,210,000	3,059,275	6,269,275
2016	3,370,000	2,894,775	6,264,775
2017	3,540,000	2,722,025	6,262,025
2018 – 2022	20,535,000	10,701,000	31,236,000
2023 – 2027	26,195,000	4,905,412	31,100,412
2028	6,050,000	151,250	6,201,250
Total	\$ <u>68,950,000</u>	<u>30,955,100</u>	<u>99,905,100</u>

On October 12, 2004, the District issued the 2004 Series A and B G.O. Bonds (Proposition A and Proposition AA) in the amount of \$103,900,000 with interest rates ranging from 3.17% to 6.44%, maturing in 2030. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2004 Series A and B		
	Principal	Interest	Total
Year(s) ending June 30:			
2013	\$ 3,200,000	4,640,376	7,840,376
2014	3,340,000	4,495,676	7,835,676
2015	3,490,000	4,340,480	7,830,480
2016	3,650,000	4,173,514	7,823,514
2017	3,820,000	3,994,773	7,814,773
2018 – 2022	22,150,000	16,814,475	38,964,475
2023 – 2027	28,700,000	10,061,211	38,761,211
2028 – 2030	21,275,000	1,852,167	23,127,167
Total	\$ <u>89,625,000</u>	<u>50,372,672</u>	<u>139,997,672</u>

On March 22, 2005, the District issued the 2005 Series A G.O. Refunding Bonds (Proposition A) in the amount of \$437,450,000 with interest rates ranging from 3% to 5%, maturing in 2026. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

The net proceeds from the sale of the 2005 Series A G.O. Refunding Bonds in the amount of \$437,450,000 plus the original issue premium of \$34,870,964 will be applied to advance refunding of the refunded bonds of \$456,743,623, to make a deposit into the District's Building Fund of \$12,330,000, to make a deposit into the District's Debt Service Fund of \$220,000, and to pay the cost of issuance for these bonds in the amount of \$3,027,341.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2005 Series A		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2013	\$ 12,715,000	21,321,468	34,036,468
2014	14,375,000	20,629,168	35,004,168
2015	16,190,000	19,826,837	36,016,837
2016	18,140,000	18,925,675	37,065,675
2017	20,220,000	17,944,000	38,164,000
2018 – 2022	136,695,000	71,382,125	208,077,125
2023 – 2027	212,075,000	27,874,375	239,949,375
Total	\$ <u>430,410,000</u>	<u>197,903,648</u>	<u>628,313,648</u>

On October 10, 2006, the District issued the 2006 Series E G.O. Bonds (Proposition AA) in the amount of \$350,000,000 with interest rates ranging from 3.4% to 5.0%, maturing in 2032. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2006 Series E		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2013	\$ 8,750,000	13,700,236	22,450,236
2014	9,115,000	13,302,849	22,417,849
2015	10,895,000	12,885,902	23,780,902
2016	9,940,000	12,450,590	22,390,590
2017	10,420,000	11,979,625	22,399,625
2018 – 2022	60,160,000	51,505,500	111,665,500
2023 – 2027	76,780,000	34,469,250	111,249,250
2028 – 2032	97,990,000	12,726,500	110,716,500
Total	\$ <u>284,050,000</u>	<u>163,020,452</u>	<u>447,070,452</u>

On October 10, 2007, the District issued the 2007 Series A G.O. Bonds (Proposition A) in the amount of \$400,000,000 with interest rates ranging from 4% to 5%, maturing in 2033. The bond

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2007 Series A		
	Principal	Interest	Total
Year(s) ending June 30:			
2013	\$ 415,000	19,072,425	19,487,425
2014	575,000	19,052,625	19,627,625
2015	705,000	19,025,263	19,730,263
2016	820,000	18,990,950	19,810,950
2017	4,565,000	18,858,375	23,423,375
2018 – 2022	26,325,000	90,609,875	116,934,875
2023 – 2027	7,945,000	85,777,625	93,722,625
2028 – 2032	276,785,000	52,071,625	328,856,625
2033	64,440,000	1,611,000	66,051,000
Total	\$ <u>382,575,000</u>	<u>325,069,763</u>	<u>707,644,763</u>

On September 9, 2008, the District issued the 2008 Series E 1 G.O. Bonds (Proposition A) in the amount of \$276,500,000 and the 2008 Series F 1 G.O. Bonds (Proposition AA) in the amount of \$344,915,000 with interest rates ranging from 3% to 5%, maturing in 2034. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2008 Series E-1 and F-1		
	Principal	Interest	Total
Year(s) ending June 30:			
2013	\$ 3,870,000	29,989,100	33,859,100
2014	7,720,000	29,815,250	37,535,250
2015	9,490,000	29,545,238	39,035,238
2016	10,795,000	29,229,100	40,024,100
2017	12,130,000	28,870,063	41,000,063
2018 – 2022	84,230,000	134,196,925	218,426,925
2023 – 2027	132,330,000	107,628,000	239,958,000
2028 – 2032	196,235,000	66,916,625	263,151,625
2033 – 2034	163,695,000	8,326,625	172,021,625
Total	\$ <u>620,495,000</u>	<u>464,516,926</u>	<u>1,085,011,926</u>

On September 9, 2008, the District issued the 2008 Taxable Series E 2 G.O. Bonds (Proposition A) in the amount of \$15,000,000 and the 2008 Taxable Series F 2 G.O. Bonds (Proposition AA) in the

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

amount of \$20,000,000 with interest rates ranging from 3.049% to 4.316%, maturing in 2014. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2008 Series E-2 and F-2		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 3,255,000	91,540	3,346,540
2014	550,000	11,869	561,869
Total	<u>\$ 3,805,000</u>	<u>103,409</u>	<u>3,908,409</u>

On November 4, 2008, the voters of the County passed Measure J, a \$3.5 billion G.O. Bond measure.

On March 19, 2009, the District issued the 2009 Series A G.O. Bonds (Measure J) in the amount of \$350,000,000 and the 2009 Taxable Series B G.O. Bonds (Measure J) in the amount of \$75,000,000 with interest rates ranging from 4.50% to 7.53%, maturing in 2034. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2009 Series A and B		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2013	\$ —	26,247,663	26,247,663
2014	—	26,247,663	26,247,663
2015	—	26,247,663	26,247,663
2016	—	26,247,663	26,247,663
2017	—	26,247,663	26,247,663
2018 – 2022	750,000	131,221,438	131,971,438
2023 – 2027	46,670,000	126,186,874	172,856,874
2028 – 2032	194,720,000	91,014,533	285,734,533
2033 – 2034	182,860,000	13,180,200	196,040,200
Total	<u>\$ 425,000,000</u>	<u>492,841,360</u>	<u>917,841,360</u>

On July 22, 2010, the District issued \$900,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series E Build America Bonds with 6.60% and 6.75% interest rates maturing in 2049. On August 10, 2010, the District issued \$175,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series C with 5.25% interest rate maturing in 2039. On August 10, 2010, the District issued \$125,000,000 aggregate principal amount in G.O. Bonds,

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

2008 Election (Measure J) 2010 Taxable Series D with 6.68% interest rate maturing in 2036. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2012 are as follows:

	2010 Series C, D, and E		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2013	\$ —	77,912,500	77,912,500
2014	—	77,912,500	77,912,500
2015	—	77,912,500	77,912,500
2016	—	77,912,500	77,912,500
2017	—	77,912,500	77,912,500
2018 – 2022	—	389,562,500	389,562,500
2023 – 2027	—	389,562,500	389,562,500
2028 – 2032	—	389,562,500	389,562,500
2033 – 2037	156,280,000	374,576,460	530,856,460
2038 – 2042	329,100,000	294,907,860	624,007,860
2043 – 2047	416,855,000	173,258,629	590,113,629
2048 – 2050	297,765,000	30,736,969	328,501,969
Total	\$ <u>1,200,000,000</u>	<u>2,431,729,918</u>	<u>3,631,729,918</u>

(b) Lease Purchase Financing

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2012 are as follows:

	Lease purchase financing		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 512,413	269,988	782,401
2014	384,434	28,287	412,721
2015	62,268	8,864	71,132
2016	34,563	1,880	36,443
2017	3,125	96	3,221
Total	\$ <u>996,803</u>	<u>309,115</u>	<u>1,305,918</u>

(11) Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for up to a maximum of \$750,000 for each workers' compensation claim, \$500,000 per employment practices claims, and \$500,000 for each general liability claim.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2012 and 2011

The District currently reports all of its risk management activities in the accompanying balance sheets. The balance of all outstanding workers' compensation and incurred general liability claims is estimated based on information provided by an outside actuarial study performed in 2012. The amount of the outstanding liability at June 30, 2012 and 2011 includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases, which occurred through that date.

Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield assumption of 1.5%.

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2012 and 2011 were as follows:

	2012			
	Balance at July 1, 2011	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2012
Workers' compensation	\$ 31,950,000	5,392,321	(5,334,321)	32,008,000
General liability	2,799,000	2,354,943	(2,040,943)	3,113,000

	2011			
	Balance at July 1, 2010	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2011
Workers' compensation	\$ 40,951,852	(5,027,164)	(3,974,688)	31,950,000
General liability	3,233,216	2,313,002	(2,747,218)	2,799,000

During the years ended June 30, 2012 and 2011, the District made total premium payments of approximately \$3,342,932 and \$2,829,403, respectively, for general liability and property claims.

(12) Subsequent Events

The District evaluated events or transactions that occurred subsequent to the balance sheet date through December 19, 2012, the date the accompanying financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Employer Contribution

Year ended June 30, 2012

Schedule of Funding Progress

The following schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The District funding progress information is illustrated as follows:

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 2011	\$ 34,185,000	593,388,000	559,203,000	5.76%	\$ 272,400,000	205.29%
July 1, 2009	8,925,000	545,041,000	536,115,160	1.64	251,957,000	212.78

See accompanying independent auditors' report.

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SUPPLEMENTAL FINANCIAL INFORMATION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Balance Sheet Accounts

June 30, 2012

Assets

Cash in county treasury	\$	7,152,376
Cash in banks		11,974,686
Cash in revolving fund		161,373
Accounts, notes, interest, and loans receivable, net		127,255,330
Cash held with trustee		65,402
Due from other funds		6,071,852
Prepaid expenses and other assets		6,277,010
Total assets	\$	<u>158,958,029</u>

Liabilities and Fund Equity

Liabilities:		
Accounts payable	\$	33,221,222
Due to other funds		30,288,448
Amounts held in trusts		536,026
Deferred revenue		5,875,397
Total liabilities		<u>69,921,093</u>
Fund equity:		
Restricted		12,451,570
Unrestricted		76,585,366
Total fund equity		<u>89,036,936</u>
Total liabilities and fund equity	\$	<u>158,958,029</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2012

Revenues:	
Federal revenues:	
Higher Education Acts	\$ 13,568,370
Job Training Partnership Act	8,412,881
Temporary Assistance for Needy Families (TANF)	992,798
Vocational Education Act	5,003,221
Veterans Education	8,259
College Work Study	2,159,963
Seog	117,478
Pell (Beog)	319,270
Other	<u>7,884,336</u>
Total federal revenues	<u>38,466,576</u>
State revenues:	
State apportionments	288,412,217
Tax relief subvention	1,738,941
State lottery	16,754,925
CA Works Oppor. & Responsibility to Kids	3,325,976
Extended opportunity program	5,533,561
Matriculation program	4,065,016
Disabled Students Programs and Services	3,702,191
Other	<u>15,673,122</u>
Total state revenues	<u>339,205,949</u>
Local revenues:	
Local property taxes	145,692,486
Enrollment fees	21,519,760
Tuition and fees, net of scholarship discounts and allowance	12,611,101
Community service fees	6,263,218
Parking fees	2,554,836
Health service fees	4,712,784
Student fees and charges	1,888,845
Interest	752,858
Other	<u>11,193,945</u>
Total local revenues	<u>207,189,833</u>
Total revenues	<u>584,862,358</u>
Expenditures:	
Current:	
Academic salaries	235,021,873
Classified salaries	137,766,156
Employee benefits	131,105,682
Books and supplies	8,816,190
Contract services, student grants, and other operating expenditures	74,060,190
Capital outlay and equipment replacements	6,375,892
Other	<u>426,232</u>
Total expenditures	<u>593,572,215</u>
Deficiency of revenues under expenditures	(8,709,857)
Other financing uses:	
Operating transfers out, net	<u>(9,695,737)</u>
Net decrease in fund balance	(18,405,594)
Fund balances at July 1, 2011	<u>107,442,530</u>
Fund balances at June 30, 2012	\$ <u><u>89,036,936</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2012

Assets	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Cash in county treasury	\$ 35,204,968	—	164,893	—	35,369,861
Cash in banks	1,368,552	21,455	106,802	1,063,270	2,560,079
Cash in revolving fund	—	2,889	—	114,696	117,585
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	8,779,653	195,437	823,110	2,764,274	12,562,474
Due from other funds	28,329,730	160,044	409,184	927,729	29,826,687
Prepaid expenses	—	—	—	1,107	1,107
Inventory	—	84,858	—	5,644,963	5,729,821
Total assets	<u>\$ 73,682,903</u>	<u>464,683</u>	<u>1,503,989</u>	<u>10,516,039</u>	<u>86,167,614</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 217,219	100,132	284,255	172,914	774,520
Due to other funds	11,897,428	303,936	761,859	2,410,699	15,373,922
Deferred revenue	—	7,922	—	37,465	45,387
Total liabilities	<u>12,114,647</u>	<u>411,990</u>	<u>1,046,114</u>	<u>2,621,078</u>	<u>16,193,829</u>
Fund equity:					
Capital Projects	61,568,256	—	—	—	61,568,256
Unrestricted	—	52,693	457,875	4,136,718	4,647,286
Reserve for facility improvements and inventory	—	—	—	3,758,243	3,758,243
Total fund equity	<u>61,568,256</u>	<u>52,693</u>	<u>457,875</u>	<u>7,894,961</u>	<u>69,973,785</u>
Total liabilities and fund equity	<u>\$ 73,682,903</u>	<u>464,683</u>	<u>1,503,989</u>	<u>10,516,039</u>	<u>86,167,614</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2012

	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Revenues:					
Federal revenues:					
Other	\$ 158,840	52,143	1,669,078	—	1,880,061
Total federal revenues	<u>158,840</u>	<u>52,143</u>	<u>1,669,078</u>	<u>—</u>	<u>1,880,061</u>
State revenues:					
State apportionment	25,053,697	—	—	—	25,053,697
Other	—	—	5,224,591	—	5,224,591
Total state revenues	<u>25,053,697</u>	<u>—</u>	<u>5,224,591</u>	<u>—</u>	<u>30,278,288</u>
Local revenues:					
Food service sales	—	2,073,037	—	—	2,073,037
Bookstore sales	—	—	—	21,464,635	21,464,635
Interest	646,200	—	12,251	—	658,451
Other	2,848,979	236,885	285,830	1,792	3,373,486
Total local revenues	<u>3,495,179</u>	<u>2,309,922</u>	<u>298,081</u>	<u>21,466,427</u>	<u>27,569,609</u>
Total revenues	<u>28,707,716</u>	<u>2,362,065</u>	<u>7,191,750</u>	<u>21,466,427</u>	<u>59,727,958</u>
Expenditures:					
Current:					
Academic salaries	—	56,185	3,773,086	—	3,829,271
Classified salaries	—	386,852	2,334,453	3,923,135	6,644,440
Employee benefits	—	51,082	1,440,570	1,471,229	2,962,881
Books and supplies	—	1,752,812	609,947	15,680,579	18,043,338
Contract services, student grant, and other operating expenditures	4,610,108	93,305	501,232	692,502	5,897,147
Utilities	—	50,000	—	205,122	255,122
Capital outlay	42,676,613	9,820	20,051	37,876	42,744,360
Total expenditures	<u>47,286,721</u>	<u>2,400,056</u>	<u>8,679,339</u>	<u>22,010,443</u>	<u>80,376,559</u>
Deficiency of revenues under expenditures	(18,579,005)	(37,991)	(1,487,589)	(544,016)	(20,648,601)
Other financing sources – operating transfers in, net	<u>26,149,877</u>	<u>90,684</u>	<u>1,446,250</u>	<u>547,079</u>	<u>28,233,890</u>
Net increase (decrease) in fund balances	7,570,872	52,693	(41,339)	3,063	7,585,289
Fund balances at July 1, 2011	<u>53,997,384</u>	<u>—</u>	<u>499,214</u>	<u>7,891,898</u>	<u>62,388,496</u>
Fund balances at June 30, 2012	\$ <u>61,568,256</u>	<u>52,693</u>	<u>457,875</u>	<u>7,894,961</u>	<u>69,973,785</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2012

Assets		
Cash held with trustee		\$ 145,865,728
Accounts, notes, interest, and loans receivable, net		<u>26,324,893</u>
Total assets		<u>\$ 172,190,621</u>
Liabilities and Fund Equity		
Liabilities:		
Deferred revenue		\$ 26,324,893
Other liabilities		<u>82,113,054</u>
Total liabilities		<u>108,437,947</u>
Fund equity:		
Restricted		<u>63,752,674</u>
Total fund equity		<u>63,752,674</u>
Total liabilities and fund equity		<u>\$ 172,190,621</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2012

Revenue:		
Total revenue		\$ —
Expenditures:		
Current:		
Debt service		31,835,000
Interest expense on capital asset-related debt		197,178,408
Total expenditures		<u>229,013,408</u>
Deficiency of revenues over expenditures		<u>(229,013,408)</u>
Other financing sources:		
Local tax for G.O. Bonds		<u>213,822,273</u>
Total other financing sources		<u>213,822,273</u>
Net decrease in fund balance		(15,191,135)
Fund balances at July 1, 2011		<u>78,943,809</u>
Fund balances at June 30, 2012		<u>\$ <u>63,752,674</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2012

Assets

Cash held with trustee	\$	<u>1,942,075</u>
Total assets	\$	<u><u>1,942,075</u></u>

Liabilities and Fund Deficit

Liabilities:		
Unfunded OPEB payable	\$	42,798,605
Other accrued liabilities		<u>1,943,110</u>
Total liabilities		<u>44,741,715</u>
Fund deficit:		
Restricted		<u>(42,799,640)</u>
Total fund deficit		<u>(42,799,640)</u>
Total liabilities and fund deficit	\$	<u><u>1,942,075</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)

Year ended June 30, 2012

Revenue:	
Interest	\$ <u>1,150</u>
Total local revenues	<u>1,150</u>
Expenditures:	
Current:	
Employee benefits	<u>18,144,893</u>
Total expenditures	<u>18,144,893</u>
Deficiency of revenues over expenditures	<u>(18,143,743)</u>
Other financing sources:	
Operating transfers in, net	<u>7,172,057</u>
Total other financing sources	<u>7,172,057</u>
Net decrease in fund balance	(10,971,686)
Fund balances (deficit) at July 1, 2011	<u>(31,827,954)</u>
Fund balances (deficit) at June 30, 2012	\$ <u><u>(42,799,640)</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2012

Assets

Cash in County Treasury	\$ 549,318,121
Cash in banks	12,100,720
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	692,651
Due from other funds	10,846,504
Prepaid expenses and other assets	34,081,449
Deposit with trustee	37,082,783
	<hr/>
Total assets	\$ 644,122,228
	<hr/> <hr/>

Liabilities and Fund Equity

Liabilities:	
Accounts payable	\$ 109,570,385
Due to other funds	7,433
	<hr/>
Total liabilities	109,577,818
	<hr/>
Fund equity:	
Reserved for capital expenditures	534,544,410
	<hr/>
Total fund equity	534,544,410
	<hr/>
Total liabilities and fund equity	\$ 644,122,228
	<hr/> <hr/>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2012

Local revenues:	
Interest	\$ 10,236,345
Other	14,896,825
Total revenue	<u>25,133,170</u>
Expenditures:	
Other operating expenses and services	41,962,566
Capital outlay	344,108,161
Total expenditures	<u>386,070,727</u>
Deficiency of revenues over expenditures	<u>(360,937,557)</u>
Other financing sources:	
Proceeds from issuance of debt	—
Operating transfers out, net	(25,710,210)
Total other financing sources	<u>(25,710,210)</u>
Net decrease in fund balance	(386,647,767)
Fund balances at July 1, 2011	<u>921,192,177</u>
Fund balances at June 30, 2012	<u>\$ 534,544,410</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2012

Assets		
Cash in banks		\$ 1,718,097
Accounts, notes, interest, and loans receivable, net		4,141,529
Due from other funds		<u>605,249</u>
Total assets		<u>\$ 6,464,875</u>
Liabilities and Fund Equity		
Liabilities:		
Accounts payable		\$ 1,844,855
Due to other funds		<u>1,680,489</u>
Total liabilities		<u>3,525,344</u>
Fund equity:		
Restricted		<u>2,939,531</u>
Total fund equity		<u>2,939,531</u>
Total liabilities and fund equity		<u>\$ 6,464,875</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2012

Revenues:

Federal revenues:

SEOG	\$ 2,252,707
Pell (BEOG)	188,259,616
Direct loans	36,219,757
Other	472,771
Total federal revenues	<u>227,204,851</u>

State revenues:

Extended opportunity program	3,190,225
Cal grants	9,357,553
Other	25,375
Total state revenues	<u>12,573,153</u>

Local revenues:

Interest	171
Other	1,765
Total local revenues	<u>1,936</u>

Total revenues 239,779,940

Expenditures:

Other operating expenses and services	<u>239,815,993</u>
Total expenditures	<u>239,815,993</u>
Deficiency of revenues under expenditures	<u>(36,053)</u>

Fund balances at July 1, 2011 2,975,584

Fund balances at June 30, 2012 \$ 2,939,531

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 ASO Trust Fund – Combined Schedule of Balance Sheet Accounts
 June 30, 2012

Assets	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Cash in banks	\$ 523,408	188,158	207,713	367,875	470,273	120,109	264,816	276,760	3,874	2,422,986
Investments	949,672	166,946	100,000	66,932	607,598	20,281	1,431,789	996,626	172,262	4,512,106
Accounts, notes, interest, and receivable, net of allowance for doubtful accounts	—	1,775	—	—	—	—	1,758	—	765	4,298
Capital assets	43,653	—	—	—	32,688	—	162,986	268,458	54,685	562,470
Total assets	\$ 1,516,733	356,879	307,713	434,807	1,110,559	140,390	1,861,349	1,541,844	231,586	7,501,860
Liabilities and Fund Equity										
Liabilities:										
Accounts payable	\$ 37,051	2,785	86,081	6,113	378	6,314	5,043	—	1,640	145,405
Deferred revenue	11,772	—	—	—	—	—	3,094	—	—	14,866
Other liabilities	1,003,892	7,242	—	214,097	549,876	107,064	867,355	389,046	80,139	3,218,711
Total liabilities	1,052,715	10,027	86,081	220,210	550,254	113,378	875,492	389,046	81,779	3,378,982
Fund equity:										
Investment in fixed assets	43,653	—	—	—	32,688	—	162,986	268,458	54,685	562,470
Fund balances – designated for future expenditures	420,365	346,852	221,632	214,597	527,617	27,012	822,871	884,340	95,122	3,560,408
Total fund equity	464,018	346,852	221,632	214,597	560,305	27,012	985,857	1,152,798	149,807	4,122,878
Total liabilities and fund equity	\$ 1,516,733	356,879	307,713	434,807	1,110,559	140,390	1,861,349	1,541,844	231,586	7,501,860

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 ASO Trust Fund – Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts
 Year ended June 30, 2012

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Revenues:										
Other	\$ 225,449	88,723	29,099	98,414	130,162	25,482	81,066	103,668	27,095	809,158
Total revenues	<u>225,449</u>	<u>88,723</u>	<u>29,099</u>	<u>98,414</u>	<u>130,162</u>	<u>25,482</u>	<u>81,066</u>	<u>103,668</u>	<u>27,095</u>	<u>809,158</u>
Expenditures:										
Contract services and other operating expenditures	214,712	124,194	30,765	38,053	103,255	26,195	72,470	68,336	25,476	703,456
Total expenditures	<u>214,712</u>	<u>124,194</u>	<u>30,765</u>	<u>38,053</u>	<u>103,255</u>	<u>26,195</u>	<u>72,470</u>	<u>68,336</u>	<u>25,476</u>	<u>703,456</u>
Net increase (decrease) in fund balance	10,737	(35,471)	(1,666)	60,361	26,907	(713)	8,596	35,332	1,619	105,702
Fund balances at July 1, 2011	<u>453,281</u>	<u>382,323</u>	<u>223,298</u>	<u>154,236</u>	<u>533,398</u>	<u>27,725</u>	<u>977,261</u>	<u>1,117,466</u>	<u>148,188</u>	<u>4,017,176</u>
Fund balances at June 30, 2012	<u>\$ 464,018</u>	<u>346,852</u>	<u>221,632</u>	<u>214,597</u>	<u>560,305</u>	<u>27,012</u>	<u>985,857</u>	<u>1,152,798</u>	<u>149,807</u>	<u>4,122,878</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 Student Representation Fee Trust Fund – Combined Schedule of Balance Sheet Accounts
 June 30, 2012

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Assets										
Cash in banks	\$ —	140,250	85,884	26,459	167,928	—	11,972	97,842	—	530,335
Investments	—	—	—	—	—	—	—	—	18,371	18,371
Total assets	\$ —	140,250	85,884	26,459	167,928	—	11,972	97,842	18,371	548,706
Fund Equity										
Fund equity:										
Fund balances – designated for future expenditures	\$ —	140,250	85,884	26,459	167,928	—	11,972	97,842	18,371	548,706
Total fund equity	—	140,250	85,884	26,459	167,928	—	11,972	97,842	18,371	548,706
Total liabilities and fund equity	\$ —	140,250	85,884	26,459	167,928	—	11,972	97,842	18,371	548,706

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

Student Representation Fee Trust Fund – Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

June 30, 2012

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Revenues:										
Other	\$ —	21,774	15,982	14,962	30,009	—	25,010	24,542	12,176	144,455
Total revenues	—	21,774	15,982	14,962	30,009	—	25,010	24,542	12,176	144,455
Expenditures:										
Contract services and other operating expenditures	—	36,086	21,860	31,679	3,550	—	28,569	34,387	18,490	174,621
Total expenditures	—	36,086	21,860	31,679	3,550	—	28,569	34,387	18,490	174,621
Net increase (decrease) in fund balance	—	(14,312)	(5,878)	(16,717)	26,459	—	(3,559)	(9,845)	(6,314)	(30,166)
Fund balances at July 1, 2011	—	154,562	91,762	43,176	141,469	—	15,531	107,687	24,685	578,872
Fund balances at June 30, 2012	\$ —	140,250	85,884	26,459	167,928	—	11,972	97,842	18,371	548,706

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2012

The Los Angeles Community College District (the District) was established on July 1, 1969 and comprises an area of approximately 882 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the year. The District currently operates nine colleges as follows:

- East Los Angeles College
- Los Angeles City College
- Los Angeles Harbor College
- Los Angeles Mission College
- Pierce College
- Los Angeles Southwest College
- Los Angeles Trade Technical College
- Los Angeles Valley College
- West Los Angeles College

The Board of Trustees for the fiscal year ended June 30, 2012 comprised the following members:

Board of Trustees		
Name	Office	Term expires
Miguel Santiago	President	June 30, 2015
Tina Park	Vice President	June 30, 2013
Nancy Pearlman	Vice President	June 30, 2013
Kelly G. Candaele	Member	June 30, 2013
Mona Field	Member	June 30, 2015
Steve Veres	Member	June 30, 2015
Scott J. Svonkin	Member	June 30, 2015
Daniel Campos	Student Trustee	May 31, 2013

Administration

Dr. Daniel J. LaVista, Chancellor

Dr. Adriana D. Barrera, Deputy Chancellor

Mr. James D. O'Reilly, Executive Director, Facilities Planning and Development

Ms. Camille A. Goulet, General Counsel

Ms. Jeanette L. Gordon, Chief Financial Officer/Treasurer

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2012

College presidents

Dr. Tyree Wieder *	East Los Angeles College
Dr. Jamillah Moore	Los Angeles City College
Mr. Marvin Martinez	Los Angeles Harbor College
Dr. Monte Perez	Los Angeles Mission College
Dr. Kathleen Burke-Kelly	Pierce College
Dr. Jack E. Daniels III	Los Angeles Southwest College
Dr. Roland J. Chapdelaine	Los Angeles Trade-Technical College
Dr. A. Susan Carleo	Los Angeles Valley College
Mr. Nabil Abu-Ghazaleh	West Los Angeles College

* Interim

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Workload Measures for State General Apportionment
Annual 2011-12 Apportionment Attendance Report

Categories	State residents report data
A. Summer intersession (Summer Seg 2 only):	
1. Noncredit	\$ 943.89
2. Credit	3,695.33
B. Summer intersession (Summer Seg 1 only):	
1. Noncredit	145.05
2. Credit	3.15
C. Primary terms (exclusive of summer intersessions):	
1. Census procedure courses	
a. Weekly census contact hours	75,132.11
b. Daily census contact hours	6,368.10
2. Actual hours of attendance procedure courses	
a. Noncredit	5,025.17
b. Credit	4,319.23
3. Independent study/work experience education courses	
a. Weekly census procedure crs	5,901.76
b. Daily census procedure crs	1,995.61
c. Noncredit independent study	—
D. Total FTES	<u>103,529.40</u>
Supplemental Information	
E. In-service training courses	1,731.94
F. For future use	
G. For future use	
H. Basic skills courses	
1. Noncredit	3,189.47
2. Credit	5,847.36
I. CCFS-320 Addendum	
CDCP Noncredit FTES	3,002.18
J. Centers FTES	
a. Noncredit	NA
b. Credit	NA

See accompanying independent auditors' report.

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LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Annual Financial and Budget Report (CCFS 311)
 Year ended June 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Retirees' Health Insurance Fund	Building Fund	Student Financial Aid Fund	ASO Fund *	General Long-term Fixed Assets	Other GASB Adj to general long-term Debt	Total
June 30, 2012 total fund balances per annual financial budget report	\$ 87,138,793	64,414,469	—	(41,873,007)	537,296,968	2,939,531	4,671,583	—	—	654,588,337
Audit adjustments to fund balance:										
Adjustments to cash with bond trustee	—	—	145,865,728	—	—	—	—	—	—	145,865,728
Adjustments to accrued interest expense	—	—	(82,113,054)	—	—	—	—	—	—	(82,113,054)
Adjustments to receivables	(1,857)	1,801,073	—	—	—	—	—	—	—	1,799,216
Adjustments to payables	—	—	—	—	(2,752,558)	—	—	—	—	(2,752,558)
Adjustments to GASB45 with actuarial study	—	—	—	(926,633)	—	—	—	—	—	(926,633)
Adjustments to bookstore's reserve for inventory and facility improvements	—	3,758,243	—	—	—	—	—	—	—	3,758,243
Adjustments to worker's compensation payable reserve	1,900,000	—	—	—	—	—	—	—	—	1,900,000
Adjustments and reclass	<u>1,898,143</u>	<u>5,559,316</u>	<u>63,752,674</u>	<u>(926,633)</u>	<u>(2,752,558)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>67,530,942</u>
June 30, 2012 unaudited ending fund balance	89,036,936	69,973,785	63,752,674	(42,799,640)	534,544,410	2,939,531	4,671,583	—	—	722,119,279
Current assets:										
Adjustment to receivables	(665,724)	—	26,324,893	—	—	—	—	—	—	25,659,169
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	(562,471)	3,620,765,994	—	3,620,203,523
Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	22,346,176	22,346,176
Long-term liabilities are not booked as part of fund balances:										
G.O. Bonds	—	—	—	—	—	—	—	—	(3,504,910,000)	(3,504,910,000)
Unamortized premiums bond	—	—	—	—	—	—	—	—	(99,173,430)	(99,173,430)
Workers' compensation claims payable	—	—	—	—	—	—	—	—	(32,008,000)	(32,008,000)
General liability	—	—	—	—	—	—	—	—	(3,113,000)	(3,113,000)
Vacation benefits payable	—	—	—	—	—	—	—	—	(15,585,046)	(15,585,046)
Capital lease payable	—	—	—	—	—	—	—	—	(996,803)	(996,803)
June 30, 2012 net assets	<u>\$ 88,371,212</u>	<u>69,973,785</u>	<u>90,077,567</u>	<u>(42,799,640)</u>	<u>534,544,410</u>	<u>2,939,531</u>	<u>4,109,112</u>	<u>3,620,765,994</u>	<u>(3,633,440,103)</u>	<u>734,541,868</u>

* This includes ASO Trust Fund and Student Representation Fee Trust Fund

See accompanying independent auditors' report.

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Direct programs:			
Summer Food Service	10.559	USDA-SFSP-03-2010	\$ 52,143
Agricultural Careers for Urban Students	10.229	2009-38414-19741	46,954
Agricultural Marketing Service:			
Sylmar Farmers Market at Mission College	10.168	12-25-G-1136	31,223
Subtotal direct programs			<u>130,320</u>
Pass-through California Department of Education:			
Child Care Food Programs	10.558	19-2432-2A	709,725
Pass-through California Department of Health Services:			
Network for a Healthy California	10.561	08-85119	895,133
Network for a Healthy California	10.561	07-65327	791,570
Subtotal pass-through programs			<u>2,396,428</u>
Total U.S. Department of Agriculture			<u>2,526,748</u>
U.S. Department of Labor:			
Direct programs:			
Community-Based Job Training	17.269	CB-17355-08-60-A-6	391,121
Community-Based Job Training	17.269	CB-17347-08-60-A-6	306,806
Community-Based Job Training	17.269	CB-18241-09-60-A-6	621,022
Entertainment Artists Technicians & Crafts Training	17.261	EA-18572-09-60-A-6	14,225
Los Angeles Valley College Green Pilot	17.261	EA-21338-11-60-A-6	212,858
Pathways to 21st Century Careers	17.261	EA-21335-11-60-A-6	514,804
H-1B Technical Skills Training Grants	17.268	HG-22731-12-60-A-6	39,112
H-1B Technical Skills Training Grants	17.268	HG-22706-12-60-A-6	22,831
Workforce Investment Act and the American Recovery and Reinvestment Act:			
Recovery Act – Pathways Out of Poverty	17.275	GJ-20026-10-60-A-6	2,794,618
Subtotal direct programs			<u>4,917,397</u>
Pass-through City of Los Angeles:			
Los Angeles Fellows Program – WIA Adult	17.258	117,746	5,027
Los Angeles Fellows Program – WIA Dislocated	17.260	117,746	5,027
Hospitality Training Partnership	17.258	C-117239	196,077
Emergency Department Assistant Program/Course	17.263	T5041	14
Boyle Heights Youth Opportunity	17.259	289PCV	6,000
Boyle Height Youth Opportunity Movement	17.261	C-120091	19,543
Reconnections – UAW	17.259	T4575	151,000
American Recovery and Reinvestment Act (ARRA):			
City of Los Angeles High Growth-Healthcare-South LA-Adult	17.258	T4561/117393	31,440
City of Los Angeles High Growth-Healthcare-South LA-Dislocated	17.278	T4561/117393	91,852
South Los Angeles Healthcare Program	17.260	T4543/117414	221,408
Hospitality Training Partnership Project	17.258	C-117538	356,664
State Energy Sector Partnership Program	17.275	C-118973	180,166
Community Career Development – EMT/EDA	17.258	K078502-4575C-ELACEMT	2,368
Clean Energy Workforce Training	17.258	C117957	204,339
Clean Energy Workforce Training	17.275	C117957	135,861
Pass-through Community Career Development, Inc			
Wilshire-Metro WorkSource Center:			
American Recovery and Reinvestment Act (ARRA):			
Electrical Pre-Apprenticeship Program	17.258	T10-006CE	29,497
Electrical Pre-Apprenticeship Program	17.260	T10-006CE	1,552
Bio Tech/Manufacturing High Growth	17.258	1112-1	5,772
Bio Tech/Manufacturing High Growth	17.278	1112-1	3,990
Educational Bridge	17.258	T4562	36,832
Educational Bridge	17.260	T4562	50,999
Pass-through County of Los Angeles:			
Workforce Investment Act – Com Career Title I – Adult	17.258	A091010	67,521
Workforce Investment Act – Com Career Title I – Dislocated	17.260	DW091010	220,464
Multi-Sector Workforce Partnership	17.275	ADW091010-NO.4	83,933
Pass-through Employment Development Department:			
WIA Cal GRIP Project	17.258	K080057	346,681
Cal GRIP Urban Teacher Fellowship Program	17.258	K080060	297,259
Green Innovation Challenge Project	17.258	K079967	337,251
Digital Arts Certification Program	17.258	K183467	242,806
Urban Teacher Fellowship Program	17.261	K182086	100,000
Pass-through United Way of Greater Los Angeles:			
American Recovery and Reinvestment Act (ARRA):			

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or project number	Award or pass-through identification number	Expenditures
Pathways Out of Poverty	17.275	2010-301-140	\$ 101,075
Pass-through San Bernardino Community College District: American Recovery and Reinvestment Act (ARRA): Southern California Logistics Training Collaborative	17.275	GJ-20040-10-60-4-6	240,143
Pass-through Coalition for Responsible Community Development: Coalition for Responsible Community Development American Recovery and Reinvestment Act (ARRA): YouthBuild Program	17.275	T11GC02-03-04	90,465
Pass-through Jewish Vocational Service: Community-Based Job Training Grants	17.259	SLAYB2011	62,258
Pass-through Hollywood Work Source Center/Managed Career Solutions, Inc.: American Recovery and Reinvestment Act (ARRA): A Plus Computer Training Program	17.269	CB-20561-10-60-A-6	585,488
Pass-through The Collaboratory LLC: Trade Adjustment Assistance Community College and Career Training	17.258	4,500,144,488	22,045
	17.282	GF201	9,989
Subtotal pass-through programs			<u>4,542,806</u>
Total U.S. Department of Labor			<u>9,460,203</u>
National Science Foundation: Direct programs:			
A 2+2+2 Model for an Environmental Science and Technology Program	47.076	1,003,563	54,845
Academic and Student Support to Improve STEM Transfers	47.076	1,068,483	254,446
Subtotal direct programs			<u>309,291</u>
Pass-through University of California, Los Angeles: Computing for Underrepresented Students	47.070	0634520	15,000
Subtotal pass-through programs			<u>15,000</u>
Total National Aeronautics and Space Administration			<u>324,291</u>
U.S. Department of Energy: Pass-through Employment Development Department: American Recovery and Reinvestment Act (ARRA): LATTC Weatherization and Energy Efficiency Training Center	81.042	DE-EE0004134	295,731
Total U.S. Department of Energy			<u>295,731</u>
U.S. Department of Commerce: Direct programs:			
Improving Access to Weather Data	11.467	NA09NWS4670019	15,491
Total U.S. Department of Commerce			<u>15,491</u>
U.S. Department of Education: Direct programs:			
Higher Education Act :			
Higher Education Institutional Aid	84.031		8,108,637
Student Support Services	84.042		1,875,480
Talent Search	84.044		453,906
Upward Bound	84.047		1,655,193
Educational opportunity centers	84.066		230,142
Fund for the Improvement of Postsecondary Education	84.116		564,064
Strengthening Minority-Serving Institutions – Flying into the Future	84.382		504,972
Student financial assistance :			
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007		2,358,909
Federal Work Study Program	84.033		2,258,210
Federal Perkins Loan Program	84.038		270,409
Federal Pell Grant Program	84.063		188,144,075
Federal Direct Student Loans	84.268		36,219,757
Academic Competitiveness Grant	84.375		125,660
Subtotal direct programs			<u>242,769,414</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or project number	Award or pass-through identification number	Expenditures
Pass-through California Community College's Chancellors Office:			
Perkins Title IC	84.048	10-C01-027	\$ 28,162
Perkins Title IC	84.048	11-C01-027	4,582,803
Tech Prep Education – Los Angeles City College	84.243	11-112-741	46,970
Tech Prep Education – East Los Angeles College	84.243	11-112-748	46,970
Tech Prep Education – Los Angeles Harbor College	84.243	11-112-742	46,970
Tech Prep Education – Los Angeles Mission College	84.243	11-112-743	44,658
Tech Prep Education – Los Angeles Pierce College	84.243	11-112-744	46,970
Tech Prep Education – Los Angeles Southwest College	84.243	11-112-745	46,970
Tech Prep Education – Los Angeles Trade Technical College	84.243	11-112-746	46,970
Tech Prep Education – Los Angeles Valley College	84.243	11-112-747	46,970
Tech Prep Education – West Los Angeles College	84.243	11-112-749	46,970
Pass-through California Department of Education:			
Adult Education and Family Literacy & English Literacy	84.002	11-6474-00	1,485,293
Pass-through San Mateo County Community College District/Canada College:			
California Alliance for the Long-Term Strengthening of Transfer Engineering Programs	84.031	P031C110159	53,816
Pass-through Los Angeles Unified School District:			
GEAR UP	84.334	900,208	36,896
GEAR UP	84.334	900,263	9,196
GEAR UP	84.334	1,000,340	55,162
GEAR UP	84.334	900,418	12,892
GEAR UP	84.334	1,200,250	4,292
GEAR UP	84.334	1,200,251	29,858
Pass-through Marymount College/Project GRAD Los Angeles:			
GEAR UP	84.334	PGLA 2011-18	179,072
Pass-through University of Southern California:			
USC TRIO Upward Bound Program	84.047	MOUS 4500169875	30,587
Pass-through Cal State Los Angeles University Auxiliary Services, Inc.:			
Engaged Environmental General Education-Accelerated Student Success	84.325	ELAC230880	23,938
Pass-through California State University Dominguez Hills:			
Title V Hispanic Serving Institution Cooperative	84.031	P031S110042	102,198
Subtotal pass-through programs			<u>7,054,583</u>
Total U.S. Department of Education			<u>249,823,997</u>
U.S. Department of Health and Human Services:			
Direct programs:			
Service Focused Special Congressional Initiative	93.888	D1DHP20024-01-00	206,477
Subtotal direct programs:			<u>206,477</u>
Pass-through State of California Department of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	992,798
Pass-through California Department of Education:			
Family Child Care Homes	93.575	CFCC-1012	77,633
Family Child Care Homes	93.596	CFCC-1012	141,025
California State Preschool	93.575	CSPP-1216	117,245
California State Preschool	93.596	CSPP-1216	213,557
General Child Care and Development Program	93.596	CCTR-1116	273,237
General Child Care and Development Program	93.575	CCTR-1116	150,097
Pass-through Los Rios Community College District:			
American Recovery and Reinvestment Act (ARRA):			
Educating Information Technology Professionals in Health Care	93.721	90CC076/01 – 759100	598,068
Pass-through University of California, Los Angeles:			
UCLA Bridges to the Baccalaureate Program	93.859	5 R25 GM050067	35,992
UCLA Bridges to the Baccalaureate Program	93.859	2 R25 GM050067	73,415
Substance Abuse and Mental Health Services Administration:			
Pass-through MayaTech Corporation			
Alcohol and Drugs, Sex, & Knowledge	N/A	1097.091.MSI	85,000
Subtotal pass-through programs:			<u>2,758,067</u>
Total U.S. Department of Health and Human Services			<u>2,964,544</u>
U.S. Department of Homeland Security:			
Direct programs:			
Homeland Security – Computer Bridge Project	97.062	2011-ST-062-000044	54,289
Pass-through California Emergency Management Agency:			
FY 10 Homeland Security Grant Program	97.067	037-91130	196,196
Total U.S. Department of Homeland Security			<u>250,485</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
Environmental Protection Agency:			
Pass-through Los Angeles Conservation Corps:			
American Recovery and Reinvestment Act (ARRA):			
Brownfields Job Training Program	66.815	PO7140	\$ <u>14,436</u>
Total Environmental Protection Agency			<u>14,436</u>
Federal Transportation Administration:			
Pass-through Los Angeles County Metropolitan Transportation Authority:			
Metro University	20.514	CA-26-7100	<u>11,038</u>
Total U.S. Department of State, Bureau of Education			<u>11,038</u>
Corporation for National and Community Service:			
American Recovery and Reinvestment Act (ARRA):			
Americorps	94.006	N/A	<u>472,769</u>
Total Corporation for National and Community Service			<u>472,769</u>
Total expenditures of federal awards			\$ <u><u>266,159,733</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Financial Awards

June 30, 2012

<u>Program name</u>	<u>Cash received</u>	<u>Accounts receivable</u>	<u>Deferred income</u>	<u>Total program revenues</u>	<u>Total program expenditures</u>
Disabled Students Program and Services	\$ 3,702,191	—	—	3,702,191	5,613,082
State Matriculation (Credit)	3,537,566	—	—	3,537,566	3,717,098
State Matriculation (Noncredit)	527,450	—	—	527,450	526,519
Student Financial Aid Administration	5,472,437	—	—	5,472,437	5,955,920
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	—	—	—	—	231,962
Basic Skills	1,262,360	—	—	1,262,360	1,591,306
Extended Opportunity Program and Services (EOPS)	7,889,504	—	—	7,889,504	7,895,335
Cooperative Agencies Resource for Education (CARE)	834,283	—	—	834,283	834,282
CalWORKS Program	3,325,976	—	—	3,325,976	3,325,976
Telecommunication & Technology Infrastructure Program	—	—	—	—	66,640
Foster Care Program	763,214	459,716	—	1,222,930	1,228,827
Staff Development	—	—	—	—	25,317
Faculty & Staff Diversity	33,732	—	—	33,732	107,657
Nursing Program	1,452,165	157,904	236,981	1,373,088	1,373,089
Youth Empowerment Strategies for Success	177,240	169,020	—	346,260	346,260
Economic and Workforce Development	1,158,485	279,555	350,713	1,087,327	1,087,327
Career Technical Education	2,822,953	—	1,289,767	1,533,186	1,533,185
Math, Engineering and Science Achievement (MESA)	81,751	12,619	—	94,370	94,370
Middle College High School (MCHS)	39,782	59,672	—	99,454	99,454
Transfer & Articulation Program	—	—	—	—	337
Green Innovation Project I	1,409,827	—	—	1,409,827	1,409,827
Other State Assistance Programs	1,654,817	745,582	418,264	1,982,135	2,757,907
Child Development Pre-School Care	2,511,044	458,325	—	2,969,369	3,063,777
Child Development Services	673,831	114,037	—	787,868	808,784
Family Child Care Homes Network	392,331	12,850	—	405,181	421,357
CAL Grants	9,357,553	—	—	9,357,553	9,363,074
Osher Scholar	25,375	—	—	25,375	25,375
Total state programs	\$ <u>49,105,867</u>	<u>2,469,280</u>	<u>2,295,725</u>	<u>49,279,422</u>	<u>53,504,044</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2012

(1) General

The accompanying schedule of expenditures of federal awards and schedule of state financial awards present the activity of all federal and state financial assistance programs of the Los Angeles Community College District (the District). The District’s reporting entity is defined in the basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedules.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards and schedule of state financial awards are presented using the accrual basis of accounting.

(3) Reconciliations to Basic Financial Statements

Amounts reported in the accompanying schedule of state financial awards agree with the amounts reported in the related basic financial statements, in all material respects.

State revenues in fund financial statements:

General Fund	\$ 339,205,949
Special Revenue Fund	30,278,288
Student Financial Aid Fund	<u>12,573,153</u>
Total state revenues in fund financial statements	<u>\$ 382,057,390</u>

Total state revenues in accompanying schedule	\$ 49,279,422
---	---------------

Add:

General Fund:	
Basic and equalization aid	288,412,217
State lottery	16,754,925
Tax relief subvention	1,738,941
Other state funds	<u>818,188</u>
Total other General Fund revenues	<u>307,724,271</u>

Special Revenue Fund:

Community College Construction Act	25,053,697
Scheduled Maintenance Program	<u>—</u>
Total other Special Revenue Fund revenues	<u>25,053,697</u>
Total state revenues in fund financial statements	<u>\$ 382,057,390</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2012

(4) Loans Outstanding

The District made the following advances and had the following loans outstanding, which were held by the District as of June 30, 2012. Loan balances outstanding are included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Cluster name/program title</u>	<u>CFDA number</u>	<u>Loan advances made</u>	<u>Loan balances outstanding</u>
Student financial aid cluster:			
Federal Perkins Loans (FPL)	84.038	\$ 270,409	4,017,888
Federal Direct Student Loans	84.268	36,219,757	—
Nursing Student Loans	93.364	—	60,802

(5) Administrative Cost Allowances

Administrative cost allowances included in the accompanying schedule of expenditures of federal awards are summarized as follows:

Federal Supplemental Educational Opportunity Grant	\$ 117,478
Federal Work-Study Program	<u>107,391</u>
	<u>\$ 224,869</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2012

(6) Federal Clusters of Programs

The following table summarizes the expenditures of federal program clusters included in the schedule of expenditure of federal awards:

	<u>CFDA number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 2,358,909
Federal Work Study (FWS)	84.033	2,258,210
Federal Perkins Loan Program (FPL)	84.038	270,409
Federal Direct Student Loans (Direct Loan)	84.268	36,219,757
Federal Pell Grant Program (PELL)	84.063	188,144,075
Academic Competitiveness Grant (ACG)	84.375	125,660
		<u>\$ 229,377,020</u>
Child Care Development Fund Cluster:		
Family Child Care Homes	93.575	\$ 77,633
Family Child Care Homes	93.596	141,025
California State Preschool	93.575	117,245
California State Preschool	93.596	213,557
General Child Care and Development Program	93.596	273,237
General Child Care and Development Program	93.575	150,097
		<u>\$ 972,794</u>
TRIO Cluster:		
Student Support Services	84.042	\$ 1,875,480
Talent Search	84.044	453,906
Upward Bound	84.047	1,685,780
Educational Opportunity Centers	84.066	230,142
		<u>\$ 4,245,308</u>
TANF Cluster:		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 992,798
		<u>\$ 992,798</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2012

	<u>CFDA number</u>	<u>Expenditures</u>
Workforce Investment Act (WIA) Cluster:		
Los Angeles Fellows Program – WIA Adult	17.258	\$ 5,027
Hospitality Training Partnership	17.258	196,077
City of Los Angeles High Growth-Healthcare-South LA-Adult	17.258	31,440
Hospitality Training Partnership Project	17.258	356,664
Community Career Development – EMT/EDA	17.258	2,368
Clean Energy Workforce Training	17.258	204,339
Electrical Pre-Apprenticeship Program	17.258	29,497
Bio Tech/Manufacturing High Growth	17.258	5,772
Educational Bridge	17.258	36,832
Workforce Investment Act – Com Career Title I – Adult	17.258	67,521
WIA Cal GRIP Project	17.258	346,681
Cal GRIP Urban Teacher Fellowship Program	17.258	297,259
Green Innovation Challenge Project	17.258	337,251
Digital Arts Certification Program	17.258	242,806
A Plus Computer Training Program	17.258	22,045
Boyle Heights Youth Opportunity	17.259	6,000
Reconnections – UAW	17.259	151,000
YouthBuild Program	17.259	62,258
Los Angeles Fellows Program – WIA Dislocated	17.260	5,027
South Los Angeles Healthcare Program	17.260	221,408
Electrical Pre-Apprenticeship Program	17.260	1,552
Educational Bridge	17.260	50,999
Workforce Investment Act – Com Career Title I – Dislocated	17.260	220,464
City of Los Angeles High Growth-Healthcare-South LA-Dislocated	17.278	91,852
Bio Tech/Manufacturing High Growth	17.278	3,990
		<u>\$ 2,996,129</u>

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**INDEPENDENT ACCOUNTANTS' REPORT ON
STATE COMPLIANCE REQUIREMENTS**

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Independent Accountants' Report on State Compliance Requirements

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have examined the compliance by the Los Angeles Community College District's (the District) with the following state laws and regulations for the year ended June 30, 2012 in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- Salaries of Classroom Instructors 50% Law (421)
- Apportionment for Instructional Service Agreements/Contracts (423)
- State General Apportionment Funding System (424)
- Residency Determination for Credit Courses (425)
- Students Actively Enrolled (426)
- Concurrent Enrollment of K-12 Students in Community College Credit Courses (427)
- Gann Limit Calculation (431)
- California Work Opportunity and Responsibility to Kids (CalWORKS) – Use of State and Federal Temporary Assistance for Needy Families (TANF) Funding (433)
- Open Enrollment (435)
- Student Fees – Instructional and Other Materials (437)
- Student Fees – Health Fees and Use of Health Fee Funds (438)
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (474)
- Disabled Student Programs and Services (DSPS) (475)
- Curriculum and Instruction (476)
- To be Arranged Hours (TBA) (479)

Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we

considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, except for findings S-12-01 through S-12-08 described in the accompanying schedule of state findings and recommendations, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2012.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District's management, the California Community Colleges Chancellor's Office, and the federal and state awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vargay + Company LLP

Los Angeles, California
December 18, 2012

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

**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***

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the basic financial statements of the Los Angeles Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. 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.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses, have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the District's internal control over financial reporting to be a material weakness.

FS-12-01: Bond Program Expenditures

The District's bond program (measures A, AA, and J) is currently the largest nonoperating financial activity being undertaken by the District, with total expenditures expected to exceed \$6 billion, and currently representing over \$550 million in annual expenditures. We performed testwork over the expenditures made with the use of bond proceeds for the year ended June 30, 2012, using a sample of 942 items and representing \$271.7 million in expenditures for the combined measures. The District engages a



service provider to manage, process, and account for the bond proceeds. The District separately records in its financial statements the expenditures processed by its service provider, and other entries as required by U.S. Generally Accepted Accounting Policies (GAAP). The following findings address the controls and process activities at both the service provider and the District.

Criteria

Given the size and magnitude of the bond program, management of the District should have adequate controls in place over bond expenditures such that they are recorded regularly and accurately, and no less than monthly, in the financial statements of the District and the individual bond expenditure reports, and be subject to an independent review.

Observations and Recommendations

The service provider accounts for expenditures on a cash basis. As a result, expenditures are frequently reported in the wrong period. We noted approximately \$2.75 million and \$14 million, for 2012 and 2011, respectively, of bond expenditures that were not recorded in the financial statements of the District or the individual bond reports in the proper period. While there may be system limitations, the service provider, along with the District, should develop and enforce control processes that would ensure all expenditures are reported timely and accurately in the financial statements of the District and the separate bond expenditure reports.

Amounts expended and provided to the District by the service provider are reported in the financial records of the District as expended. During the 2011 audit, we identified control weaknesses in the bond expenditure reconciliations and recommended that the District implement a documented reconciliation process. The District has developed a written monthly reconciliation process that was implemented in 2012. However, we believe the process needs to be enhanced as reconciliations between amounts recorded by the service provider and amounts recorded by the District are not prepared properly, and do not identify adjustments that need to be made to the financial statements of the District or the separate bond expenditure reports. Additionally, we did not identify a process whereby an individual, separate from the preparer of such information, performs a formal monthly, and documented review of the reconciliation or an evaluation that the amounts are reported completely, accurately or timely. As a result, other accounting entries required under GAAP, including the allocation of program management fees, are not properly recorded throughout the year, causing undue inefficiencies and inaccuracies in the preparation of the financial records of the District.

We recommend that there be a district employee dedicated to accounting for the expenditures of bond funds and that these types of control activities occur monthly and are properly reconciled to amounts provided by the service provider. Additionally, we recommend that the controls and processes in place to reconcile bond expenditures in the financial statements of the District to those provided by the service provider be available, such that other district employees would have sufficient information to perform this function during periods of employee transition.

Cause

The procedures in place for the recording and review of bond expenditures in the financial statements of the District or the separate bond expenditure reports require enhancement to include a proper reconciliation and review process. The service provider recording expenditures on a cash basis without a strong trail of contemporaneously prepared documentation for nonroutine transactions, coupled with a lack of timely



coordination and reconciliation of amounts expended between the District and the service provider contribute to the issues noted.

Views of Responsible Officials

All financial statements are currently reported on accrual basis and comply with U.S. Generally Accepted Accounting Policies (GAAP). The amount of \$2.75 million for 2012 of bond expenditures has been recorded in the current financial statements of the District and the individual bond expenditure reports. Management agrees that certain amounts were not recorded in the proper period due to the nature of estimating the accrued amounts by campus project management staff and other vendors on the program. Further improvements will be implemented to include additional training to campus project management staff and other vendors on the program and an increase in oversight by BuildLACCD.

The District will continue to work on the implementation of its newly developed monthly reconciliation process and provide additional training to enhance the process to ensure reconciliations are prepared timely and properly and that any adjustments that need to be made to the financial statements are made. We will also add a procedure to the process that will more clearly identify that an individual separate from the preparer of such reconciliations performs a formal monthly and documented review of the reconciliation as required in the written procedures.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

FS-12-02: Information Technology Security and Change Management

Condition and Context

During our review of the District's IT controls during the fiscal 2007 audit, we identified control weaknesses in the areas of security and change management. These included the sharing of user accounts, extensive superuser access, and informal change management processes. These issues were determined to be significant deficiencies in the District's system of internal controls. During the fiscal 2012 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the audit.

The District continues to make progress in remediating the previously identified issues; however, control weaknesses have not been remediated to a level where general internal controls can be relied upon for audit purposes and the significant deficiencies continued to exist during fiscal year 2012.

While the District implemented the Security Weaver tool to control access to the SAP environment, and a formal process for change management and the Mercury Quality Center application to manage its change management process, certain legacy control weaknesses continue to exist. The sharing of user accounts in and the lack of segregation duties over the administrative access to database environment, the operating system underlying SAP, and the SAP application, and the access to migrate program changes were found during the 2012 audit.

Cause and Effect

During 2006-2007, the District completed postimplementation activities for a new Enterprise Resource Planning System (SAP). At that time, management indicated that certain access controls were not fully implemented and certain duties needed to be shared. While not ideal from a control standpoint, this also is not unusual for organizations that must continue to support business operations as complex systems implementations are being completed. However, weaknesses in the IT controls can significantly



compromise both the security and accuracy of the data within a system and it is important that adequate controls are implemented.

With regard to change management, once a system is operational, further changes to the system are usually required to meet the business' developing needs. Such changes should be subjected to controls as formal as those used in the development or implementation of a new system. If there are weaknesses in managing system changes, the benefits originally gained by controlling the system's implementation can be quickly lost as subsequent changes are made.

Recommendation

We recommend that management continue to evaluate, define, and implement the IT internal controls, which Security Weaver and the Mercury Quality Center were designed to support, starting with a baseline of appropriate users with administrative and other elevated levels of access within SAP, the underlying database and operating systems. Each user should be assigned a unique user ID, whenever possible. In the rare cases where user IDs must be shared, controls should be established to monitor their usage. While we did not perform procedures over the periodic review of users, such controls should be established to validate users and their access rights are commensurate with their current job responsibilities.

1. We recommend that management evaluate and define the IT internal controls which Security Weaver and the Mercury Quality Center were implemented to support, including segregation of duties.

Views of Responsible Officials

Security Weaver access control has been implemented for IT staff. Mercury Quality Center has also been implemented to record and process issues and application changes. Information Technology has submitted recommendation for an increased level of staffing to address segregation of duties issues (SOD) and a higher level of Security Weaver control is being implemented to mitigate SOD issue via management oversight. An ongoing quarterly review of system access is in place designed to adjust IT staff access as business requirements change

2. The identification of IT internal controls should include a baseline of appropriate users with administrative and other elevated levels of access within SAP, the underlying database and operating systems.

Views of Responsible Officials

We agree with the auditors' comments, and we will continue to adjust access as business needs change and staffing levels are adjusted. Reviews are conducted periodically on a quarterly basis of Information Technology application support staff that was moved to Security Weaver for management oversight of elevated access. Access adjustments are continually being made to the minimal levels while still maintaining acceptable service levels. An Information Technology access quarterly review is conducted and access is adjusted as appropriate to balance security needs against business needs with current staffing levels. Information Technology continues to adjust access as appropriate and more basis staff will be moved to Security Weaver to mitigate SOD issues until staffing levels stabilize. We will propose a review of senior division manager roles on a yearly schedule.

The Information Technology SAP Team and SAP Security Manager conducts quarterly reviews to evaluate Information Technology elevated access and makes access adjustments that are deemed necessary. Furthermore, access to underlying databases and operating systems is restricted to technical staff responsible for supporting these systems.



3. Each user should be assigned a unique user ID, whenever possible. In the rare cases where user IDs must be shared, controls should be established to monitor their usage.

Views of Responsible Officials

We agree with the auditors' comments, the District limits shared access. Generic superuser or SA (Systems Administration) accounts are restricted and used only when unique user accounts are unable to perform key system level functions. Where access is shared and there is a legitimate need for such, appropriate controls are in place to monitor usage. However, the following improvements have been made; access has been reduced to an acceptable level. A quarterly review has been implemented and conducted by the SAP Security Manager to determine if the access is still appropriate and if any adjustments need to be made. System logs and other monitoring tools are used to perform monitoring and system auditing functions as required for management oversight.

4. While we did not test perform procedures over the periodic review of users, such controls should be performed to validate users and their access rights are commensurate with their current job responsibilities.

Views of Responsible Officials

A clarification is needed to correct a miss understanding of how accounts are provisioned using SAP. The vast majority of user accounts are provisioned via SAP Human Resources module by the District's Business Departments and Operational Management without IT involvement; i.e., Provisioning in SAP HR is linked to a position and not to a person. When the position is vacated or filled – the provisioning of user access is handled by the business approvals recorded in the SAP HR Personnel Change Request system, which is business driven with approval workflow. For Security Weaver Access Controls is used to monitor IT access for application support. For Basis Support – IT management oversight is provided by leads and the IT Basis Manager using audit reports and periodic reviews. In addition, a quarterly review takes place as identified in item 2 above. Access controls have been and will continue to be adjusted as part of the scheduled quarterly review process. Also, password rights are reset every 90 days and automatically deactivated if no activity is detected. In addition, a review process is conducted quarterly to confirm if administrative access is still needed. If not, user administrative access is removed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described above. However, we did not audit the District's response, and accordingly, we express no opinion on the response.



This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 19, 2012

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 OMB Circular A-133

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

Compliance

We have audited the compliance of the Los Angeles Community College District (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2012, except the requirements discussed in the second paragraph of this report. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We did not audit the District's compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program described in the Compliance Supplement. Those requirements govern functions performed by Xerox Education Services, Inc. dba ACS Education Services, Inc. (ACS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ACS's compliance with the requirements governing the functions that it performs for the District for the year ended June 30, 2012 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ACS's compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Los Angeles Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings F-12-01 and F-12-02.

Internal Control over Compliance

Management of Los Angeles Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Los Angeles Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Los Angeles Community College District's internal control over compliance.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Compliance Supplement are performed by ACS. Internal control over compliance related to such functions for the year ended June 30, 2012 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide. Our report does not include the results of the other accountants' testing of ACS's internal control over compliance related to such functions.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses in internal control over compliance*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and which are described in the accompanying schedule of findings and questioned costs as Findings F-12-01 and F-12-02. A significant deficiency in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District's management, the California Community Colleges Chancellor's Office, and the federal and state awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vargay + Company LLP

Los Angeles, California
December 18, 2012

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Independent Auditors' Report on Schedule of Expenditures of Federal Awards

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the accompanying schedule of expenditures of federal awards of the Los Angeles Community College District (the District) for the year ended June 30, 2012. This schedule is the responsibility of the District's management. Our responsibility is to express an opinion on this schedule 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 schedule of expenditures of federal awards is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures of federal awards, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the federal expenditures of the Los Angeles Community College District for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District's management, the California Community Colleges Chancellor's Office, and the federal and state awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Los Angeles, California
December 18, 2012

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Federal Awards

- (a) Internal control over major programs:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See Items F-12-01 and F-12-02.**
- (b) The type of report issued on compliance for major programs:
- Student Financial Assistance Cluster – **Unqualified.**
 - Higher Education Institutional Aid – **Unqualified.**
 - Career and Technical Education (CTE) Basic Grants to States (Perkins IV) – **Unqualified.**
 - TRIO Cluster – **Unqualified.**
 - Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (ARRA) – **Unqualified.**
- (c) Any audit findings that are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes.**
- (d) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**
- (e) Major programs:
- U.S. Department of Education:
- Student Financial Assistance Cluster:
 - 84.007 Federal Supplementary Educational Opportunity Grants (FSEOG)
 - 84.033 Federal Work Study (FWS)
 - 84.038 Federal Perkins Loan (FPL)
 - 84.268 Federal Direct Student Loans (Direct Loan)
 - 84.063 Federal Pell Grant Program (PELL)
 - 84.375 Academic Competitiveness Grant (ACG)
 - Higher Education Institutional Aid
 - 84.031 Higher Education Institutional Aid
 - 84.031 California Alliance for Long-term Strengthening of Transfer Engine
 - 84.031 Title IV Hispanic Serving Institution Cooperative
 - CTE Basic Grants to States (Perkins IV) – CFDA 84.048

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- TRIO Cluster
 - 84.042 Student Support Services
 - 84.044 Talent Search
 - 84.047 Upward Bound
 - 84.066 Educational Opportunity Centers
 - 84.047 USC TRIO Upward Bound Program

U.S. Department of Labor:

- Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (ARRA)
 - 17.275 Recovery Act – Pathways Out of Poverty (ARRA)
 - 17.275 State Energy Sector Partnership Program (ARRA)
 - 17.275 Southern California Logistics Training Collaborative (ARRA)
 - 17.275 Pathways Out of Poverty (ARRA)
 - 17.275 Clean Energy Workforce Training (ARRA)
 - 17.275 Coalition for Responsible Community Development

- (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **No.**

(7) Summary of Current Year Findings and Questioned Costs Relating to Federal Awards

	<u>Finding number</u>
1. Student Financial Assistance – Special Tests and Provisions – Verification	F-12-01
2. Recovery Act – Pathway Out of Poverty – Eligibility	F-12-02

Finding F-12-01 – Special Tests and Provisions – Verification

Federal Program Information

Federal Catalog Number: 84.063, 84.007, 84.268, 84.033

Federal Program Name: Federal Pell Grant, Federal Supplementary Educational Opportunity Grant (FSEOG), Federal Direct Student Loans, Federal Work Study

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: Los Angeles Valley College

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Federal Award Number and Award Year: OPE ID No. 00122800, July 1, 2011 to June 30, 2012,
Federal Pell Grant ID: P063P110036
Federal FSEOG Grant ID: P007A110457
Federal Direct Loans Grant ID: P268K120036
Federal FWS Grant ID: P033A110457

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668-Student Assistance General Provisions – Subpart B – Standards for Participation in Title IV, HEA Programs, Section 668.54 (a)(2) states the following:

- (i) An institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary, to verify all of the applicable items specified in Section 668.56, except that no institution is required to verify the applications of more than 30% of its total number of applicants for assistance under the Federal Pell Grant, Federal Direct Stafford/Ford Loan, campus-based, and Federal Stafford Loan programs in an award year.
- (ii) An institution may only include those applicants selected for verification by the Secretary in its calculation of 30% of total applicants.

Identified Condition

During our testing, we sampled 20 student applicants from the list of applicants from Los Angeles Valley College (LAVC) that were selected for verification by the Department of Education (DOE) for further verification. We noted that 3 out of 20 students sampled were not verified by the LAVC. Based on further review and inquiry, we found that the LAVC only verified 26% of the applicants selected by the DOE for verification which was below the 30% requirement imposed by the Guideline.

Subsequently, LAVC verified 386 additional applications, including the 3 exceptions above, to meet the 30% requirement. Based on the testing done on those additional verifications, we noted the following:

- 4 out of 10 additional student applications sampled received grant awards that were in excess of the eligible amounts because either the untaxed income of the student was not considered in the calculation of Expected Family Contribution (EFC) or, the income reported was lower than the tax return provided.
- LAVC has met the 30% requirement of the Guideline although these verifications were done after federal aid assistance had been granted.
- 1 of the 3 initial exceptions above can no longer be addressed by LAVC because the student is no longer enrolled in the campus.

Questioned Costs

\$8,597 (\$4,600 for the 1 student who can no longer be verified plus \$3,997 for the 4 students who received grant awards in excess of eligible amounts).

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure proper monitoring of applicant verifications to ensure compliance with federal guidelines.

Recommendation

We recommend that the District implement stricter controls to ensure that application verifications are conducted in accordance with federal guidelines.

Views of Responsible Officials and Planned Corrective Actions

Valley College's Response

Los Angeles Valley College did not properly monitor the number of verified files to ensure compliance with regulations mandating a minimum of 30% verification in academic year 2011-2012. Per Valley College Information Technology staff, a filter was created in EDEExpress to choose some files for verification from those selected by the Department of Education, which were properly verified by staff; however, there were no internal controls in place that monitored the component of reaching the minimum requirement of 30% of applicants.

Personnel changes that occurred in 2011-12 likely led to this deficiency. In response to the audit finding, a district technical team reviewed the EDEExpress settings at Valley College. The filter worked successfully for 2010-2011. For 2012-2013, the settings were correctly changed and eliminated the filter to verify 100% of those selected for verification.

As a corrective action plan, for the duration of the 2012-2013 award year, the Valley College Financial Aid Manager will provide internal control procedures and quarterly assessment reports to a quality assurance team composed of LACCD Financial Aid Managers who will perform periodic assessments to ensure that internal controls are implemented and in compliance.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Finding F-12-02 – Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (ARRA) – Eligibility

Federal Program Information

Federal Catalog Number: 17.275
Federal Program Name: Recovery Act – Pathways Out of Poverty (ARRA)
Federal Agency: U.S. Department of Labor
Pass-Through Entity: N/A
Campus: District
Federal Award Number and Award Year: Grant Number: GJ-20026-10-60-A-6

Criteria or Requirement

The Recovery Act and the Green Jobs Act funds projects that provide education and training, job placement, and supportive services to individuals who are seeking pathways out of poverty and into employment in the industries. Accordingly, this program must serve only individuals: (i) who are at least 18 years of age; (ii) who are citizens and nationals for the US; (iii) under the selective service registration; and (iv) who fall into one or more of the following categories: unemployed individuals, high school dropouts, individuals with a criminal record and lives within selected areas of high poverty.

Identified Condition

During our testing to determine compliance with eligibility requirements of the grant, we noted that documentation supporting eligibility of 13 of 35 participants sampled cannot be located. According to the program personnel interviewed, the files might have been lost when they moved to their new office last year.

Questioned Costs

Not applicable.

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure that documentation supporting eligibility of the program participants is secured.

Recommendation

We recommend that the District implement stricter controls to ensure that documentation supporting eligibility of program participants are properly secured. The District should consider scanning the participant files as back-up in the event that the original files get lost.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Views of Responsible Officials and Planned Corrective Actions

Going forward on future grant programs, we will deploy a series of document-saving protocols, which includes, but are not limited to, the following:

- Implement the process of scanning ALL participant files as a “back-up” in case files get lost or misplaced. This will provide us with a duplicate copy of required participant program documentation for audit and program-related research purposes;
- Label moving boxes according to program title and dates (if physical location where files are maintained will be moved);
- Develop a master inventory of moving boxes, which will be co-signed by a manager of the moving company (signifying personal responsibility for such boxed items); or
- LACCD staff will sign-off on the inventory list, which will validate all items within the moving boxes are received;
- All contents of the moving boxes shall be inventoried again to assure full accountability of all participant files/documentation.

SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2012

(8) Summary of State Findings and Recommendations

	<u>Section</u>	<u>Finding number</u>
1. State General Apportionment Funding – Census Reporting	424	S-12-01
2. State General Apportionment Funding – Course Outline of Record	424	S-12-02
3. Concurrent Enrollment of K-12 Students in Community College Credit Courses-Teacher Minimum Qualifications	427	S-12-03
4. To Be Arranged Hours – Attendance Documentation	479	S-12-04
5. To Be Arranged Hours – Advertisement and Course Outline of Record	479	S-12-05
6. Disabled Student Programs and Services (DSPS) – Student Eligibility	475	S-12-06
7. California Work Opportunity and Responsibility to Kids (CalWORKS) – Allowable Costs and Eligibility	433	S-12-07
8. Curriculum and Instruction – Board Approval and Course Outlines	476	S-12-08

S-12-01 – State General Apportionment Funding (Section 424) – Census Reporting

State Criteria

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. Each district is required to adopt procedures for the clearing of inactive enrollment in census-based courses.

- CCR, Title 5, Section 58030 and 58004(c)

Attendance Accounting is the basis for state apportionment and is a legal procedure for which both the District and individual colleges are accountable and subject to audit. The District is required by both federal and state agencies to maintain accurate auditable records of student enrollment and attendance. At a minimum, a faculty must provide attendance records for the required period and must exclude nonparticipating students. Census attendance and mandatory exclusion rosters are due eight days after census.

- Los Angeles Community College District (the District) Administrative Regulation E-13, Attendance and Attendance Accounting

Identified Condition

During the test work performed to ensure the accuracy of the FTES generated by the student information system (SIS), we reviewed the census rosters, which are required by District policy, and mandatory exclusion rosters to ensure that the FTES per roster agreed to the SIS report. We noted that the FTES per

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2012

the SIS report for 53 of 245 class sections sampled did not agree with the District supporting documentation. These differences consisted of the following:

- 53 class sections at West LA (19), Harbor (16), Mission (8), Valley (4) and City (6) colleges where the supporting census rosters either cannot be located (42 instances) or cannot be audited because the census rosters were not properly completed (11 instances). However, we were able to review the corresponding mandatory exclusion rosters.
- 2 class sections at Valley College where the exclusion rosters supporting the FTES per SIS report cannot be located.

We noted that the District monitoring controls over document retention at these campuses were not sufficient to ensure that the rosters required by Board adopted policy were retained to support apportionment claimed. As such, it appears that the District does not have support for all FTES on the SIS report.

Total reported FTES on the 320 report submitted to the State for the fiscal year ended June 30, 2012 amounted to 103,529.

Full-Time Equivalent Students (FTES)

0.7514 FTES of the 1,175.09 FTES sampled

Questioned Costs

\$3,430.01 (0.7514 FTES exceptions x \$4,564.83) which represents the FTES claimed on 2 of 245 class sections sampled that have missing exclusion rosters. No costs were questioned for class sections that have missing or incomplete census rosters because we were able to examine the corresponding exclusion rosters which identified active students on the census date.

Recommendation for Corrective Action

We recommend the District strengthen its control processes to help ensure that FTES per the SIS report are adequately supported, accurate, and complete in accordance with its Board-adopted policy. The District should strengthen controls to ensure that census rosters, mandatory exclusion rosters and other supporting documentation are properly retained.

District Response

Harbor College

The corrective action is to have the division chairs review the census rosters at the division offices, where the rosters will be collected and subsequently submitted to the Admissions Office and rechecked by the admissions and records personnel.

Mission College

The fall 2012 Census Roster cover memo has already been revised to provide more detailed instructions for faculty. The Senior Supervisor of Admissions or designee will be on the agenda of the Council of

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2012

Instruction every month to provide updates on missing Census and other Rosters. Updated Instructions, based on audit finding, will be distributed to chairs to forward to their department instructors. Incomplete or Missing Census Rosters will be reported via email in an Excel file to department chairs. If there is no response from the chairs, incomplete or missing rosters will be reported to the Academic Affairs administrator.

The Senior Supervisor of Admissions and Records will attend the monthly Council of Instruction meeting to provide Department Chairs with training and updates on roster maintenance. Effective immediately, Mission College will more carefully review for accuracy and completeness all Census Rosters when they are received at the counter. Department chairs will be informed when inaccurate or incomplete Census Rosters are received by Admissions.

West LA College

In all future scheduling, Academic Affairs will consult the course outline of record to ensure that there is no material difference between the class hours indicated in the course outline and the total hours indicated in the class schedule.

However, Census rosters are not required for Accounting Method 1 or A (independent study). With advice from the district accounting and legal departments, the District Admissions and Records committee is considering the elimination of census rosters where possible. Until the point when census rosters may be eliminated, Admissions and Records will continue to issue multiple reminders in multiple formats to faculty. In addition, warnings about late or missing rosters will now be issued at the Vice-President or Dean level, rather than by Admissions and Records staff. Where necessary, information about missing rosters will be escalated to the level of the college President.

Admissions and Records do not have the authority or any mechanism with which to truly “enforce” the collection of rosters of any kind, as the recommendation suggests. However, both Admissions and Records and the LACCD will continue their practice of sharing late roster information with Academic Affairs. Academic Affairs has only one clear mechanism with which to truly enforce roster collection: faculty evaluations. Academic Affairs intends to use faculty performance evaluations as a method of enforcement in roster collection where necessary.

Management within Admissions and Records has instructed staff to return improperly marked census rosters, coupled with instructions for proper submission. Admissions and Records will continue its practice of submitting instructions for proper roster use, on multiple occasions and in multiple formats where necessary.

City College

The master list of census rosters now available from the District office will be used to follow up with instructors with the help of the Office of Academic Affairs. Progressive communications will be used for those instructors who have not turned in census rosters on time. In addition, Census Rosters will be reviewed by the Admissions and Records office before they are scanned for completeness and accuracy. At the annual fall Flex Day and New Faculty Workshops, the Admissions and Records office will review audit results with faculty.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2012

Valley College

Since spring 2012, the Los Angeles Valley College Office of Admissions and Records has made key changes in:

- The communication process for deadlines, roster collection and notification of outstanding rosters
- The tracking of roster collection
- Partnering with Academic Affairs to collect delinquent rosters

Admissions and Records was asked, specifically, to report on changes to the collection methodology for Mandatory Exclusion and Census Rosters.

S-12-02 – State General Apportionment Funding (Section 424) – Course Outline of Record

State Criteria

Scheduling of courses must be consistent with the total number of class hours indicated in the approved course outline of record. Reasonable variances are permitted if due to legitimate scheduling considerations caused by course compression, computational exigencies, or exceptions provided for in CCR, Title 5.

Identified Condition

During the test work performed to ensure the consistency of class hours per class schedules against the course outline of record, we noted that 2 of 245 courses sampled showed class hours in the schedule of classes that are significantly different from the course outline of record.

- 2 class sections at West and Harbor colleges where the class hours indicated in the course outline were significantly different from the class hours in the class schedule. Further review and inquiry revealed that the information printed in the schedule of classes sampled was incorrect.

We noted that the District monitoring controls over the printing of schedule of classes at these campuses were not sufficient to ensure that the total number of class hours in the printed schedule matches the course outline of record.

Total reported FTES on the 320 report submitted to the State for the fiscal year ended June 30, 2012 amounted to 103,529.

Full-Time Equivalent Students (FTES)

Understatement in FTES claimed by 3.22. A total of 1,175.09 FTES was sampled.

Questioned Costs

No questioned costs because the FTES claimed was understated.

Recommendation for Corrective Action

We recommend the District strengthen its control processes to help ensure that the total number of class hours in the class schedules is consistent with the course outline of record.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2012

District Response

Harbor College

The action plan to prevent scheduled hour mismatches is to assign more people to check for discrepancies, namely the division chairs and their support staff. The information to achieve this goal is available from the District database.

West LA College

In all future scheduling, Academic Affairs will consult the course outline of record to ensure that there is no material difference between the class hours indicated in the course outline and the total hours indicated in the class schedule.

S-12-03 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications

State Criteria or Requirement

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.

- CCR, Title 5, Section 53430

Identified Condition

During testwork performed to ensure that instructors met minimum qualification requirements to teach class sections with concurrently enrolled K-12 students, we noted the documentation supporting minimum qualifications cannot be located for the 3 instructors from City (1), Valley (1) and Southwest (1) colleges of the 45 total instructors sampled. According to the District HR Personnel, the files might have been misplaced during the office renovation.

There appeared to be a lack of controls in place to ensure that documentation supporting minimum qualifications of instructors was properly retained and secured at all times.

Full-Time Equivalent Students (FTES) Impact

12.58 FTES of the 371.58 FTES sampled.

Questioned Costs

\$57,425.56 (12.58 FTES exceptions x \$4,564.83)

Recommendation for Corrective Action

We recommend the District strengthen the controls to ensure that documentation supporting instructor qualifications is complete and properly retained in the personnel files and is secured at all times.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2012

District Response

Below you will find the Corrective Action Plan to the 2012 State Compliance findings of Instructor Minimum Qualifications.

1. Provide Colleges with the following reports on a scheduled basis:

- Employees Disqualified – not meeting MQ’s; Colleges will be instructed to not assign course work in discipline listed on this report for employee.

District Office Human Resources

January 2013

- Mismatch of employee class schedule (Protocol OR Oracle-PeopleSoft) and SAP Academic Qualifications screen, IT9022. This will inform the Colleges that employees on – this report have not been cleared in the Discipline they are scheduled to teach and must submit proof of meeting MQ’s.

District Office Human Resources

July 2013

- Provide a list of current adjuncts who are assigned a low FTE value and may be able to take additional courses. Colleges will be encouraged to use this list for last – minute hiring, since these adjuncts have been cleared to teach in the disciplines listed on the report.

District Office Human Resources

January 2013

2. Provide Colleges with an FAQ; highlight the consequences for not submitting transcripts and having no proof of minimum qualifications. To be distributed to Deans and Department Chairs. Provide an example of “fine” or District liability.

Vice Chancellor of Educational Programs & Institutional Effectiveness & CIO’s to form sub-committee
Due January 2013

3. Encourage – Colleges to create a pool perspective Adjuncts in spring for fall. To be done by Department Chairs and Deans. Consult with CIO’s Council.

Vice Chancellor of Educational Programs & Institutional Effectiveness & CIO’s *June 30, 2013*

4. Use of the State Registry to advertise Adjunct vacancies.

Vice Chancellor of Educational Programs & Institutional Effectiveness & CIO
January 2013

5. Develop a Faculty Hiring Handbook for Colleges, include a checklist that makes transcripts a mandatory document for all new hires and site examples of problem areas and how to resolve. Include access and authorizations to Academic Qualifications screen IT 9022 to show Colleges how to view approved or denied qualifications for a particular employee. Attend College Department Chair meetings for presenting new process and gather more feedback.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2012

Faculty MQ workgroup

June 2013

6. Have adjuncts self screen themselves on District or College websites by answering questions about Minimum Qualifications (self assessment).

Vice Chancellor of Educational Programs & Institutional Effectiveness & District Office Human Resources

June 2013

7. Set up an email address for Colleges to ask questions regarding candidate qualifications. District Academic Senate will respond to online inquiries.

Vice Chancellor of Educational Programs & Institutional Effectiveness & District Office Human Resources

June 2013

S-12-04 – To Be Arranged Hours (Section 479) – Attendance Documentation

State Criteria or Requirement

TBA Definition: 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 CCR, title 5, sections 58003.1 (b) and (c), respectively.

Districts need to track TBA hours per participating student carefully to ensure that apportionment is not claimed for TBA hours of students who have documented zero course hours as of census point.

- To Be Arranged (TBA) Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- Second TBA Hours Follow-up Memorandum, June 10, 2009
- TBA Hours Follow-up Memorandum, January 26, 2009
- Education Code sections 84040 and 88240

Identified Condition

During the test work performed to ensure that apportionment claimed for TBA courses is adequately supported, we noted that 7 TBA courses (2 from City College and 5 from West LA College) of 73 TBA courses sampled did not have census rosters or similar attendance forms.

There appeared to be a lack of procedures to ensure that attendance rosters for TBA courses at these campuses are distributed to the instructors at the beginning of the class and are returned to Admissions and Records when completed.

Full-Time Equivalent Students (FTES) Impact

25.2374 FTES exceptions of the 345.55 FTES sampled.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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Questioned Costs

\$115,204.44 (25.2374 FTES exceptions x \$4,564.83)

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that attendance documentation supporting apportionment is distributed and collected for all TBA courses in accordance with the State requirements.

District Response:

West LA College

Over the past several semesters, Academic Affairs has drastically reduced the percentage and number of courses identified as “TBA”. Academic Affairs plans to continue this trend until “TBA” scheduling is eliminated whenever possible.

Admissions and Records will continue its practice of issuing multiple roster reminders in multiple formats to faculty. In addition, Admissions and Records will continue its practice of sharing information about missing rosters with Academic Affairs. Academic Affairs plans to enforce the collection of rosters through faculty performance reviews.

Finally, Admissions and Records will inspect and return incomplete census rosters to faculty and will reiterate its written instructions for how to properly submit a census roster. Where necessary, Admissions staff may verbally instruct faculty in how to properly submit census rosters.

City College

The Office of Academic Affairs is reviewing its methodology in the number of courses identified as TBA. The Office of Academic Affairs plans to continue this trend until “TBA” scheduling is eliminated whenever possible. In addition, the master list of TBA rosters now available from the District office will be used to follow up with the instructors together with the help of the Office of the Academic Affairs. Many of the academic departments keep their own records so the master TBA list from the district office will help the Admissions and Records Office check the accuracy of the records being kept by the departments.

S-12-05 – To Be Arranged Hours (Section 479) – Advertisement and Course Outline of Record

State Criteria or Requirement

Some courses with regularly scheduled hours of instruction have “hours to be arranged” (TBA) as part of the total contact hours for the course. A clear description of the course, including the number of TBA hours required, must be published in the official general catalog or addenda thereto AND in the official schedule of classes or addenda thereto.

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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 are informed of these instructional activities and expectations for completion. Failure of the District to comply with the course approval requirements, including having a course outline of record, could result in termination of course approval.

- To Be Arranged (TBA) Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- Education Code sections 84040 and 88240
- CCR, Title 5, Section 58102, 58104 and 55100

Identified Condition

During the test work performed to ensure that the TBA courses are included in the course outlines and are announced in accordance with the State regulations, we noted deficiencies in the course announcement of 32 of 73 TBA courses sampled. These deficiencies consisted of the following:

Course Announcement: 32 of 73 TBA courses sampled were not announced in accordance with the requirements for TBA courses.

- 28 TBA courses at Mission (13), Harbor (11) and West LA (4) colleges were published in the general catalog without the information as to the TBA-hour requirement.
- 1 TBA course examined at Mission College was published in the class schedule without the information as to the TBA-hour requirement.
- 3 TBA courses at Harbor College were published in the class schedule without the section number information or an instruction on where to obtain the section number information to enroll in the class.

There appeared to be a lack of procedures in these campuses to ensure that TBA courses are properly advertised in the general catalog and schedule of classes in conformance with the State requirements.

Course Outline: We noted that the instructional activities for the TBA portion of 2 of 73 TBA courses sampled were not presented in the official course outline.

- Course outlines reviewed for 2 TBA courses at Mission College did not indicate specific instructional activities for the TBA portion of the course.

There appeared to be a lack of procedures in Mission College to ensure that the course outlines include instructional activities pertaining to the TBA portion of the courses offered in its campus.

Full-Time Equivalent Students (FTES) Impact

Improperly Announced TBA Courses – 168.4067 FTES exceptions of the 345.55 FTES sampled.

TBA Courses with no Course Outlines – 5.8143 FTES exceptions of the 345.55 FTES sampled.

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Questioned Costs

No questioned costs because FTES claimed for the TBA class sections sampled represent active students as of census date. TBA class sections sampled that were not supported by census rosters were questioned as part of Finding no. 12-04.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure TBA courses are announced in the general catalog and schedule of classes with the TBA-hour requirement and the section information or information on how to obtain the section information so students can enroll in the course.

For those TBA courses with no course outlines, we recommend that the District strengthen controls to ensure that a clear and complete description of instructional activity is included in the course outlines of those courses with TBA components.

District Response:

Harbor College

The corrective action is to include the TBA language in the catalog, as required. The language in the catalog will be consistent with the language in the schedule of classes.

Mission College

The LAMC Curriculum Committee will develop TBA addendums to ECD (Course Outline of Record) as appropriate. Also, approved ECD with TBA will be posted online. The Academic Scheduler will ensure that TBA courses in the Schedule of Classes will be clearly marked with section number or contact information for the instructor of record as applicable.

In regards to the missing course outlines, the LAMC Curriculum Committee will develop TBA addendums to ECD (Course Outline of Record) as appropriate. Also, approved ECD with TBA will be posted online.

West LA College

Over the past several semesters, Academic Affairs has drastically reduced the percentage and number of courses identified as “TBA”. Academic Affairs plans to continue this trend until “TBA” scheduling is eliminated whenever possible. Nevertheless, catalogs published in the future will contain a clear description of any TBA courses along with the number of TBA hours required for the course. If errors are discovered in the published paper-based catalog, corrections can be issued in electronic versions of the catalog, in future paper editions of the catalog and in the class schedule.

S-12-06 – Disabled Student Programs and Services (DSP&S) (475) – Student Eligibility

State Criteria or Requirement

A student with disability or a disabled student is a person enrolled at a community college who has a verified impairment which limits one or more major life activities as defined in 28 CFR 35.104, and which

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imposes an educational limitation as defined in Section 56004. For purposes of reporting to the Chancellor under Section 56030, students with disabilities shall be reported in the categories described in Sections 56032-44.

Documentation that students meet these criteria should be available in their files. These files should include but are not limited to the following: (i) a signed application for services and verification of enrollment at the community college; (ii) verification of disability and identification of educational limitation(s) due to disability; (iii) a Student Educational Contract; and (iv) documentation of services provided.

A Student Educational Contract (SEC) is a plan to address specific needs of the student. A SEC must be established upon initiation of DSP&S services and shall be reviewed and updated annually for every student with disability participating in DSP&S. The SEC specifies those regular and/or special classes and support services identified and agreed upon by both the student and DSP&S professional staff as necessary to meet the student's specific educational needs. The SEC shall be reviewed annually by a DSP&S professional staff person to determine whether the student has made progress towards his/her stated goals. Whenever possible the SEC shall serve as the educational plan and shall meet the requirements set forth in Section 55525 of this division.

The *Student Educational Contract* (SEC) is designed to serve as an educational contract between the DSP&S program and the student. It should contain the following information:

- 1) An outline of the specific instructional and educational goal(s) of the student with a description of the objectives and activities needed to achieve these goal(s);
- 2) A measurement of the student's progress in completing the objectives and activities leading to their goal(s); and
- 3) A list of the services to be provided to the students to accommodate their disability-related educational limitations.
 - Education Code Section 67310-12, 70901 and 84850
 - Title 5 Disabled Student Programs and Services (DSP&S) Implementing Guidelines

Identified Condition

During our testing of 85 DSP&S student files to determine compliance with eligibility requirements, we noted the following exceptions:

- *Verification of Disability:* For 6 of 85 student files sampled, there was no verification of disability in the student files.
 - 6 of 20 student files sampled at West LA College
 - The remaining 65 student files sampled at Harbor (20 samples), Mission College (20 samples), City College (13 samples) and Trade Technology College (12 samples) contained verifications of disability.

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- *Educational Limitation Assessment:* 26 of 85 student files sampled did not have educational limitation assessment on file.
 - 6 of 20 student files sampled at Mission College
 - 20 of 20 student files sampled at West LA College
 - The remaining 45 student files sampled at Harbor (20 samples), City College (13 samples) and Trade Technology College (12 samples) contained educational limitation assessments.
- *Student Educational Contract:* 4 of 12 student files sampled at Trade Technology College did not have an updated SEC covering the program year FY 2011-2012. The SECs on file either pertain to the prior fiscal year (2010-2011) or the current fiscal year (2012-2013). There were no exceptions noted on 73 student files sampled from Harbor, Mission, West and City Colleges.
- *Documentation of Services Provided:* 13 of 85 student files sampled did not contain any documentation of services provided.
 - 7 of 20 student files sampled at Mission College
 - 6 of 20 student files sampled at West LA College
 - The remaining 45 student files sample at Harbor (20 samples), City College (13 samples) and Trade Technology (12 samples) contain documentation of services provided.

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Questioned Costs

Not applicable

Recommendation for Corrective Action

We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of Contracted District Audit Manual (CDAM) and the Title 5 DSP&S Implementing guidelines.

District Response

West LA College

DSP&S Office will integrate the SEC in all new and current student counseling appointments. As quality control, the DSP&S department will systematically audit folders during the winter and summer breaks. The overarching goal is to bring the department to full compliance.

Mission College

Los Angeles Mission College is continuing to strengthen its process to ensure compliance as described in the District's response to Finding 2012. DSP&S Office will create an internal policy check list to review each file of DSP&S students attending each semester. A classified staff will review the check list and sign to ensure that an accurate DSP&S form has been completed by the student and DSP&S Counselors. As a second review, a DSP&S Coordinator/Administrator will review and sign the policy check list when

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reviewing the files to confirm its accuracy. Once it is confirmed the MIS will be processed. We estimate implementation of these procedures in mid-January.

Trade Technology College

The new coordinator of DSP&S will ensure the proper documentation in our students' files. Many things have changed in the DSP&S Unit to correct the prior audit findings and these are:

- Appointing of 1 New Administrator, Dean of Student Services – Implemented
- Hiring of 1 Counselor – Implemented
- Hiring of 1 Special Services Assistant – Implemented
- Completing of educational plans online – Implemented
- A check list is now place in each student file: Verification of Disability, Educational Plan and Student Educational Contract. – Implemented

S-12-07 – California Work Opportunity and Responsibility to Kids (CalWORKS) (433) – Allowable Costs and Eligibility

State Criteria

In planning CalWORKs program expenses, program directors/coordinators must ensure that the costs are reasonable and not excessive, and that program expenses support the educational goals and welfare-to-work plans of the CalWORKs student.

Eligibility for services must be coordinated through the local county welfare department. Once the initial eligibility determination is made by the county welfare department and documented in the student's case file, on-going communication with the county is essential to ensure that a student remains in good standing with the county. It is acceptable for colleges to dedicate staff time to meeting with potential students to gather information prior to eligibility determination; however, student eligibility must be determined and documented each academic term before CalWORKs or TANF funds may be spent on the student for direct services such as child care, work study, transportation, or books and supplies.

- CalWORKS Program Handbook, November 2010

Condition

Allowable Costs: During our testwork of payroll expenditures charged to the CalWORKS Program, we noted that 2 of 19 payroll charges sampled at West LA College were overstated. We found that the labor hours charged to the Program in those 2 instances were larger than the corresponding timesheets by a total of 12 hours. Based on further inquiries, it appears that these discrepancies were caused by encoding errors in the payroll system at the campus.

There was no exception noted in our testing of payroll expenditures at Harbor College and Mission College.

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Eligibility: During our testwork to determine compliance with eligibility requirements, we noted that 4 of 20 student files sampled at West LA College did not have a current verification of eligibility on file for the academic term sampled. The campus was able to subsequently provide an after-the-fact confirmation from DPSS that those 4 students were eligible for benefits for the academic term in question.

There was no exception noted in our testing of eligibility at Harbor College and Mission College.

Questioned Costs

\$272.10 in over-payment of salaries

No costs are questioned regarding the eligibility finding because the students were subsequently found to be eligible.

Recommendation for Corrective Action

We recommend that the District strengthen controls at West LA College to ensure that payroll is processed accurately and charged to the program based on submitted timesheets.

We also recommend that the District strengthen controls at West LA College to ensure that eligibility is verified with the County welfare department for each student in every academic term before providing any CalWORKS services.

District Response – West LA College Response

Over-payment of Salaries

CalWORKs will work closely with campus Payroll Office to strengthen the review of timesheets and “time worked” entry into the payroll system. A program policy will be put into place to check the Salary Distribution Detail sheets that are processed at the end of each month. Employees will verify that all entries are done correctly and that any errors are identified and corrected. Corrected items will be documented as part of the procedure.

Eligibility Finding

Effective immediately, our office will verify and document student eligibility for CalWORKs/GAIN services each academic term. Copies of all required documentation will be maintained in the participant’s case file.

S-12-08 – Curriculum and Instruction (Section 476) – Board Approval and Course Outlines

State Criteria or Requirement

The governing board of each community college district shall establish policies for, and may approve individual degree-applicable credit courses which are offered as part of an educational program approved by the Chancellor pursuant to section 55130. Such courses need not be separately approved by the Chancellor. Effective for courses to be offered beginning in fall 2007, a community college district may, until December 31, 2012, approve and offer nondegree-applicable credit courses and degree-applicable credit courses which are not part of an approved educational program without separate approval by the

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Chancellor, provided that the district continuously complies with the requirement that the college curriculum committee and district governing board approve each such course pursuant to section 55002, among other requirements.

All noncredit courses shall be approved by the Chancellor in accordance with this article on forms provided by the Chancellor. Failure to comply with the provisions of this article may result in termination of approval. Course outlines of record for all noncredit courses prepared in accordance with subdivision (c) of section 55002 shall *be on file in the community college offering the course*.

- CCR, Title 5, Sections 55100 and 55150

Identified Condition

During the test work performed to ensure compliance with the course approvals and course outline requirements, we noted the following:

- 37 of 60 noncredit courses (6 from Harbor, 13 from Mission and 18 from West) sampled have missing course outlines. These courses were verified to be in the State Chancellor's Curriculum Inventory and have received the course approval codes from the Chancellor's office to be eligible for State apportionment. However, we were unable to verify the existence of course outlines for these courses in the District's files.
- Approval by the Board of 155 of 182 credit courses sampled has not been verified by listing in the Board agenda. We were informed that these courses were approved by the Board prior to 2000. We determined that all courses sampled were verified in the State Chancellor's Curriculum Inventory and have received the course approval code from the Chancellor's office to be eligible for State Apportionment. The District appears to have all the copies of the Board Agendas; however, course approval dates provided by the District did not match the Board agenda of the corresponding date. Therefore, we were unable to identify the appropriate agendas supporting the courses we sampled.

Full-Time Equivalent Students (FTES) Impact

Missing course outlines: 248.78 FTES exceptions of the 326.82 FTES sampled.

Credit Courses with Unverified Board Agenda: 698.20 FTES exceptions of the 843.287 FTES sampled.

Questioned Costs

Not applicable

Recommendation for Corrective Action

We recommend the District review the course approval dates and affect the necessary corrections so that the District can have an accurate and readily verifiable support for its credit course approvals. For the noncredit courses with missing course outlines, we recommend that the District exert efforts in obtaining copies of the missing course outlines, including requesting a copy of the course outlines submitted to the State. Moving forward, we recommend that the District strengthen its controls to ensure that copies of the course outlines and records of Board agenda course approvals are properly maintained.

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District Response:

On Missing Course Outlines

Individual colleges will be made aware of the findings, and the requirement to keep course outlines on file will be reinforced. This will be communicated via written direction to the Chief Instructional Officers (Vice Presidents of Academic Affairs), as well as to the Curriculum Dean and Curriculum Chair of each campus. Colleges will be requested to perform an internal review on a yearly basis, and to amend any gaps by securing a current course outline of record (COR).

On Incorrect Board Agenda Dates

Board approval dates have been contained in the Protocol system since its inception in 2005. Prior to that, they were held in the DEC system (legacy SIS system), which had been in use since 1990. Course data went through several iterations during system conversion. The District will work with the colleges to secure exact Board approval dates and ensure that they are entered appropriately into the current Protocol system.

SCHEDULE OF PRIOR YEAR FINDINGS

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Year ended June 30, 2012

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

Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
F-11-01	Student Financial Aid Cluster: Federal Pell Grant Program – Special Tests and Provisions – Return to Title IV – Late Payment of Postwithdrawal Disbursements	We recommend the the District implement stricter controls to ensure that postwithdrawal disbursements are made on a timely basis.	Implemented	Not applicable
F-11-02	Student Financial Aid Cluster: Federal Pell Grant – Special Tests and Provisions – Return to Title IV – Incorrect Calculation of Return of Title IV Funds	We recommend the District implement stricter controls to ensure that the data used in the calculation of Return of Title IV funds is correct and accurate.	Implemented	Not applicable
F-11-03	Student Financial Aid Cluster: Federal Pell Grant – Special Test and Provisions – Reporting – Late Reporting of Overpayment to National Student Loan Database	We recommend that the District implement stricter controls to ensure that overpayments are reported to NSLDS on a timely basis.	Implemented	Not applicable

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
F-11-04	TRIO Cluster: Upward Bound – Eligibility of Student Participants	We recommend that the District implement stricter controls to ensure that student participants meet the citizenship eligibility requirements and adequate supporting documentation is maintained in the participant files.	Implemented	Not applicable
F-11-05	TRIO Cluster: Upward Bound – Procurement – Procurement Records	We recommend that the District enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are in compliance with the cost and price analysis requirements.	Implemented	Not applicable

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
F-11-06	CTE – Basic Grants to States – Equipment Management – Policies and Procedures	We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include appropriate identification and tracking and physical inventories and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets. In addition, a certification should be added to the current equipment listing to indicate that the equipment was physically inspected on the date indicated and the information in the equipment listing is accurate.	Implemented	Not applicable

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
F-11-07	Student Financial Aid Cluster: Higher Education Institutional Aid – Equipment Management – Policies and Procedures	We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include appropriate identification and tracking and physical inventories and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets. In addition, a certification should be added to the current equipment listing to indicate that the equipment was physically inspected on the date indicated and the information in the equipment listing is accurate.	Implemented	Not applicable

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-01	State General Apportionment Funding (Section 424) – Census Reporting	We recommend the District strengthen its control processes to help ensure that the reporting of Full-Time Equivalent Students per the Student Information System (SIS) report is supported, accurate, and complete. The District should strengthen controls to ensure that add slips and other supporting documents are properly retained.	Partially implemented See Finding S-12-01	<p>As a result of having the master list available from the District Office, this has greatly improved the tracking of the submission of census rosters by faculty at the Los Angeles City College Admission and Records Office.</p> <p>At Los Angeles Trade Technical College, scanning of over 200K Census Rosters has been done by a contracted vendor through 2009, and the college has put in place the infrastructure and is in the process of doing the scanning Census Rosters and other A&R documents within the department for efficient records retention and retrieval.</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-01 (continued)				<p data-bbox="1621 508 1969 906">At Mission College, the cover memo for Census Rosters has been revised. In addition, the Senior Supervisor or designee already attends every Council of Instruction meeting to give updates on LACCD roster procedures and the current status of both Census and TBA rosters.</p> <p data-bbox="1621 938 1969 1302">Our district recently implemented electronic signatures. This has made it possible for faculty to complete most transactions online. Beginning fall 2010, our college stopped using paper rosters. Rosters are now submitted online using our Web Faculty System.</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-01 (continued)				<p>Our paperless process has additional benefits because it allows faculty to submit exclusions in real-time throughout the course of the semester.</p> <p>The Los Angeles Valley College Office of Admissions and Records has made key changes in, the communication process for deadlines, roster collection and notification of outstanding rosters, the tracking of roster collection, and partnering with Academic Affairs to collect delinquent rosters. Admissions and records were asked, specifically, to report on changes to the collection methodology for Mandatory Exclusion and Census Rosters.</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-01 (continued)				<p>Mandatory Exclusion Rosters</p> <p>The Los Angeles Community College District (LACCD) Web Faculty System allows instructors to report mandatory exclusions electronically. The Web Faculty System has eliminated distribution and collection of paper Exclusion Rosters. The ease-of-use system has increased the return rate of Mandatory Exclusion Rosters. Additionally, the college has aggressively advertised the Web Faculty System, provided faculty training and established an electronic communications process, and designed to keep faculty on top of deadlines.</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
				Census Rosters Attendance accounting methods are beginning to change. The fall 2012 semester marked the first time Census Rosters have been available online. The process remains paper driven because instructors must print the roster and return it to the Office of Admissions and Records. We are eagerly anticipating new developments in the Web Faculty System as well as the introduction of a new Student Information System that will make it possible for instructors to submit attendance records electronically.

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-02	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications	We recommend that the District strengthen the controls to ensure that documentation supporting instructor qualifications is complete and properly retained in the personnel files.	Partially implemented See Finding S-12-03	At Los Angeles Trade Technical College, they now require chairs or any hiring initiator complete the Notification of Adjunct Faculty Selection (HR-130) prior to assigning any course as of 7/1/2011. Chairs need to submit proof of minimum qualifications along to the Dean prior to assignment approval on PCR. The District has strengthened controls to ensure that documentation supporting instructor qualifications are complete and properly retained in the personnel files. This includes the formation of a District Faculty Qualifications Work Group chaired by the Vice Chancellor of Educational Programs and Institutional Effectiveness.

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-03	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approval of Students to Attend Courses	We recommend the District strengthen controls to ensure that policy-12 supplemental application forms are completely filled out and those forms are retained by each campus in accordance with district policy.	Implemented	Not applicable

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-04	To Be Arranged Hours (Section 479)	We recommend that the District strengthen controls to ensure that attendance documentation supporting apportionment for TBA courses is maintained.	Partially implemented See Finding S-12-04	<p>The Los Angeles City College’s admissions and records office plans to monitor the receipt of the TBA Rosters going forward. Additional efforts to ensure that TBA Rosters are submitted on time, just like census rosters and exclusion rosters, will be made to maintain proper record-keeping.</p> <p>At Los Angeles Mission College, the Academic Scheduler will include example of TBA class section with directions of appropriate instructions for faculty contact. This information will be electronically posted on the student class enrollment for spring 2013. Subsequent semesters the example will be included on the “How to Read the Schedule of Classes.”</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-04 (continued)				During the spring 2013 the LAMC Curriculum Committee will use TBA addendums for ECD (Course Outline of Record) as appropriate. This action will ensure that the clear information is listed in the Catalog and Schedule of Classes.
S-11-05	Cooperative Agencies Resources for Education (CARE) Section 477) – Student Eligibility	We recommend that the District strengthen controls to ensure that campus maintains the required documentation in accordance with the CDAM and Implementing guidelines.	Implemented	Not applicable

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-06	Extended Opportunity Programs and Services (EOPS) (Section 474) – Counseling and Advisement	We recommend that the District strengthen controls to ensure that the campus maintains adequate evidence of compliance with student progress monitoring in accordance with the CDAM and Title V Implementing Guidelines.	Implemented	Not applicable

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-07	Disabled Student Programs and Services (DSP&S) (Section 475) – Student Educational Contract (SEC)	We recommend that the District strengthen controls to ensure that Student Educational Contracts are completed for each eligible DSP&S student and specific instructional and educational goals are established for each disabled student.	Partially implemented See Finding S-12-06	At Trade Tech – Student Educational Contracts (SECs) are completed for each student in advance of services. At Los Angeles Mission College, the DSP&S Office will create an internal policy check list to review each files of DSP&S student attending each semester. A classified staff will review the check list and sign to ensure that an accurate DSP&S form has been completed by the student and DSP&S Counselors. As a second review, a DSP&S Coordinator/ Administrator will review and sign the policy check list when reviewing the files to confirm its accuracy. Once it is confirmed, the MIS will be processed. An estimated of completion will be done in mid-January. (Continued)

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-07 (continued)				<p>At City College, Student Education Plans are actually kept on a server with software Action Plan It. We have new counselors and in the past, counselors maintained their own student folders, hard-copy SEPs. The new SEC will be placed in the student's folder at the end of each semester and will either reference the SEP or be included with the SEC. Los Angeles City College believes it has corrected the deficiency related to ensuring that Student Educational Contracts are completed for each eligible, new, and continuing DSPS student and the exceptions noted occurred prior to the issuance of the 2011 Auditors' recommendations</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-08	Disabled Student Programs and Services (DSP&S) Section 475) – Student Eligibility	We recommend that the District strengthen controls to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of CDAM and the Title V Implementing guidelines.	Partially implemented See Finding S-12-06	At City College, the SEC was initiated during fall 2011 semester and fully integrated into the DSP&S student folders during spring 2012 semester. It has a specific page noting student’s educational limitations. We have already revised the check-in procedures at the front desk (intake services) to ensure that all service contacts are recorded (whether the student stays enrolled or not) and all returning student files will be checked for verification documentation or verified again if needed. Los Angeles City College believes it has corrected the deficiency related to ensuring that adequate documentation, including each student’s educational limitations and current eligibility for DSPS

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Year ended June 30, 2012

Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
				<p>services, are completed for each eligible, new, and continuing DSPS student and the exceptions noted occurred prior to the issuance of the 2011 Auditors' recommendations.</p> <p>At Trade Tech, during the DSP&S Orientations students are informed (verbally and in writing) that they will not be eligible for any DSP&S services without the verification of disability and identification of educational limitation(s). DSP&S now confirms that each student has a completed file on record in advance.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Findings

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
S-11-09	Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Program (Section 478) – Policies and Procedures	We recommend that the District revise its existing policies and procedure to mandate priority service to veterans and eligible spouses on DOL-funded training programs. In addition, we recommend that the program materials such as flyers, application forms and catalogs be revised to convey the entitlement granted to eligible applicants and participants regarding preference over nonveterans and access to programs, services, and providers.	Implemented	Not applicable

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Findings

Year ended June 30, 2012

Prior Year Comments

Summarized below is the current status of all audit management letter comments reported in the prior year’s report on the audited basic financial statements and of other unresolved audit finding from previous years, if any.

Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
FS-11-01	Financial Statements Reported in Accordance with Government Standards – Capital Assets and General Obligation Bond Program	We recommend that the district work with the Program Manager to continue to strengthen the internal controls related to the review of expenditures funded under the bond programs to ensure the expenditures incurred are included in the approved list of projects for each bond. Additionally, the District needs to establish processes and procedures to track, record, and reconcile fixed asset purchases and sales. We understand that the District revised the reporting of FF&E during fiscal 2011 to capitalize only the estimated FF&E purchased with an acquisition costs greater than \$5,000. We recommend that these estimated costs be reconciled to the results of the full physical inventory of FF&E that the District is currently having performed. Finally, we recommend that the District strengthen its controls related to the reporting and tracking of potential	See explanation	<p>Capital Assets and General Obligation Bond Program</p> <p>Partially implemented – See current year finding FS-12-01</p> <p>Reporting and Tracking Conflicts of Interest</p> <p>Partially implemented</p> <p>The Board of Trustees authorized the purchase of e-file software in January 2012. The initial e-filing effort was largely effected. Contracting staff from both the district staff and from the BuildLACCD staff are receiving additional training in order to finish implementation of a systematic process for checking for conflicts of interest. In addition, BuildLACCD has been charged with running a pilot program to identify potential conflicts of interest through public records database searches. Based on the experience to date, staff from</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
FS-11-02	Financial Statements Reported in Accordance with Government Standards – Employee Benefits	<p>conflicts of interest. These procedures could include expanding the representations made by vendors and subcontractors to require self-reporting of potential conflicts of interest.</p> <p>We recommend that management strengthen its procedures and internal controls to ensure the following:</p> <p>Supporting documentation for benefit payments is reviewed prior to making disbursements.</p> <p>Reconciliations are performed of employee benefit data to SAP workbench reports.</p>	Implemented	Information Technology, the Deputy Chancellor, staff from the Office of General Counsel, and the Contracts Manager has been identifying necessary operational and regulatory changes.
				Not applicable

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Year ended June 30, 2012

Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
FS-11-03	Financial Statements Reported in Accordance with Government Standards – Risk Management	<p>We recommend that management strengthen its procedures and internal controls as follows:</p> <p>The District should implement controls to review the data provided by the third-party servicers for completeness and accuracy before it is provided to the District’s actuary. Additionally, the District should strengthen its controls over the retention of documentation that supports open claims and cases so that information will be available for reference to validate the claim information before it is forwarded to the District’s actuary.</p> <p>The District should strengthen its controls over the updating of case information to its general liability third-party servicer.</p>	Implemented	Not applicable

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Schedule of Prior Year Findings

Year ended June 30, 2012

Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
FS-11-04	Financial Statements Reported in Accordance with Government Standards – Information Technology	We recommend that management evaluate and define the IT internal controls, which Security Weaver and the Mercury Quality Center were implemented to support, starting with a baseline of appropriate users with administrative and other elevated levels of access within SAP, the underlying database and operating systems. Each user should be assigned a unique user ID, whenever possible. In the rare cases where user IDs must be shared,	Partially implemented	Information Technology has submitted recommendation for an increase level of staffing to address segregation of duties issues (SOD) and a higher level of Security Weaver control is being implemented to mitigate SOD issue via management oversight. The SAP IT Team as part of its continue improvement philosophy implemented ongoing quarterly review of system access is in place designed to adjust IT staff access as business requirements change.

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
FS-11-04 (continued)		controls should be established to monitor their usage. Additionally controls should be established to periodically review users and their access rights to validate the access rights assigned to users continue to be commensurate with their current job responsibilities. We recommend that the evaluation of the controls and baseline of users and their access rights be completed as soon as possible.		<p>Where access is shared and there is a legitimate need for such, appropriate controls are in place to monitor usage. However, the following improvements have been made; access has been reduced to an acceptable level. A quarterly review has been implemented and conducted as by the SAP Team to determine if the access is still appropriate and if any adjustments need to be made. System logs and other monitoring tools are used to perform monitoring and system auditing functions as required for management oversight.</p> <p>Access controls have been and will continue to be adjusted as part of the scheduled quarterly review process. Also, password rights are reset every 90 days and automatically deactivated if no activity is detected. In addition, a review process is conducted quarterly to confirm if administration access is still needed. If not, user access is removed. This is an ongoing and continuous process to make access adjustments as systems and personnel change.</p>

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not Fully Implemented
FS-11-05	Financial Statements Reported in Accordance with Government Standards – Financial Reporting	We recommend management reevaluate the controls in place over financial reporting to ensure that the issues leading to the adjustments noted above are included within their monthly and annual financial transaction review processes.	Implemented	Not applicable

