



**Los Angeles Community College District**

**Report on Audited Basic Financial Statements**

June 30, 2010



# **LOS ANGELES COMMUNITY COLLEGE DISTRICT**

June 30, 2010

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

April 26, 2011

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, 2010. 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 auditors' 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.

Members, Board of Trustees  
 Los Angeles Community College District  
 April 26, 2011

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 District serves approximately 138,750 students, employs approximately 3,569 full-time and 7,379 part-time personnel, and covers a service area of more than 800 square miles.

**Enrollment**

The District's enrollment for the fiscal year ended June 30, 2010 increased by 1.5% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2009-10 fiscal years were as follows:

	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	27,181	26,901
Los Angeles City College	18,011	17,347
Los Angeles Harbor College	9,447	10,010
Los Angeles Mission College	10,156	10,220
Pierce College	22,052	20,346
Los Angeles Southwest College	7,593	7,364
Los Angeles Trade-Technical College	14,876	14,808
Los Angeles Valley College	19,192	18,014
West Los Angeles College	10,932	11,826
Instructional Television	550	674
Total districtwide	<u>139,990</u>	<u>137,510</u>

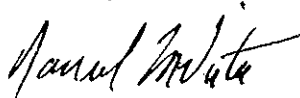
Members, Board of Trustees  
Los Angeles Community College District  
April 26, 2011

The District's FTES (full-time equivalent student) figures for the fiscal year ended June 30, 2010, the measure by which the State of California funds Community Colleges, decreased by 1.6% from the previous year as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	22,663	2,092
Los Angeles City College	12,497	1,124
Los Angeles Harbor College	7,222	166
Los Angeles Mission College	6,681	327
Pierce College	15,232	256
Los Angeles Southwest College	5,195	415
Los Angeles Trade-Technical College	12,280	513
Los Angeles Valley College	12,709	619
West Los Angeles College	7,335	206
Instructional Television	591	—
Total districtwide	<u>102,405</u>	<u>5,718</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  
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Irvine, CA 92618-3391

## Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the Los Angeles Community College District (the District) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These basic 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Los Angeles Community College District as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2011 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 audits.

Management's discussion and analysis on pages 3 through 13 and schedule of other postemployment benefits funding progress and employer contribution on page 41 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. The management's discussion and analysis does not include 2009 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 2010 information, which consisted principally of inquiries 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial information and other supplemental information are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplemental financial information on pages 42 through 55 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplemental information on pages 56 through 67 has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

April 26, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# LOS ANGELES COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis

June 30, 2010

This section presents Management's Discussion and Analysis (MD&A) of the Los Angeles Community College District's (the District) financial activities during the fiscal year ended June 30, 2010. 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, 2010 by \$640.9 million (net assets). Of this amount, \$73.2 million (unrestricted net assets) may be used to meet the District's ongoing obligations and \$74.0 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 \$493.7 million of amounts invested in capital assets, net of related debt.
- The District's total net assets decreased \$46.5 million during the fiscal year ended June 30, 2010. A significant portion of the decrease in the District's net assets was a result of decreases in state capital apportionments, investment income, and local tax for General Obligation (G.O.) Bonds during the fiscal year ended June 30, 2010.
- The District's investment in capital assets (net of depreciation) increased by \$599.1 million or 27.9% during the year ended June 30, 2010. Capital construction projects related primarily to the Proposition A, Proposition AA, and Measure J Bonds accounted for \$2,352.3 million in capital assets (net of depreciation) at June 30, 2010. During fiscal 2010, the District acquired two properties valued at \$45.0 million for East Los Angeles College, and acquired two properties valued at \$7.2 million for Los Angeles Trade-Technical College, and added \$0.4 million to capital assets as result of settlement agreement for a previous purchase for West Los Angeles College.
- The District's total long-term liabilities increased by \$251.5 million or 9.8% during the fiscal year ended June 30, 2010. The increase is primarily due to a \$300.0 million increase in bond anticipating notes, a net \$42.8 million decrease in long-term debt, a \$0.4 million decrease in revenue bonds payable, a \$1.2 million decrease in capital lease obligation, and a \$40.0 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 entitywide 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 sheet; (2) statement of revenues, expenses, and changes in net assets; (3) statement 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, 2010

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 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, Expenses, 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, 2010

#### Financial Analysis of the District as a Whole

As of June 30, 2010, the District's net assets have decreased by \$46.5 million or 6.8% from \$687.4 million at June 30, 2009 to \$640.9 million at June 30, 2010. Current and other assets decreased by \$401.9 million and capital assets increased by \$599.1 million. Current liabilities decreased by \$25.7 million and noncurrent liabilities increased by \$269.5 million.

#### Summary Schedule of Net Assets

**June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>	<b>Increase (decrease)</b>
<b>Assets:</b>			
Current and other assets	\$ 938,191,440	1,340,034,278	(401,842,838)
Capital assets, net	2,748,062,081	2,148,968,191	599,093,890
Total assets	3,686,253,521	3,489,002,469	197,251,052
<b>Liabilities:</b>			
Current liabilities	255,673,625	281,398,324	(25,724,699)
Noncurrent liabilities	2,789,719,855	2,520,247,470	269,472,385
Total liabilities	3,045,393,480	2,801,645,794	243,747,686
<b>Net assets:</b>			
Invested in capital assets, net of debt	493,667,907	527,959,876	(34,291,969)
Restricted – expendable	73,993,237	109,240,315	(35,247,078)
Unrestricted	73,198,897	50,156,484	23,042,413
Total net assets	\$ 640,860,041	687,356,675	(46,496,634)

The \$401.8 million decrease in current and other assets is primarily due to a decrease in restricted cash and investments related to \$685.0 million of construction-related expenditures and the receipt of \$300.0 million of proceeds of a bond anticipation note (BAN). The \$33.5 million decrease in accounts receivables is primarily due to the timely filing and collection of State funded capital outlay projects, the \$5.1 million decrease in deposit with trustee, the \$0.8 million decrease in bond issuance costs, net, the \$30.6 million increase in prepaid expenses is primarily due to the \$25.7 million prepaid rent related to photovoltaic solar equipment and to \$4.8 million of prepaid health insurance premiums, and the \$2.4 million decrease in inventory and other assets.

In fiscal 2010, the District added \$686.7 million of capital assets, capitalized interest of \$40.0 million, depreciated \$70.4 million of capital assets, sold \$45.8 million of capital assets, and canceled \$11.5 million of capital projects.

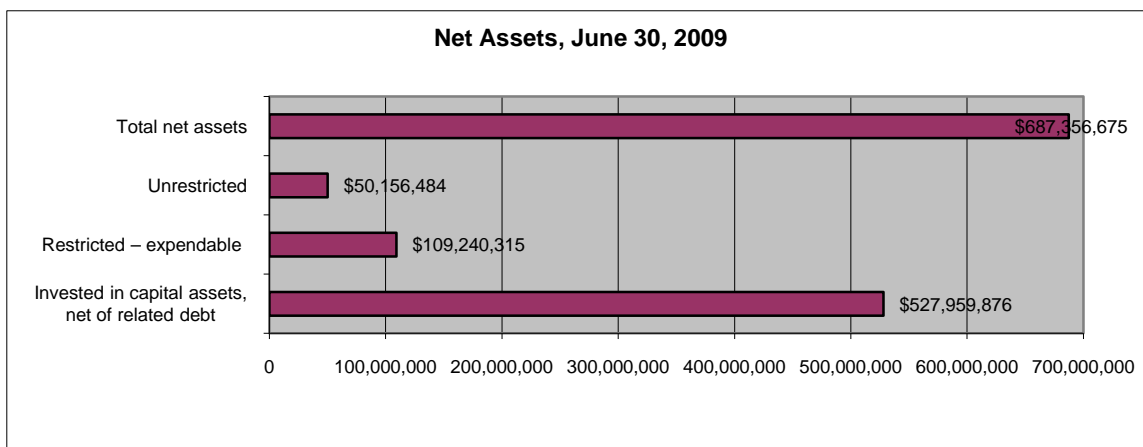
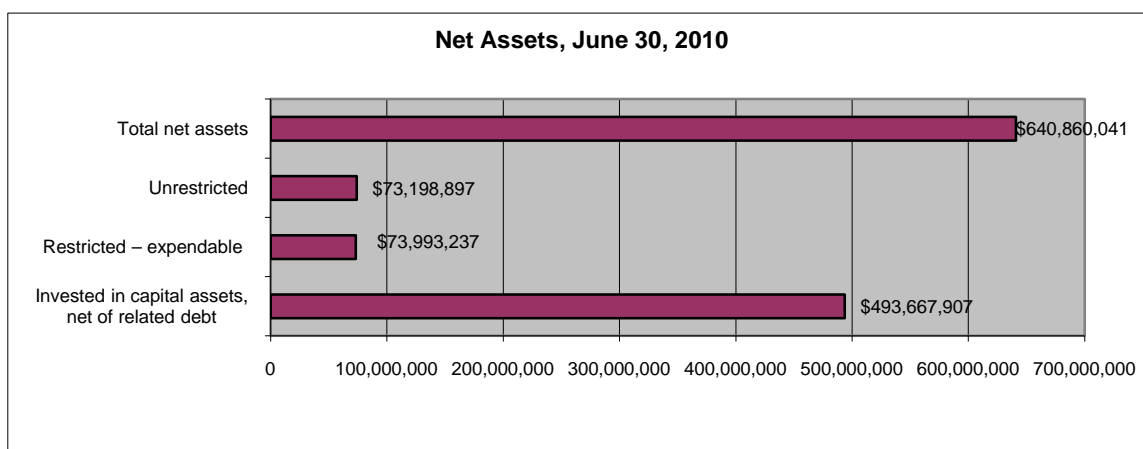
The \$25.7 million decrease in current liabilities is primarily due to a \$17.3 million decrease in accounts payable of which \$9.4 million was a result of decreased construction-related payables, the \$0.6 million decrease in deferred revenue, the \$3.5 million increase in accrued liabilities of which is primarily related to accrued interest, and the \$11.3 million decrease in the current portion of long-term debt.

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

June 30, 2010

The \$251.5 million increase in noncurrent liabilities is primarily due to a net \$42.8 million decrease in the long-term portion of the G.O. Bonds, a \$0.4 million decrease in revenue bonds payable, a \$1.2 million decrease in capital lease obligations, a \$6.7 million increase in net OPEB obligation, and a \$4.0 million decrease in accrued vacation benefits, general liability, and workers' compensation, and the \$300.0 million increase in bond anticipation notes payable. There was no new general obligation bond issuance during fiscal 2010. 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, 2010

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, 2010 by \$640.9 million (net assets). A significant portion of the District's net assets represents \$499.2 million of restricted cash, cash equivalents, and investments for capital projects, \$102.0 million of cash with trustee – noncurrent, \$2,748.1 million of capital assets, \$2,365.9 million debt of revenue bonds and G.O. Bonds, and \$300.0 million of Bond Anticipation Note payable.

### Summary Schedule of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2010 and 2009

	2010	2009	Change
Revenues:			
Operating revenues:			
Net tuition and fees	\$ 47,940,847	42,468,410	5,472,437
Grants and contracts, noncapital	102,232,158	107,941,895	(5,709,737)
Other	27,150,648	35,328,500	(8,177,852)
Nonoperating revenues:			
State apportionments, noncapital	344,942,743	364,725,739	(19,782,996)
Property taxes	151,532,959	148,281,559	3,251,400
Investment income	14,872,325	24,950,262	(10,077,937)
Federal financial aid grants, noncapital	142,014,751	91,529,890	50,484,861
State financial aid grants, noncapital	6,398,511	6,165,619	232,892
Other	5,036,215	5,895,129	(858,914)
Other revenues:			
State apportionments, capital	24,842,128	89,132,724	(64,290,596)
Local tax for G.O. Bonds	135,681,664	230,264,870	(94,583,206)
Gifts and grants, capital	—	1,953,243	(1,953,243)
Local property taxes and revenues, capital	554,624	469,729	84,895
Total revenues	1,003,199,573	1,149,107,569	(145,907,996)
Expenses:			
Operating expenses:			
Salaries	389,422,306	423,530,566	(34,108,260)
Employee benefits	150,540,301	146,287,752	4,252,549
Supplies, materials, and other operating expenses and services	335,895,366	271,421,618	64,473,748
Other	80,931,502	50,823,655	30,107,847
Total operating expenses	956,789,475	892,063,591	64,725,884
Nonoperating expenses:			
Interest expense	84,683,207	85,575,090	(891,883)
Other	3,474,541	1,680,700	1,793,841
Other expenses:			
Loss on sale of fixed assets	4,748,984	—	4,748,984
Total expenses	1,049,696,207	979,319,381	70,376,826
Change in net assets	\$ (46,496,634)	169,788,188	(216,284,822)

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

June 30, 2010

The summary of revenues, expenses, and changes in net assets reflects a decrease of \$46.5 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 decrease of \$8.4 million, which includes a \$5.5 million increase in tuition and fees due to increase in enrollment fees and nonresident tuition (the nonresident student fee was increased from \$181 per unit to \$188 per unit), a \$13.2 million increase in federal funded programs due to increase in Federal Higher Education Grants and \$4.3 million received from American Recovery and Reinvestment Act funds, a \$14.8 million decrease in state-funded categorical programs due to the state budget reductions, a \$4.2 million decrease in local revenue, and a \$8.1 million decrease in auxiliary enterprise sales and charges.

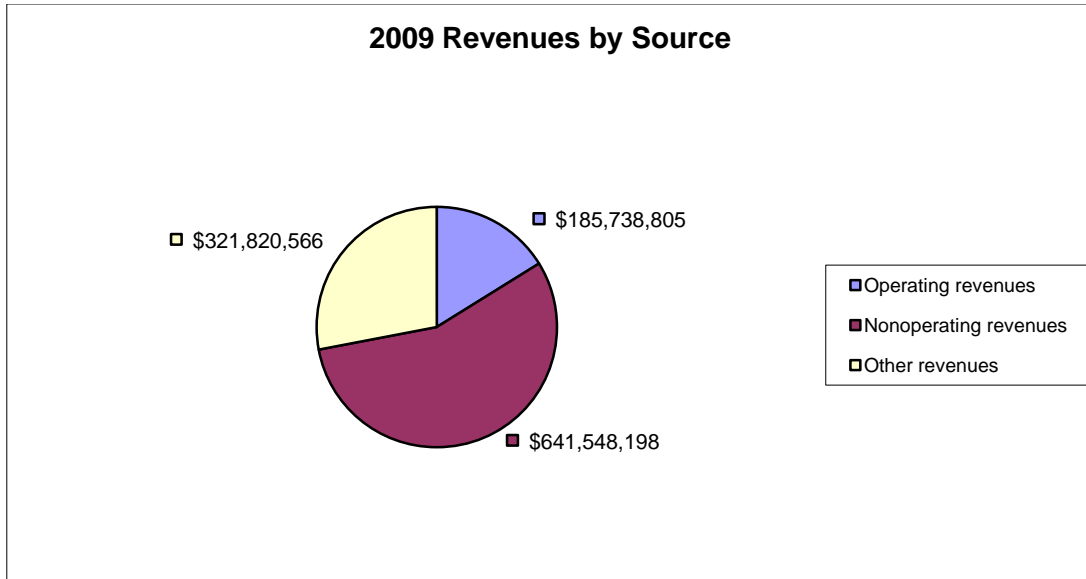
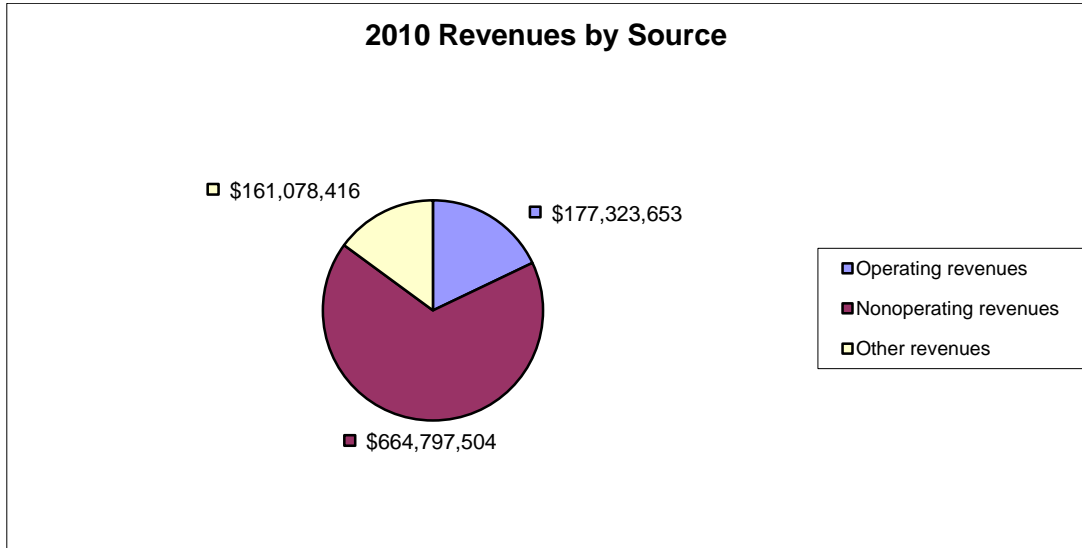
Nonoperating revenues increased \$23.2 million and other revenue decreased \$160.8 million. The net decrease is due in part to the following:

- (1) State apportionment is made up of state general revenue less local property tax and 98% of the enrollment fees. The \$19.8 million decrease in state apportionments is primarily the District's share of state budget reductions.
- (2) \$10.1 million decrease in investment income due to drop in interest rates, no new general obligation bond issuance, and continued construction spending and acquisition of capital assets.
- (3) \$50.5 million increase in federal financial aid grants, noncapital primarily due to increased recipients of Pell grants and increased annual award amounts per student.
- (4) \$0.2 million increase in state and financial aid grants, noncapital due to increases in Cal grants awarded to students.
- (5) \$0.9 million decrease in other nonoperating revenue is primarily due to the decrease in Medicare drug subsidy received.
- (6) \$64.3 million decrease in state apportionment, capital is primarily related to decrease spending of State funded capital outlay projects.
- (7) \$1.9 million decrease in State capital grant due to the reduction of some categorical programs related to the State's budget crisis.

# LOS ANGELES COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis

June 30, 2010



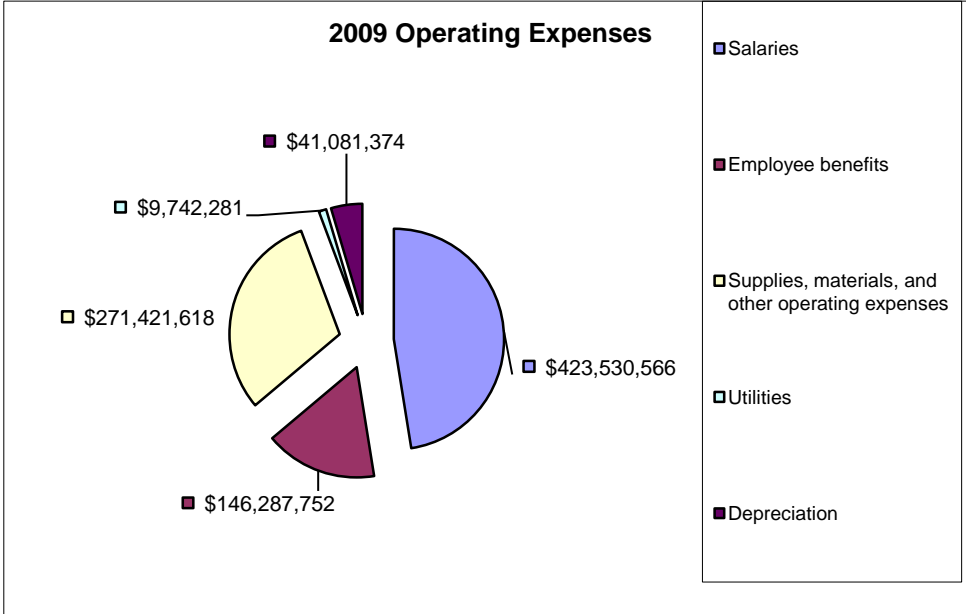
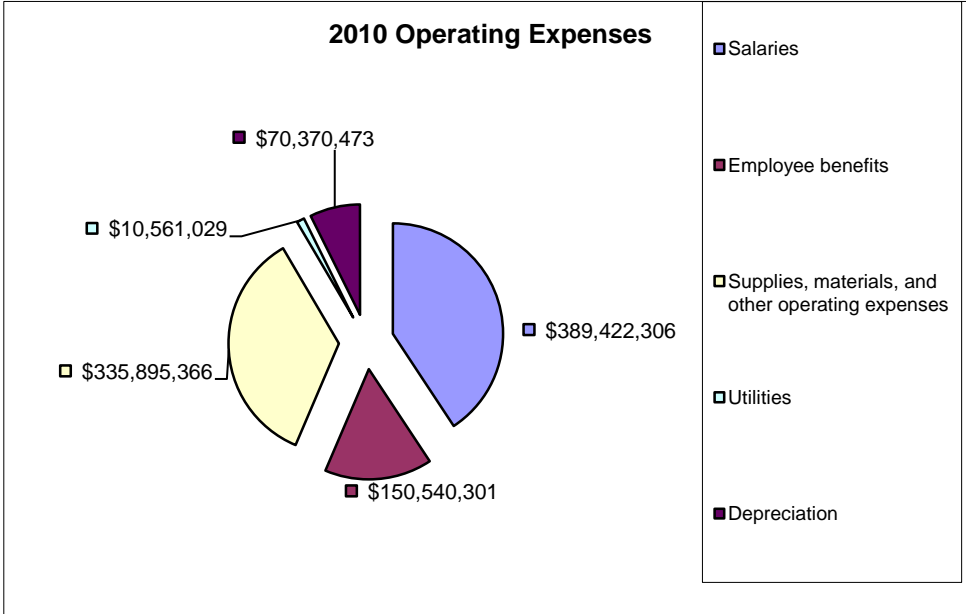
Operating expenses increased \$64.7 million, primarily due to a \$34.1 million decrease in salaries due to reduction in class offerings in Summer 2009 and Winter 2010 Inter-sessions, \$4.2 million increase in employee benefits, which is primarily attributable to the District's portion of employee health reimbursement accounts, \$64.5 million increase in supplies, materials, and other operating expenses and services (decrease in election costs by \$6.0 million, increase in liability and student insurances by \$2.1 million, decrease in advertising and postage expenses by \$2.8 million, decrease in books and supplies by \$9.0 million, decrease in service contracts by \$2.7 million, increase in direct student loans passed through the College's by \$5.5 million, increase in student grants by \$48.4 million, decrease in extended opportunity programs and services books by \$2.3 million, increase in building fund's operating expenses by \$27.9 million, which included \$24.6 million for an early lease

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2010

termination of a golf driving range, and increase in building fund's cancelled projects by \$11.5 million), \$0.8 million increase in utilities, and \$29.3 million increase in depreciation expense.





**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2010

**Capital Assets and Debt Administration**

*Capital Assets*

The District's investment in capital assets as of June 30, 2010 and 2009 totaled \$2,748.1 million and \$2,149.0 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, 2010 and 2009:

**Capital Assets, Net**

	<b>Balance at June 30</b>	
	<b>2010</b>	<b>2009</b>
Land	\$ 168,871,047	137,603,848
Land improvements	423,239,771	390,470,057
Buildings	1,539,032,239	867,615,346
Construction in progress	850,300,909	948,105,962
Works of art	518,000	518,000
Furniture and equipment	121,151,453	89,335,845
Infrastructure	3,599,474	3,599,474
Total	3,106,712,893	2,437,248,532
Less accumulated depreciation	<u>(358,650,812)</u>	<u>(288,280,341)</u>
Net capital assets	<u>\$ 2,748,062,081</u>	<u>2,148,968,191</u>

In fiscal 2010, the District added \$686.7 million of capital assets, capitalized interest of \$40.0 million, depreciated \$70.4 million of capital assets, sold \$45.8 million of capital assets, and canceled \$11.5 million of capital projects. During the year ended June 30, 2010, 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, 2010

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 ninth year of the Proposition A, the seventh year of Proposition AA, and the second year of Measure J Bond construction program. Approximately, \$2.7 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 \$425.0 million of the Measure J authorization.

### *Long-Term Debt*

At June 30, 2010 and 2009, the District had \$2,665.9 million and \$2,409.4 million in long-term debt, respectively. The District's long-term debt increased during the year ended June 30, 2010 as a result of the \$43.1 million debt services payments to matured G.O. Bonds, \$0.4 million for the energy revenue bonds payment, and \$300.0 million of a bond anticipation note. There was no new G.O. Bond issued in fiscal year 2009-2010.

### Summary of Outstanding Long-Term Debt

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue Bonds:		
Energy and Water Efficiency Revenue Bonds – Phase IV	\$ 285,000	570,000
Energy and Water Efficiency Revenue Bonds – Phase V	121,653	243,305
G.O. Bonds:		
G.O. Bonds Proposition A, 2001 Series	19,835,000	27,815,000
G.O. Bonds Proposition AA, 2003 Series	74,435,000	77,040,000
G.O. Bonds Proposition A and AA, 2004 Series	95,645,000	98,490,000
G.O. Bonds Proposition A, 2005 Series	431,720,000	432,345,000
G.O. Bonds Proposition AA, 2006 Series	300,625,000	308,500,000
G.O. Bonds Proposition A, 2007 Series	382,990,000	383,000,000
G.O. Bonds Proposition A, 2008 Series	635,265,000	656,415,000
G.O. Bonds Proposition A, 2009 Series	425,000,000	425,000,000
Bond Anticipation Note	300,000,000	—
	<u>\$ 2,665,921,653</u>	<u>2,409,418,305</u>

The District's debt rating from Moody's and Standard and Poor's was Aa2 and AA in fiscal year 2009 and Aa1 and AA in fiscal year 2010.

Further information regarding the District's capital assets and long-term debt can be found in notes 6, 10, and 12 in the accompanying notes to the basic financial statements.

# LOS ANGELES COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis

June 30, 2010

### **Economic Factors**

#### *State Economy*

On October 8, 2010, \$92.2 billion of the State budget fiscal year 2010-11 was enacted and signed by the Governor that was balanced closing the \$19.1 billion budget deficit gap with a combination of cuts and temporary tax revenue suspensions. The budget provided \$49.7 billion for K-12 and community colleges. This funding level is essentially similar to the 2009-10 funding level for K-12 and community colleges. For Community Colleges, the budget included \$126 million for enrollment growth revenue, no cost-of-living adjustment (COLA), no student fee increase, and an additional \$129 million payment deferral, which increases the total payment deferrals for community colleges to \$832 million annually. The 2010-11 State Budget relied heavily on expanded interyear funding deferrals under Proposition 98 in order to generate one-time budget savings. The budget includes almost \$2 billion in additional funding deferrals to K-12 and community colleges. By deferring 2010-11 payments until the beginning of the next fiscal year, the state will not have to pay out cash until the next fiscal year. The District deferrals total \$76 million in fiscal year 2010-11.

On January 10, 2011, the Governor released the proposed \$84.6 billion for the 2011-12 State Budget. The State is facing \$26.4 billion budget shortfall. To address the shortfall, Governor proposed \$12.5 billion in spending reduction, \$12 billion in tax revenue extensions and program realignments, and \$1.9 billion in other solutions. Proposition 98 funding for K-12 and community colleges is funded at \$47.5 billion. California community colleges would receive a \$400 million cuts in funding. As a result, the District will be faced with a loss of \$25.7 million or a 6.8% reduction in state funding for fiscal year 2011-12.

Due to the uncertainty of the state economy, it is unclear to what extent the state budget shortfall will be for FY2010-11 and 2011-12. As a result, the District has taken measures to close the revenue and spending gap of \$25.7 million from reductions in state funding.

#### **Student Enrollment and State Funding**

The student enrollment fee remained at \$26 per unit in 2009-10 and 2010-11. In 2010-11, the State provided a 2.21% enrollment growth for apportionments for California community colleges. The District has reduced class offerings about 2.00% for Fall and Spring semesters to reduce expenditures. As class sections were reduced, students competed for class seats and the average class size have increased from 35 to 40. The District generates more enrolment than is necessary to receive the 2.21 funded enrollment growth revenue and still has about 4,000 to 5,000 unfunded full-time equivalent students in 2010-11. The District plans to maintain at least a 1.90% enrollment growth in fiscal year 2011-12 to capture the State funded enrollment revenue growth. However, as the State budget crisis continues to persist, the State is proposing a student fee increase to \$36 per unit from \$26 per unit to provide an additional \$110 million of funding to the California community colleges.

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**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Balance Sheets

June 30, 2010 and 2009

<b>Assets</b>	<b>2010</b>	<b>2009</b>
	<b>2010</b>	<b>2009</b>
Current assets:		
Cash and cash equivalents (note 3)	\$ 108,541,294	110,159,356
Short-term investments (note 3)	1,047,529	3,802,425
Accounts receivable, net of allowance (note 4)	143,200,509	176,654,155
Student loans receivable, net of allowance – current portion (note 4)	214,862	269,857
Deposit with bond trustee	28,770,000	47,780,200
Inventory	6,144,753	8,708,883
Prepaid expenses and other assets	31,616,165	995,510
Total current assets	319,535,112	348,370,386
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	19,574,626	19,779,170
Restricted investments (note 3)	479,626,037	865,641,934
Student loans receivable, net of allowance – noncurrent portion (note 4)	1,513,422	1,367,142
Deposit with bond trustee, noncurrent	101,859,693	87,963,096
Bond issuance costs, net	16,082,550	16,912,550
Capital assets (note 6):		
Land	168,871,047	137,603,848
Land improvements	423,239,771	390,470,055
Buildings	1,539,032,239	867,615,346
Construction in progress	850,300,909	948,105,962
Works of art	518,000	518,000
Machinery and equipment	121,151,453	89,335,845
Infrastructure	3,599,474	3,599,474
Accumulated depreciation	(358,650,812)	(288,280,339)
Capital assets, net	2,748,062,081	2,148,968,191
Total assets	\$ 3,686,253,521	3,489,002,469

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Balance Sheets

June 30, 2010 and 2009

<b>Liabilities and Net Assets</b>	<b>2010</b>	<b>2009</b>
	<u>                    </u>	<u>                    </u>
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 143,856,754	161,202,610
Deferred revenue	5,605,286	6,237,633
Compensated absences (note 10)	7,678,091	7,651,605
General liability (notes 10 and 11)	1,091,718	1,473,638
Workers' compensation (notes 10 and 11)	7,953,361	4,556,903
Accrued interest and other accrued liabilities	53,775,941	50,248,062
Amounts held in trust for others	534,662	532,565
Revenue bonds payable – current (note 10)	406,652	406,653
Long-term debt – current (note 10)	33,460,200	47,780,200
Capital leases – current (note 10)	1,310,960	1,308,455
	<u>                    </u>	<u>                    </u>
Total current liabilities	255,673,625	281,398,324
Noncurrent liabilities:		
Compensated absences (note 10)	7,901,658	7,991,646
General liability (notes 10 and 11)	2,141,498	5,483,362
Workers' compensation (notes 10 and 11)	32,998,491	36,624,097
Net OPEB obligation (note 8)	24,724,243	18,039,925
Revenue bonds payable, net of current portion (note 10)	—	406,652
Long-term debt, net of current portion (note 10)	2,720,018,494	2,448,527,332
Capital leases, net of current portion (note 10)	1,935,471	3,174,456
	<u>                    </u>	<u>                    </u>
Total noncurrent liabilities	2,789,719,855	2,520,247,470
Total liabilities	<u>                    </u>	<u>                    </u>
	3,045,393,480	2,801,645,794
Net assets:		
Invested in capital assets, net of related debt	493,667,907	527,959,876
Restricted for:		
Expendable:		
Scholarships and loans	7,139,108	6,500,112
Debt service	63,370,684	89,676,598
Other special purposes	3,483,445	13,063,605
Unrestricted	73,198,897	50,156,484
	<u>                    </u>	<u>                    </u>
Total net assets	640,860,041	687,356,675
Total liabilities and net assets	<u>                    </u>	<u>                    </u>
	\$ 3,686,253,521	3,489,002,469

See accompanying notes to basic financial statements.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Tuition and fees (gross)	\$ 86,725,813	71,324,510
Less scholarship discounts and allowances	<u>(38,784,966)</u>	<u>(28,856,100)</u>
Net tuition and fees	47,940,847	42,468,410
Grants and contracts, noncapital:		
Federal	55,187,125	41,970,892
State	32,231,111	46,994,107
Local	14,813,922	18,976,896
Auxiliary enterprise sales and charges	<u>27,150,648</u>	<u>35,328,500</u>
Total operating revenues	<u>177,323,653</u>	<u>185,738,805</u>
Operating expenses:		
Salaries	389,422,306	423,530,566
Employee benefits	150,540,301	146,287,752
Supplies, materials, and other operating expenses and services	335,895,366	271,421,618
Utilities	10,561,029	9,742,281
Depreciation	<u>70,370,473</u>	<u>41,081,374</u>
Total operating expenses	<u>956,789,475</u>	<u>892,063,591</u>
Operating loss	<u>(779,465,822)</u>	<u>(706,324,786)</u>
Nonoperating revenues (expenses):		
State apportionments, noncapital	344,942,743	364,725,739
Local property taxes	151,532,959	148,281,559
State taxes and other revenue	1,373,739	1,344,633
Investment income – noncapital	1,824,135	934,799
Investment income – capital	13,048,190	24,015,463
Interest expense on capital asset-related debt	(84,683,207)	(85,575,090)
Federal financial aid grants, noncapital	142,014,751	91,529,890
State financial aid grants, noncapital	6,398,511	6,165,619
Other nonoperating revenue	3,662,476	4,550,496
Other nonoperating expense	<u>(3,474,541)</u>	<u>(1,680,700)</u>
Total nonoperating revenues	<u>576,639,756</u>	<u>554,292,408</u>
Loss before other revenues, expenses, gains, or losses	<u>(202,826,066)</u>	<u>(152,032,378)</u>
State apportionments, capital	24,842,128	89,132,724
Gifts and grants, capital	—	1,953,243
Local tax for G.O. Bonds, capital	135,681,664	230,264,870
Local property taxes, capital	554,624	469,729
Loss on sale of fixed assets	<u>(4,748,984)</u>	<u>—</u>
Increase (decrease) in net assets	<u>(46,496,634)</u>	<u>169,788,188</u>
Net assets:		
Beginning of year	<u>687,356,675</u>	<u>517,568,487</u>
End of year	\$ <u><u>640,860,041</u></u>	\$ <u><u>687,356,675</u></u>

See accompanying notes to basic financial statements.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Statements of Cash Flows

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Tuition and fees	\$ 46,664,729	42,898,021
Grants and contracts	102,900,564	104,540,977
Payments to suppliers	(371,132,002)	(253,485,392)
Payments for utilities	(10,561,029)	(9,742,279)
Payments to employees	(387,717,653)	(429,524,863)
Payments for benefits	(139,083,393)	(128,797,190)
Bookstore and cafeteria sales	25,637,871	35,668,690
Other receipts	—	4,054,957
Net cash used in operating activities	<u>(733,290,913)</u>	<u>(634,387,079)</u>
Cash flows from noncapital financing activities:		
State appropriations	336,995,543	346,237,077
Property taxes	151,532,959	148,281,559
State taxes and other revenues	1,373,739	1,344,633
Federal financial aid grants	142,014,751	91,529,890
State financial aid grants	6,398,511	6,165,619
Other receipts	271,851	2,825,868
Net cash provided by noncapital financing activities	<u>638,587,354</u>	<u>596,384,646</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	344,000,000	1,116,114,461
State appropriations, local property taxes, and gifts and grants, capital	68,364,567	30,617,073
Local tax for G.O. Bonds	133,967,008	215,870,742
Purchases of capital assets	(696,002,969)	(651,873,682)
Proceeds from capital assets disposal	40,999,321	—
Principal paid on capital debt and leases	(88,812,412)	(45,377,007)
Interest paid on capital debt and leases	(115,138,751)	(77,466,323)
Bond issuance cost	—	(8,411,404)
Deposit with trustee	5,113,603	(120,465,898)
Other payments	(130,000)	—
Net cash provided by (used in) capital and related financing activities	<u>(307,639,633)</u>	<u>459,007,962</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	1,683,158,879	1,062,130,464
Interest on investments	11,749,793	23,546,511
Purchase of investments	<u>(1,294,388,086)</u>	<u>(1,519,253,261)</u>
Net cash provided by (used in) investing activities	<u>400,520,586</u>	<u>(433,576,286)</u>
Net decrease in cash and cash equivalents	(1,822,606)	(12,570,757)
Cash and cash equivalents – beginning of year	129,938,526	142,509,283
Cash and cash equivalents – end of year	\$ <u>128,115,920</u>	\$ <u>129,938,526</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (779,465,822)	(706,324,786)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	70,370,473	41,081,374
Changes in assets and liabilities:		
Receivables, net	2,647,629	(2,848,558)
Prepaid expenses and other assets	(18,986,290)	10,556,477
Inventory	2,564,130	148,082
Accounts payable	(12,227,720)	4,315,695
Deferred revenue	(632,347)	4,322
Deposits held for others	2,097	14,287
General liability	(3,723,784)	433,000
Workers' compensation	(229,148)	2,642,000
Compensated absences	(63,502)	828,798
Net OPEB obligation	6,684,318	14,894,637
Accrued and other liabilities	(230,947)	(132,407)
Net cash used in operating activities	<u>\$ (733,290,913)</u>	<u>(634,387,079)</u>
Noncash capital financing activities:		
Equipment acquired through new capital lease obligations	\$ 79,280	1,821,229
Change in capital assets included in accounts payable	9,360,957	22,850,097

See accompanying notes to basic financial statements.



# LOS ANGELES COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements

June 30, 2010 and 2009

### (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 various 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, 2010 and 2009

**(c) 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.

**(d) Inventory**

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

**(e) 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
Equipment	3 to 7 years
Vehicles	5 years
Infrastructure	15 years
Leasehold improvements	7 years

The District's capitalization threshold is as follows:

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

**(f) 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 nor is payment probable.

**(g) 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.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**(h) 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 net income from any unrelated trade or business. If there is a net income, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

**(i) 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.

**(j) Reclassifications**

Certain reclassifications have been made to amounts previously reported to conform to the current year presentation. The changes were primarily related to the reclassification of certain capital asset balances. There was no impact on the previously reported changes in net assets or total net assets of the District.

**(3) Cash and Investments**

Cash and investments at June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents in County Treasury	\$ 108,817,248	110,707,455
Cash in banks	<u>19,298,672</u>	<u>19,231,071</u>
Total cash and cash equivalents	<u>128,115,920</u>	<u>129,938,526</u>
Investments:		
Investments in County Treasury	474,421,078	860,408,155
Other	<u>6,252,488</u>	<u>9,036,204</u>
Total investments	<u>480,673,566</u>	<u>869,444,359</u>
Total cash and investments	<u>\$ 608,789,486</u>	<u>999,382,885</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

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Notes to Basic Financial Statements

June 30, 2010 and 2009

through County's investment activities. At June 30, 2010 and 2009, 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 voluntarily invested in the County Pool (such as unspent bond proceeds) 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 board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a nonCounty 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, 2010 and 2009, the District had \$583,238,326 and \$971,115,610 invested in the County Pool, respectively.

The County Treasurer manages equity and 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 1.47 years and 1.36 years at June 30, 2010 and 2009, respectively. The County Pool does not maintain a credit rating.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**(4) Accounts, Notes, and Other Receivables**

Accounts, notes, and other receivables at June 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Tax delinquencies	\$ 23,616,043	24,252,428
Federal and state programs	16,239,845	20,789,588
Local tax for G.O. Bonds	16,108,784	14,394,128
State lottery	6,869,199	6,690,213
Interest receivable	1,517,894	3,085,562
Accounts receivable – principal apportionment	65,425,875	53,592,716
Accounts receivable – campus students	2,416,154	1,653,283
Accounts receivable – student loan programs	4,000,285	3,906,325
Bookstore	685,751	2,078,991
State of California – capital outlay	26,035,691	69,003,506
Other	9,249,755	7,295,747
Less allowance for doubtful accounts	<u>(27,236,483)</u>	<u>(28,451,333)</u>
Total, net	<u>\$ 144,928,793</u>	<u>178,291,154</u>

The allowance for doubtful accounts is maintained at an amount sufficient to reserve the possible uncollectibility of receivable balances. Tax delinquencies represent prior and current year unpaid/unreceived property taxes that were assessed and billed by the County during the 2009-2010 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 60 days of fiscal year-end are considered delinquent. The County's board of supervisors is the taxing authority that levies and collects tax revenues.

**(5) Accounts Payable and Accrued Liabilities**

Accounts payable at June 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Vendors payable	\$ 18,218,561	18,874,138
Capital outlay and program management	105,700,477	115,061,434
Payroll accrual	8,588,211	8,468,778
Grants	9,489,034	13,751,553
L.A. Sheriff's Department	622,423	1,218,530
Financial aid payable	124,877	71,813
Election expense payable	<u>1,113,171</u>	<u>3,756,364</u>
Total	<u>\$ 143,856,754</u>	<u>161,202,610</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**(6) Capital Assets**

A summary of changes in capital assets is as follows:

	<b>2010</b>				<b>Balance at June 30, 2010</b>
	<b>Balance at July 1, 2009</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Capital assets not being depreciated:					
Land	\$ 137,603,848	31,267,199	—	—	168,871,047
Construction in process	948,105,962	692,845,192	(57,081,367)	(733,568,878)	850,300,909
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>1,086,227,810</u>	<u>724,112,391</u>	<u align="right">(57,081,367)</u>	<u align="right">(733,568,878)</u>	<u>1,019,689,956</u>
Capital assets being depreciated:					
Land improvements	390,470,055	—	—	32,769,716	423,239,771
Buildings	867,615,346	65,010	—	671,351,883	1,539,032,239
Equipment	89,335,845	2,539,622	(171,293)	29,447,279	121,151,453
Infrastructure	3,599,474	—	—	—	3,599,474
Total capital assets being depreciated	<u>1,351,020,720</u>	<u>2,604,632</u>	<u align="right">(171,293)</u>	<u>733,568,878</u>	<u>2,087,022,937</u>
Total costs	2,437,248,530	726,717,023	(57,252,660)	—	3,106,712,893
Less accumulated depreciation	<u>(288,280,339)</u>	<u>(70,370,473)</u>	<u>—</u>	<u>—</u>	<u>(358,650,812)</u>
Total	<u>\$ 2,148,968,191</u>	<u>656,346,550</u>	<u align="right">(57,252,660)</u>	<u align="right">—</u>	<u>2,748,062,081</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

	<b>2009</b>				<b>Balance at June 30, 2009</b>
	<b>Balance at July 1, 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Capital assets not being depreciated:					
Land	\$ 120,802,800	16,801,048	—	—	137,603,848
Construction in process	935,570,341	698,781,300	(10,939,789)	(675,305,890)	948,105,962
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>1,056,891,141</u>	<u>715,582,348</u>	<u>(10,939,789)</u>	<u>(675,305,890)</u>	<u>1,086,227,810</u>
Capital assets being depreciated:					
Land improvements	112,607,807	—	—	277,862,248	390,470,055
Buildings	480,102,768	893,050	—	386,619,528	867,615,346
Equipment	74,064,255	4,447,476	—	10,824,114	89,335,845
Infrastructure	3,599,474	—	—	—	3,599,474
Total capital assets being depreciated	<u>670,374,304</u>	<u>5,340,526</u>	<u>—</u>	<u>675,305,890</u>	<u>1,351,020,720</u>
Total costs	1,727,265,445	720,922,874	(10,939,789)	—	2,437,248,530
Less accumulated depreciation	<u>(247,198,965)</u>	<u>(41,081,374)</u>	<u>—</u>	<u>—</u>	<u>(288,280,339)</u>
Total	<u>\$ 1,480,066,480</u>	<u>679,841,500</u>	<u>(10,939,789)</u>	<u>—</u>	<u>2,148,968,191</u>

**Capitalized Interest**

Included in additions to capital assets is \$39,995,733 and \$44,377,869 of capitalized interest at June 30, 2010 and 2009, 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 \$5,122,317 have been charged in the accompanying statements of revenues, expenses, and changes in net assets.

At June 30, 2010, minimum lease commitments under long-term lease contracts were as follows:

Year ending June 30:	
2011	\$ 1,548,018
2012	1,246,808
2013	519,611
2014	328,456
2015	6,712
Total	<u>\$ 3,649,605</u>

# LOS ANGELES COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements

June 30, 2010 and 2009

### (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 (STRS), and classified employees are members of the California Public Employees' Retirement System (PERS). In addition, certificated employees not participating in STRS may participate in the Public Agency Retirement Systems (PARS) or elect Social Security. Classified employees not participating in PERS may participate in PARS, which is a defined contribution plan. On September 2, 2003, the District offered to every adjunct faculty member who is not a mandatory STRS Defined Benefit Program member the STRS Cash Balance Plan.

#### (a) Plan Descriptions and Provisions

*State Teachers' Retirement System (STRS)* – Full-time certificated employees participate in 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 or 1 year highest salary if employee has 25 or more years of service credit or if part of collective bargaining agreement. 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 1 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 PERS, an agent multiple-employer contributory public employee retirement system 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 all.

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.



## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Notes to Basic Financial Statements

June 30, 2010 and 2009

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 (Cash Balance)* – Part-time certificated employees participate in the STRS, a cost sharing multiple-employer contributory public employee retirement system cash balance benefit program plan offered by CalSTRS. The cash balance benefit program is available for all employees who are hired to work less than half-time in CalSTRS-eligible employment. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

On September 2, 2003, the District offered the Cash Balance program to its adjunct faculty who are not mandatory CalSTRS Defined Benefit Program members. In addition, adjunct faculty has 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 (PARS) – 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 tax. 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 Union Bank of California, N.A. serves as the trustee to manage the assets of the PARS plan and serve as the Trust Administrator.

Total contributions to PARS are 7.5%. The employer contribution is 4.0% and the employee contribution is 3.5%. Contributions are vested 100.0% for employees. Employees can receive benefits when they retire at age 60, become disabled, terminate employment, or die.

**(b) Contributions Required and Contributions Made**

For fiscal year 2009-10, the District is required by statute to contribute 8.250%, 9.709%, 4.250%, and 4.000% of gross salary expenditures to STRS, PERS (pooled), Cash Balance, and PARS-ARS, respectively. Participants are required to contribute 8.000%, 7.000%, 3.750%, and 3.500% of gross salary to STRS, PERS, Cash Balance, and PARS-ARS, respectively.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

The District's contributions for the years ended June 30, 2010, 2009, and 2008 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
STRS:		
2010	\$ 15,594,117	100%
2009	16,837,593	100
2008	16,555,135	100
PERS:		
2010	\$ 12,702,976	100%
2009	12,216,963	100
2008	11,997,904	100
Cash balance STRS:		
2010	\$ 1,248,329	100%
2009	1,645,243	100
2008	1,841,446	100
PARS-ARS:		
2010	\$ 554,501	100%
2009	577,210	100
2008	503,431	100

The District's employer contributions to STRS, PERS, Cash Balance, and PARS-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 implemented the new reporting requirements of GASB Statement No. 45, *Accounting and Financial Report by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), prospectively for the fiscal year ended June 30, 2008.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**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 the 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 contribution 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; so, 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.

# LOS ANGELES COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements

June 30, 2010 and 2009

### **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 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, 2009 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 5.88% 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 10.00% and 4.00%, respectively, initially, reduced by decrements to an ultimate rate of 5.00% and 4.00%, respectively, after 10 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. In FY2010, the District deposited \$7,379,173 to the irrevocable trust with CalPERS.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**Annual OPEB Costs and Net OPEB Obligation**

Before the implementation of GASB 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 the GASB 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 year ended June 30:

	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 39,658,000	42,051,000
Interest on net OPEB obligation	1,061,000	—
Adjustment to annual required contribution	<u>(867,000)</u>	<u>—</u>
Annual OPEB cost	39,852,000	42,051,000
Contributions made	<u>(33,167,682)</u>	<u>(27,156,363)</u>
Increase in net OPEB obligation	6,684,318	14,894,637
Net OPEB obligation, beginning of year	<u>18,039,925</u>	<u>3,145,288</u>
Net OPEB obligation, end of year	<u>\$ 24,724,243</u>	<u>18,039,925</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, 2010	\$ 39,852,000	83.23%	\$ 24,727,243
June 30, 2009	42,051,000	64.58	18,039,925

**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, 2009	\$ 8,925,840	545,041,000	536,115,160	1.64%	\$ 251,957,000	212.78%
July 1, 2007	—	633,142,000	633,142,000	—	269,607,861	234.84%

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Notes to Basic Financial Statements

June 30, 2010 and 2009

As of June 30, 2010 and 2009, the District has set aside approximately \$19.6 million and \$12.3 million, respectively, in an external trust fund. The fair value of the trust fund as of June 30, 2010 and 2009 was approximately \$17.9 million and \$8.9 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 the next 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, 2010. 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, 2010, the total value of these outstanding commitments is \$1,066,124,779.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**(10) Long-Term Liabilities**

The following is a summary of long-term liabilities of the District for the years ended June 30, 2010 and 2009:

	<b>2010</b>				
	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>	<u>Due within one year</u>
G.O. Bonds 2001 Series A	\$ 27,815,000	—	(7,980,000)	19,835,000	9,245,000
G.O. Bonds 2003 Series A, B, and C	77,040,000	—	(2,605,000)	74,435,000	2,675,000
G.O. Bonds 2004 Series A and B	98,490,000	—	(2,845,000)	95,645,000	2,950,000
G.O. Bonds 2005 Series A	432,345,000	—	(625,000)	431,720,000	645,000
G.O. Bonds 2006 Series E	308,500,000	—	(7,875,000)	300,625,000	8,145,000
G.O. Bonds 2007 Series A	383,000,000	—	(10,000)	382,990,000	160,000
G.O. Bonds 2008 Series E1 and F1	621,415,000	—	—	621,415,000	—
G.O. Bonds 2008 Series E2 and F2	35,000,000	—	(21,150,000)	13,850,000	4,950,000
G.O. Bonds 2009 Series A and B	425,000,000	—	—	425,000,000	—
Unamortized premiums bond	98,017,868	—	(4,690,200)	93,327,668	4,690,200
Deferred amount on refunding	(10,315,336)	—	4,951,362	(5,363,974)	—
Revenue bonds	813,305	—	(406,653)	406,652	406,652
Certificate of participation	—	44,000,000	(44,000,000)	—	—
Bond anticipation notes	—	300,000,000	—	300,000,000	—
Workers' compensation claims	41,181,000	4,630,801	(4,859,949)	40,951,852	7,953,361
General liability	6,957,000	—	(3,723,784)	3,233,216	1,091,718
Compensated absences	15,643,251	9,732,011	(9,795,513)	15,579,749	7,678,091
Capital lease obligations	4,482,911	79,281	(1,315,761)	3,246,431	1,310,960
<b>Total</b>	<b>\$ 2,565,384,999</b>	<b>358,442,093</b>	<b>(106,930,498)</b>	<b>2,816,896,594</b>	<b>51,900,982</b>

	<b>2009</b>				
	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>	<u>Due within one year</u>
G.O. Bonds 2001 Series A	\$ 34,590,000	—	(6,775,000)	27,815,000	7,980,000
G.O. Bonds 2003 Series A, B, and C	79,545,000	—	(2,505,000)	77,040,000	2,605,000
G.O. Bonds 2004 Series A and B	101,235,000	—	(2,745,000)	98,490,000	2,845,000
G.O. Bonds 2005 Series A	432,950,000	—	(605,000)	432,345,000	625,000
G.O. Bonds 2006 Series E	322,500,000	—	(14,000,000)	308,500,000	7,875,000
G.O. Bonds 2007 Series A	400,000,000	—	(17,000,000)	383,000,000	10,000
G.O. Bonds 2008 Series E1 and F1	—	621,415,000	—	621,415,000	—
G.O. Bonds 2008 Series E2 and F2	—	35,000,000	—	35,000,000	21,150,000
G.O. Bonds 2009 Series A and B	—	425,000,000	—	425,000,000	—
Unamortized premiums bond	67,549,281	34,699,461	(4,230,874)	98,017,868	4,690,200
Deferred amount on refunding	(15,266,698)	—	4,951,362	(10,315,336)	—
Revenue bonds	1,219,958	—	(406,653)	813,305	406,653
Workers' compensation claims	38,539,000	7,198,903	(4,556,903)	41,181,000	4,556,903
General liability	6,524,000	1,906,638	(1,473,638)	6,957,000	1,473,638
Vacation benefits payable	14,814,453	9,911,086	(9,082,288)	15,643,251	7,651,605
Capital lease obligations	4,002,036	1,821,229	(1,340,354)	4,482,911	1,308,455
<b>Total</b>	<b>\$ 1,488,202,030</b>	<b>1,136,952,317</b>	<b>(59,769,348)</b>	<b>2,565,384,999</b>	<b>63,177,454</b>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**(a) General Obligation 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 General Obligation 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 to be used to finance the construction, equipping, and improvement of college and support facilities at nine colleges.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2010 are as follows:

	<b>2001 Series A</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2011	\$ 9,245,000	621,737	9,866,737
2012	10,590,000	218,419	10,808,419
Total	<u>\$ 19,835,000</u>	<u>840,156</u>	<u>20,675,156</u>

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 General Obligation Bonds (Proposition AA) in the amount of \$189,685,000, with various interest rates ranging from 2% to 5% maturing in 2028. 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, 2010 are as follows:

	<b>2003 Series A, B, and C</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2011	\$ 2,675,000	3,606,775	6,281,775
2012	2,810,000	3,469,650	6,279,650
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 – 2020	18,625,000	12,658,000	31,283,000
2021 – 2025	23,770,000	7,391,087	31,161,087
2026 – 2030	17,295,000	1,325,375	18,620,375
Total	<u>\$ 74,435,000</u>	<u>38,031,525</u>	<u>112,466,525</u>

On October 12, 2004, the District issued the 2004 Series A and B General Obligation Bonds (Proposition A and Proposition AA) in the amount of \$103,900,000 with various interest rates



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

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, 2010 are as follows:

	<b>2004 Series A and B</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2011	\$ 2,950,000	4,897,462	7,847,462
2012	3,070,000	4,774,293	7,844,293
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 – 2020	20,090,000	18,953,243	39,043,243
2021 – 2025	25,835,000	13,009,604	38,844,604
2026 – 2030	33,670,000	4,933,293	38,603,293
Total	<u>\$ 95,645,000</u>	<u>60,044,427</u>	<u>155,689,427</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 various 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.

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.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

Debt service requirements to maturity of the G.O. Bonds at June 30, 2010 are as follows:

	<b>2005 Series A</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2011	\$ 645,000	21,666,857	22,311,857
2012	665,000	21,646,400	22,311,400
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 – 2020	112,640,000	83,853,675	196,493,675
2021 – 2025	178,870,000	47,802,000	226,672,000
2026	95,620,000	4,470,500	100,090,500
Total	<u>\$ 431,720,000</u>	<u>241,216,905</u>	<u>672,936,905</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 various 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, 2010 are as follows:

	<b>2006 Series E</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2011	\$ 8,145,000	14,345,964	22,490,964
2012	8,430,000	14,040,274	22,470,274
2013	8,750,000	13,700,236	22,450,236
2014	9,115,000	13,302,848	22,417,848
2015	10,895,000	12,885,901	23,780,901
2016 – 2020	54,685,000	57,151,090	111,836,090
2021 – 2025	69,640,000	41,786,000	111,426,000
2026 – 2030	88,880,000	22,064,500	110,944,500
2031 – 2032	42,085,000	2,129,875	44,214,875
Total	<u>\$ 300,625,000</u>	<u>191,406,688</u>	<u>492,031,688</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 various interest rates ranging from 4% to 5%, maturing in 2033. 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, 2010 and 2009

Debt service requirements to maturity of the G.O. Bonds at June 30, 2010 are as follows:

	<b>2007 Series A</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2011	\$ 160,000	19,094,125	19,254,125
2012	255,000	19,085,825	19,340,825
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 – 2020	20,920,000	93,023,700	113,943,700
2021 – 2025	18,735,000	87,090,625	105,825,625
2026 – 2030	156,970,000	73,686,250	230,656,250
2031 – 2033	184,255,000	14,118,875	198,373,875
Total	\$ <u>382,990,000</u>	<u>363,249,713</u>	<u>746,239,713</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 various 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, 2010 are as follows:

	<b>2008 Series E-1 and F-1</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2011	\$ —	30,074,750	30,074,750
2012	920,000	30,060,950	30,980,950
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 – 2020	68,440,000	141,089,213	209,529,213
2021 – 2025	111,425,000	119,800,875	231,225,875
2026 – 2030	168,500,000	85,134,000	253,634,000
2031 – 2034	251,050,000	29,143,250	280,193,250
Total	\$ <u>621,415,000</u>	<u>524,652,626</u>	<u>1,146,067,626</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 amount of \$20,000,000 with various interest rates ranging from 3.049% to 4.316%, maturing in 2014. The bond measure was designed to finance construction, building

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

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, 2010 are as follows:

	<b>2008 Series E-2 and F-2</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2011	\$ 4,950,000	442,914	5,392,914
2012	5,095,000	257,828	5,352,828
2013	3,255,000	91,540	3,346,540
2014	550,000	11,869	561,869
Total	\$ <u>13,850,000</u>	<u>804,151</u>	<u>14,654,151</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 various 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, 2010 are as follows:

	<b>2009 Series A and B</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2011	\$ —	26,247,663	26,247,663
2012	—	26,247,663	26,247,663
2013	—	26,247,663	26,247,663
2014	—	26,247,663	26,247,663
2015	—	26,247,663	26,247,663
2016 – 2020	—	131,238,313	131,238,313
2021 – 2025	19,915,000	129,875,550	149,790,550
2026 – 2030	116,770,000	111,349,457	228,119,457
2031 – 2034	288,315,000	41,635,050	329,950,050
Total	\$ <u>425,000,000</u>	<u>545,336,685</u>	<u>970,336,685</u>

**(b) Revenue Bonds**

On March 1, 1995, the District entered into the contract with the State of California, State Public Works Board, for participation in the sale of Energy and Water Efficiency Revenue Bonds Phase IV, Series 1995A, for funding of energy conservation design and construction projects at Los Angeles

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

Pierce College in the amount of \$4,063,000. Until the termination date on October 1, 2010, the amount of \$285,000 will be withheld from the District's apportionment payments in order to satisfy the District's annual energy service contract obligation due on August 15 each year. At June 30, 2010 and 2009, \$285,000 and \$570,000 was outstanding, respectively.

On June 1, 1996, the District entered into the contract with the State of California, State Public Works Board, for participation in the sale of Energy and Water Efficiency Revenue Bonds Phase V, Series 1996 A, for funding of energy conservation design and construction projects at Los Angeles Southwest College in the amount of \$1,581,488. Until the termination date on August 1, 2010, the amount of \$121,653 will be withheld from the District's apportionment payments in order to satisfy the District's annual energy service contract obligation due on August 15 each year. At June 30, 2010 and 2009, the outstanding balance was \$121,652 and \$243,305, respectively.

Debt service requirements to maturity of the revenue bonds at June 30, 2010 are as follows:

	<b>Revenue bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2011	\$ 406,652	—	406,652
Total	\$ 406,652	—	406,652

**(c) Lease Purchase Financing**

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2010 are as follows:

	<b>Lease purchase financing</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2011	\$ 1,310,960	234,245	1,545,205
2012	1,139,097	107,711	1,246,808
2013	472,787	46,824	519,611
2014	317,070	11,386	328,456
2015	6,517	196	6,713
Total	\$ 3,246,431	400,362	3,646,793

**(d) Bond Anticipation Notes**

On June 15, 2010, the District issued bond anticipation notes (BAN) in the aggregate principal amount of \$300,000,000. The net proceeds of the 2010 Series C and D Bonds will be used to repay the BAN in full on or about the same date as the delivery of these Bonds.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2010 and 2009

**(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, \$1,000,000 per employment practices claims, and \$500,000 for each general liability claim.

The District currently reports all of its risk management activities in the 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 2010. The amount of the outstanding liability at June 30, 2010 and 2009 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 expected future investment yield assumption at 1.5%.

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2010 and 2009 were as follows:

	<b>2010</b>			
	<b>Balance at July 1, 2009</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>Balance at June 30, 2010</b>
Workers' compensation	\$ 41,181,000	4,630,801	(4,859,949)	40,951,852
General liability	6,957,000	(3,238,467)	(485,317)	3,233,216
	<b>2009</b>			
	<b>Balance at July 1, 2008</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>Balance at June 30, 2009</b>
Workers' compensation	\$ 38,539,000	7,198,903	(4,556,903)	41,181,000
General liability	6,524,000	1,906,638	(1,473,638)	6,957,000

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Notes to Basic Financial Statements

June 30, 2010 and 2009

During the years ended June 30, 2010 and 2009, the District made total premium payments of approximately \$2,784,905 and \$1,213,197, respectively, for general liability and property claims.

#### **(12) Subsequent Events**

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. The proceeds are to be used to finance the construction, equipping, and improving of college and support facilities at nine colleges.

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, 2008 Election (Measure J) 2010 Taxable Series D with 6.68% interest rate maturing in 2036. The proceeds from these two issues were used to pay off the BAN payable of \$300,000,000 received in June 2010.

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**REQUIRED SUPPLEMENTAL INFORMATION**

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Employer Contribution  
Year ended June 30, 2010

**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. Since this is the first year of implementation, only the current year information is presented.

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, 2009	\$ 8,925,840	545,000,000	536,115,160	1.64%	\$ 251,957,000	212.78%
July 1, 2007	—	633,142,000	633,142,000	—%	269,607,861	234.84%

See accompanying independent auditors' report.

**SUPPLEMENTAL FINANCIAL INFORMATION**

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**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

General Fund

Schedule of Balance Sheet Accounts

June 30, 2010

**Assets**

Cash in County Treasury	\$	21,945,215
Cash in banks		6,798,335
Cash in revolving fund		164,669
Investments		47,529
Accounts, notes, interest, and loans receivable, net		95,027,923
Cash held with trustee		65,402
Due from other funds		3,935,992
Prepaid expenses and other assets		5,966,438
Total assets	\$	<u>133,951,503</u>

**Liabilities and Fund Equity**

Liabilities:		
Accounts payable	\$	34,986,280
Due to other funds		2,188,033
Amounts held in trusts		534,662
Deferred revenue		5,592,951
Total liabilities		<u>43,301,926</u>
Fund equity:		
Restricted		14,696,292
Unrestricted		75,953,285
Total fund equity		<u>90,649,577</u>
Total liabilities and fund equity	\$	<u>133,951,503</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, 2010

Revenues:

Federal revenues:

Higher Education Acts	\$ 15,177,168
Job Training Partnership Act	3,258,685
Temporary assistance for needy families	1,733,503
Vocational Education Act	5,741,488
Veterans' education	10,293
College work study	2,194,130
Seog	95,828
Pell	203,925
Other	8,407,147
	<hr/>
Total federal revenues	36,822,167

State revenues:

State apportionments	316,359,890
Tax relief subvention	1,373,739
State lottery	15,013,447
California work opportunity and responsibility to kids program	3,426,041
Extended opportunity program	5,837,206
Matriculation program	4,069,698
Disabled students programs and services	3,836,919
Other	20,522,028
	<hr/>
Total state revenues	370,438,968

Local revenues:

Local property taxes	151,532,959
Rental and lease income	—
Enrolment fees	21,779,956
Tuition and fees, net of scholarship discounts and allowance	12,283,364
Community service fees	5,394,327
Parking fees	2,615,141
Health service fees	4,691,271
Student fees and charges	1,628,831
Interest	1,544,454
Other	12,308,681
	<hr/>
Total local revenues	213,778,984

Total revenues

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621,040,119

Expenditures:

Current:

Academic salaries	235,814,206
Classified salaries	143,121,470
Employee benefits	125,718,983
Books and supplies	10,293,059
Contract services, student grants, and other operating expenditure	59,587,524
Capital outlay and equipment replacement	9,054,376
Other	1,027,319
	<hr/>

Total expenditures

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584,616,937

Excess of revenues over expenditures

36,423,182

Other financing uses:

Operating transfers out	<hr/> (7,336,745)
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Net increase in fund balance

29,086,437

Fund balances at July 1, 2009

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61,563,140

Fund balances at June 30, 2010

\$ 

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90,649,577

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2010

<b>Assets</b>	<b>Special Reserve Fund</b>	<b>Child Development Fund</b>	<b>Bookstore Fund</b>	<b>Cafeteria Fund</b>	<b>Total</b>
Cash in County Treasury	\$ 84,837,578	774,275	—	—	85,611,853
Cash in banks	1,431,173	81,777	577,751	14,397	2,105,098
Cash in Revolving Fund	—	140	314,061	7,589	321,790
Investments	1,000,000	—	—	—	1,000,000
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	26,228,415	510,416	3,386,484	90,810	30,216,125
Due from other funds	—	232,963	483,718	547,913	1,264,594
Prepaid expenses	—	—	1,107	—	1,107
Inventory	—	—	6,046,560	98,193	6,144,753
Total assets	<u>\$ 113,497,166</u>	<u>1,599,571</u>	<u>10,809,681</u>	<u>758,902</u>	<u>126,665,320</u>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 791,277	300,257	26,001	14,209	1,131,744
Due to other funds	53,747,464	917,533	2,943,454	744,693	58,353,144
Deferred revenue	—	—	7,628	—	7,628
Total liabilities	<u>54,538,741</u>	<u>1,217,790</u>	<u>2,977,083</u>	<u>758,902</u>	<u>59,492,516</u>
Fund equity:					
Capital projects	58,958,425	—	—	—	58,958,425
Unrestricted	—	381,781	3,517,353	—	3,899,134
Reserve for facility improvements and inventory	—	—	4,315,245	—	4,315,245
Total fund equity	<u>58,958,425</u>	<u>381,781</u>	<u>7,832,598</u>	<u>—</u>	<u>67,172,804</u>
Total liabilities and fund equity	<u>\$ 113,497,166</u>	<u>1,599,571</u>	<u>10,809,681</u>	<u>758,902</u>	<u>126,665,320</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, 2010

	<b>Special Reserve Fund</b>	<b>Child Development Fund</b>	<b>Bookstore Fund</b>	<b>Cafeteria Fund</b>	<b>Total</b>
Revenues:					
Federal revenues:					
Tuition and fees	\$ —	102,570	—	—	102,570
Other	—	544,680	—	51,496	596,176
Total federal revenues	—	647,250	—	51,496	698,746
State revenues:					
State apportionment	24,842,128	—	—	—	24,842,128
Other	—	6,333,019	—	—	6,333,019
Total state revenues	24,842,128	6,333,019	—	—	31,175,147
Local revenues:					
Food service sales	—	—	—	2,073,297	2,073,297
Bookstore sales	—	—	24,914,155	—	24,914,155
Interest	1,363,220	26,507	—	—	1,389,727
Other	1,965,562	—	10,296	338,329	2,314,187
Total local revenues	3,328,782	26,507	24,924,451	2,411,626	30,691,366
Total revenues	28,170,910	7,006,776	24,924,451	2,463,122	62,565,259
Expenditures:					
Current:					
Academic salaries	27,810	3,828,794	—	—	3,856,604
Classified salaries	—	2,143,967	4,453,153	802,518	7,399,638
Employee benefits	1,887	1,344,207	1,373,727	159,616	2,879,437
Books and supplies	—	365,294	17,300,419	1,791,712	19,457,425
Contract services, student grant, and other operating expenditures	5,005,695	985,550	4,053,898	359,030	10,404,173
Utilities	—	—	247,806	10,000	257,806
Capital outlay and equipment replacement:					
Building	21,613,354	—	—	—	21,613,354
Equipment	3,276,185	12,138	23,756	21,201	3,333,280
Total expenditures	29,924,931	8,679,950	27,452,759	3,144,077	69,201,717
Deficit of revenues under expenditures	(1,754,021)	(1,673,174)	(2,528,308)	(680,955)	(6,636,458)
Other financing sources – operating transfers in (out)	(35,869)	1,337,350	206,630	576,206	2,084,317
Net decrease in fund balances	(1,789,890)	(335,824)	(2,321,678)	(104,749)	(4,552,141)
Fund balances at July 1, 2009	60,748,315	717,605	10,154,276	104,749	71,724,945
Fund balances at June 30, 2010	\$ 58,958,425	381,781	7,832,598	—	67,172,804

See accompanying independent auditors' report.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2010

**Assets**

Cash in County Treasury	\$	10
Cash held with trustee		98,634,194
Accounts, notes, interest, and loans receivable, net		<u>16,110,354</u>
Total assets	\$	<u><u>114,744,558</u></u>

**Liabilities and Fund Equity**

Liabilities:		
Due to other funds	\$	10
Deferred income		16,108,784
Other accrued liabilities		<u>50,646,966</u>
Total liabilities		<u>66,755,760</u>
Fund equity:		
Restricted		<u>47,988,798</u>
Total fund equity		<u>47,988,798</u>
Total liabilities and fund equity	\$	<u><u>114,744,558</u></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, 2010

Revenues:					
Interest			\$	9,479	
Other				—	
	Total revenues			<u>9,479</u>	
Expenditures:					
Current:					
Contract services, student grants, and other operating expenditures				—	
Debt service:					
Principal				87,496,653	
Interest				<u>121,665,307</u>	
	Total expenditures			<u>209,161,960</u>	
	Deficit of revenues under expenditures			(209,152,481)	
Other financing sources:					
Local tax for G.O. Bonds				136,732,682	
Proceeds from issuance of debt				<u>44,000,000</u>	
	Total other financing sources			<u>180,732,682</u>	
	Net decrease in fund balances			(28,419,799)	
Fund balances at July 1, 2009				<u>76,408,597</u>	
Fund balances at June 30, 2010			\$	<u><u>47,988,798</u></u>	

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Postretirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2010

**Assets**

Cash held with trustee	\$	<u>5,297,017</u>
Total assets	\$	<u><u>5,297,017</u></u>

**Liabilities and Fund Equity**

Liabilities:		
Unfunded OPEB payable	\$	<u>24,724,243</u>
Total liabilities		<u>24,724,243</u>
Fund equity:		
Restricted		<u>(19,427,226)</u>
Total fund equity		<u>(19,427,226)</u>
Total liabilities and fund equity	\$	<u><u>5,297,017</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 Accounts

Year ended June 30, 2010

Revenues:		
Interest		\$ <u>44,590</u>
Total revenues		<u>44,590</u>
Expenditures:		
Current:		
Employee benefits		14,063,492
Other nonoperating revenue		<u>(1,079,419)</u>
Total expenditures		<u>12,984,073</u>
Deficit of revenues under expenditures		(12,939,483)
Other financing sources:		
Operating transfers in		<u>5,252,428</u>
Total other financing sources		<u>5,252,428</u>
Net decrease in fund balances		(7,687,055)
Fund balances at July 1, 2009		<u>(11,740,171)</u>
Fund balances at June 30, 2010		\$ <u><u>(19,427,226)</u></u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2010

**Assets**

Cash in County Treasury	\$ 469,124,054
Cash in banks	7,631,123
Investment	—
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	2,239,259
Due from other funds	55,075,741
Prepaid expenses and other assets	25,648,620
Deposit with trustee	31,930,097
	<hr/>
Total assets	\$ 591,648,894
	<hr/> <hr/>

**Liabilities and Fund Equity**

Liabilities:	
Accounts payable	\$ 105,700,472
Due to other funds	20,266
	<hr/>
Total liabilities	105,720,738
	<hr/>
Fund equity:	
Reserved for capital expenditures	485,928,156
	<hr/>
Total fund equity	485,928,156
	<hr/>
Total liabilities and fund equity	\$ 591,648,894
	<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, 2010**

Local revenues:	
Interest	\$ 6,983,931
Other	70,668
Total local revenues	<u>7,054,599</u>
Expenditures:	
Other operating expenses and services	59,515,678
Capital outlay and equipment replacement:	
Land	30,151,847
Buildings	543,207,973
Equipment	50,807,702
Total capital outlay and equipment replacement	<u>624,167,522</u>
Total expenditures	<u>683,683,200</u>
Deficit of revenues under expenditures	(676,628,601)
Other financing sources:	
Proceeds from issuance of debt	<u>300,000,000</u>
Total other financing sources	<u>300,000,000</u>
Net decrease in fund balances	(376,628,601)
Fund balances at July 1, 2009	<u>862,556,757</u>
Fund balances at June 30, 2010	<u>\$ 485,928,156</u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2010

**Assets**

Cash in County Treasury	\$	1,260,178
Cash in banks		439,122
Accounts, notes, interest, and loans receivable, net		2,704,463
Due from other funds		323,512
		<hr/>
Total assets	\$	<u>4,727,275</u>

**Liabilities and Fund Equity**

Liabilities:		
Accounts payable	\$	1,308,766
Due to other funds		38,386
		<hr/>
Total liabilities		1,347,152
		<hr/>
Fund equity:		
Restricted		3,380,123
		<hr/>
Total fund equity		3,380,123
		<hr/>
Total liabilities and fund equity	\$	<u>4,727,275</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, 2010

Revenues:	
Federal revenues:	
Seog	\$ 1,955,904
Pell (Beog)	139,307,288
Direct loan	18,157,882
Other	<u>362,458</u>
Total federal revenues	<u>159,783,532</u>
State revenues:	
Extended opportunity program	3,027,857
Cal Grant	6,823,917
Other	<u>18,125</u>
Total state revenues	<u>9,869,899</u>
Local revenues:	
Interest	209,944
Other	<u>387,800</u>
Total local revenues	<u>597,744</u>
Total revenues	<u>170,251,175</u>
Expenditures:	
Books and supplies	—
Other operating expenses and services	<u>169,680,833</u>
Total expenditures	<u>169,680,833</u>
Excess of revenues over expenditures	570,342
Other financing uses:	
Operating transfers in	<u>—</u>
Net increase in fund balances	570,342
Fund balances at July 1, 2009	<u>2,809,781</u>
Fund balances at June 30, 2010	<u><u>\$ 3,380,123</u></u>

See accompanying independent auditors' report.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds  
 Combined Schedule of Balance Sheet Accounts  
 June 30, 2010

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	\$ 220,184	380,656	8,453	62,905	279,791	100,617	196,803	305,094	516	1,555,019
Investments	989,418	162,542	367,477	268,176	930,785	47,377	1,530,392	992,844	199,463	5,488,474
Accounts, notes and interest receivable, net of allowance for doubtful accounts	—	—	—	838	—	10,422	—	—	765	12,025
Capital assets	31,935	12,193	—	—	27,791	9,712	162,986	266,811	49,246	560,674
Total assets	<u>\$ 1,241,537</u>	<u>555,391</u>	<u>375,930</u>	<u>331,919</u>	<u>1,238,367</u>	<u>168,128</u>	<u>1,890,181</u>	<u>1,564,749</u>	<u>249,990</u>	<u>7,616,192</u>
<b>Liabilities and Fund Equity</b>										
Liabilities:										
Accounts payable	\$ 54,957	29,868	19,977	—	5,408	51,825	—	—	816	162,851
Deferred revenue	4,707	—	—	—	—	—	—	—	—	4,707
Scholarship and trust	807,598	5,012	—	191,712	603,195	116,303	512,085	113,153	111,254	2,460,312
Other liabilities	—	—	—	—	43,622	—	352,664	272,377	—	668,663
Total liabilities	<u>867,262</u>	<u>34,880</u>	<u>19,977</u>	<u>191,712</u>	<u>652,225</u>	<u>168,128</u>	<u>864,749</u>	<u>385,530</u>	<u>112,070</u>	<u>3,296,533</u>
Fund equity:										
Investment in fixed assets	31,935	12,193	—	—	27,791	9,712	162,986	266,811	49,246	560,674
Fund balances – designated for future expenditures	342,340	508,318	355,953	140,207	558,351	(9,712)	862,446	912,408	88,674	3,758,985
Total fund equity	<u>374,275</u>	<u>520,511</u>	<u>355,953</u>	<u>140,207</u>	<u>586,142</u>	<u>—</u>	<u>1,025,432</u>	<u>1,179,219</u>	<u>137,920</u>	<u>4,319,659</u>
Total liabilities and fund equity	<u>\$ 1,241,537</u>	<u>555,391</u>	<u>375,930</u>	<u>331,919</u>	<u>1,238,367</u>	<u>168,128</u>	<u>1,890,181</u>	<u>1,564,749</u>	<u>249,990</u>	<u>7,616,192</u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds  
 Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts  
 Year ended June 30, 2010

	<b>East Los Angeles College</b>	<b>Los Angeles City College</b>	<b>Los Angeles Harbor College</b>	<b>Los Angeles Mission College</b>	<b>Pierce College</b>	<b>Los Angeles Southwest College</b>	<b>Los Angeles Trade- Technical College</b>	<b>Los Angeles Valley College</b>	<b>West Los Angeles College</b>	<b>Total</b>
Revenues:										
Interest	\$ 11,716	3,912	4,426	1,782	7,941	533	18,710	25,844	3,980	78,844
Other	170,040	117,806	66,372	21,253	137,361	7,282	38,775	117,468	27,850	704,207
Total revenues	<u>181,756</u>	<u>121,718</u>	<u>70,798</u>	<u>23,035</u>	<u>145,302</u>	<u>7,815</u>	<u>57,485</u>	<u>143,312</u>	<u>31,830</u>	<u>783,051</u>
Expenditures:										
Contract services and other operating expenditures	148,049	134,778	80,607	16,114	262,109	3,104	95,012	88,508	50,042	878,323
Total expenditures	<u>148,049</u>	<u>134,778</u>	<u>80,607</u>	<u>16,114</u>	<u>262,109</u>	<u>3,104</u>	<u>95,012</u>	<u>88,508</u>	<u>50,042</u>	<u>878,323</u>
Net increase (decrease) in fund balances	33,707	(13,060)	(9,809)	6,921	(116,807)	4,711	(37,527)	54,804	(18,212)	(95,272)
Fund balances at July 1, 2009	340,568	533,571	365,762	133,286	702,949	(4,711)	1,062,959	1,124,415	156,132	4,414,931
Fund balances at June 30, 2010	<u>\$ 374,275</u>	<u>520,511</u>	<u>355,953</u>	<u>140,207</u>	<u>586,142</u>	<u>—</u>	<u>1,025,432</u>	<u>1,179,219</u>	<u>137,920</u>	<u>4,319,659</u>

See accompanying independent auditors' report.

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2010

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, 2010 comprised the following members:

<b>Board of Trustees</b>		
<b>Name</b>	<b>Office</b>	<b>Term expires</b>
Mona Field	President	June 30, 2011
Georgia L. Mercer	Vice President	June 30, 2011
Kelly G. Candaele	Member	June 30, 2013
Tina Park	Member	June 30, 2013
Miguel Santiago	Member	June 30, 2011
Nancy Pearlman	Member	June 30, 2013
Sylvia Scott-Hayes	Member	June 30, 2011
Rodney D. Robinson*	Student Trustee	October 19, 2010

\* Interim

### **Administration**

Dr. Tyree Wieder, Interim Chancellor  
Dr. Adriana D. Barrera, Deputy Chancellor  
Mr. Larry H. Eisenberg, 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, 2010

### College Presidents

---

Mr. Ernest H. Moreno	East Los Angeles College
Dr. Jamillah Moore	Los Angeles City College
Dr. Linda M. Spink	Los Angeles Harbor College
Ms. Judith Valles	Los Angeles Mission College
Dr. Joy McCaslin*	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
Dr. Mark Rocha	West Los Angeles College

\* Interim

**OTHER SUPPLEMENTAL INFORMATION**

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**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Schedule of Workload Measures for State General Apportionment  
Annual (Actual) Attendance as of June 30, 2010

<u>Categories</u>	<u>State residents reported data</u>	<u>Audit adjustments</u>	<u>Revised data</u>
A. Summer intersession (Summer Segment 2 only):			
1. Noncredit	1,769.07		1,769.07
2. Credit	7,287.93		7,287.93
B. Summer intersession (Summer Segment 1 only):			
1. Noncredit	96.84		96.84
2. Credit	4.52		4.52
C. Primary terms (exclusive of summer intersessions):			
1. Census procedure courses:			
a. Weekly census contact hours	81,162.67		81,162.67
b. Daily census contact hours	7,830.19		7,830.19
2. Actual hours of attendance procedure courses:			
a. Noncredit	3,852.45		3,852.45
b. Credit	3,998.83		3,998.83
3. Independent study/work experience education courses:			
a. Weekly census procedure courses	313.32		313.32
b. Daily census procedure courses	1,808.15		1,808.15
c. Noncredit independent study	—		—
D. Total Full-Time Equivalent Students (FTES)	<u>108,123.97</u>	<u>—</u>	<u>108,123.97</u>
<b>Supplemental information</b>			
E. In-service training courses	1,807.30		
F. For future use	—		
G. For future use	—		
H. Basic skills courses:			
1. Noncredit	3,961.85		
2. Credit	7,718.60		
I. CCFS-320 Addendum: CDCP Noncredit FTES	2,308.54		
J. Centers FTES:			
1. Noncredit	N/A		
2. Credit	N/A		

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Reconciliation of Annual Financial and Budget Report (CCFS 311) with District Accounting System  
Year ended June 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Postretirement Health Insurance Fund</u>	<u>Building Fund</u>
Total fund balances per annual financial budget report as of June 30, 2010	\$ 87,999,512	88,567,769	726,898	(22,197,472)	443,656,138
Audit adjustments to fund balance:					
Adjustments to cash with bond trustee	—	—	97,908,866	—	—
Adjustments to accrued interest expense	—	—	(50,646,966)	—	—
Adjustment to salary and employee benefits expense	754,197	—	—	—	—
Adjustment to accrued liabilities for building fund	(4,132)	—	—	—	—
Adjustments to receivables	—	16,561,808	—	—	—
Adjustments based on actuarial study	—	—	—	2,770,246	—
Adjustments to interfund accounts	—	(42,272,018)	—	—	42,272,018
Adjustments to bookstore's reserve for inventory and facility improvements	—	4,315,245	—	—	—
Adjustments to workers' compensation payable reserve	1,900,000	—	—	—	—
Adjustments and reclass	<u>2,650,065</u>	<u>(21,394,965)</u>	<u>47,261,900</u>	<u>2,770,246</u>	<u>42,272,018</u>
Unaudited ending fund balance as of June 30, 2010	90,649,577	67,172,804	47,988,798	(19,427,226)	485,928,156
Current assets:					
Adjustment to receivables	(1,381,356)	—	16,108,784	—	—
Adjustment to payables	(566,641)	—	—	—	—
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—
Other assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—
Long-term liabilities are not booked as part of fund balances:					
G.O. Bonds	—	—	—	—	—
Unamortized premium bonds	—	—	—	—	—
Prepaid interest expense	—	—	—	—	—
Revenue bond	—	—	—	—	—
Workers' compensation claims payable	—	—	—	—	—
General liability	—	—	—	—	—
Vacation benefits payable	—	—	—	—	—
Capital lease payable	—	—	—	—	—
Audited net assets as of June 30, 2010	\$ <u>88,701,580</u>	<u>67,172,804</u>	<u>64,097,582</u>	<u>(19,427,226)</u>	<u>485,928,156</u>



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Reconciliation of Annual Financial and Budget Report (CCFS 311) with District Accounting System

Year ended June 30, 2010

	<u>Student Financial Aid Fund</u>	<u>ASO Fund</u>	<u>General long-term fixed assets</u>	<u>Other GASB adjustments to general long-term debt</u>	<u>Total</u>
Total fund balances per annual financial budget report as of June 30, 2010	\$ 3,380,123	4,319,659	—	—	606,452,627
Audit adjustments to fund balance:					
Adjustments to cash with bond trustee	—	—	—	—	97,908,866
Adjustments to accrued interest expense	—	—	—	—	(50,646,966)
Adjustment to salary and employee benefits expense	—	—	—	—	754,197
Adjustment to accrued liabilities for building fund	—	—	—	—	(4,132)
Adjustments to receivables	—	—	—	—	16,561,808
Adjustments based on actuarial study	—	—	—	—	2,770,246
Adjustment to interfund accounts	—	—	—	—	—
Adjustments to bookstore's reserve for inventory and facility improvements	—	—	—	—	4,315,245
Adjustments to workers' compensation payable reserve	—	—	—	—	1,900,000
Adjustments and reclass	—	—	—	—	73,559,264
Unaudited ending fund balance as of June 30, 2010	<u>3,380,123</u>	<u>4,319,659</u>	<u>—</u>	<u>—</u>	<u>680,011,891</u>
Current assets:					
Adjustment to receivables	—	—	—	—	14,727,428
Adjustment to payables	—	—	—	—	(566,641)
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	(560,674)	2,748,062,081	—	2,747,501,407
Other assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	16,082,550	16,082,550
Long-term liabilities are not booked as part of fund balances:					
G.O. Bonds	—	—	—	(2,665,515,000)	(2,665,515,000)
Unamortized premium bonds	—	—	—	(93,327,668)	(93,327,668)
Prepaid interest expense	—	—	—	5,363,975	5,363,975
Revenue bond	—	—	—	(406,653)	(406,653)
Workers' compensation claims payable	—	—	—	(40,951,852)	(40,951,852)
General liability	—	—	—	(3,233,216)	(3,233,216)
Vacation benefits payable	—	—	—	(15,579,749)	(15,579,749)
Capital lease payable	—	—	—	(3,246,431)	(3,246,431)
Audited net assets as of June 30, 2010	<u>\$ 3,380,123</u>	<u>3,758,985</u>	<u>2,748,062,081</u>	<u>(2,800,814,044)</u>	<u>640,860,041</u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Federal grantor/pass-through grantor/program title</u>	<u>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		\$ 76,522
Subtotal direct programs			<u>76,522</u>
Pass-through California Department of Education:			
Child Care Food Programs	10.558	19-2432-2A	395,957
Pass-through California Department of Health Services:			
California Nutrition Network	10.561	07-65327	664,286
California Nutrition Network	10.561	08-85119	865,637
Subtotal pass-through programs			<u>1,925,880</u>
Total U.S. Department of Agriculture			<u>2,002,402</u>
U.S. Department of Housing and Urban Development:			
Direct programs:			
Hispanic Serving Institution	14.514		537,502
Total U.S. Department of Housing and Urban Development			<u>537,502</u>
U.S. Department of Labor:			
Direct programs:			
Community-Based Job Training	17.269	CB-17355-08-60-A-6	115,317
Community-Based Job Training	17.269	CB-17347-08-60-A-6	662,877
Community-Based Job Training	17.269	CB-18241-09-60-A-6	620,914
Entertainment Artists Technicians & Crafts Training	17.261	EA-18572-09-60-A-6	175,418
Workforce Investment Act –			
Pathways Out of Poverty (Recovery Act Funded)	17.275	GJ-20026-10-60-A-6	90,229
Subtotal direct programs			<u>1,664,755</u>
Pass-through City of Los Angeles:			
Workforce Investment Act – Utilities Sector Initiative	17.258	07-1714-C-113555	107,568
Pass-through County of Los Angeles:			
Workforce Investment Act – Com Career Title I – Adult	17.258	A091010	50,829
Workforce Investment Act – Com Career Title I – Dislocated	17.260	DW091010	195,921
Workforce Investment Act – Adult (Recovery Act Funded)	17.258	ARRA-A091010	25,207
Workforce Investment Act – Dislocated (Recovery Act Funded)	17.260	ARRA-DW091010	185,084
Pass-through Employment Development Department:			
Workforce Investment Act – Adult (Recovery Act Funded)	17.258	K077875	45,584
Subtotal Workforce Investment Act cluster			<u>610,193</u>
Pass-through Employment Development Department:			
Cal GRIP	17.259	R973798-120	334,180
Green Jobs Corp Initiative (Recovery Act Funded)	17.279	R973798-433	425,281
Clean Energy Project (Recovery Act Funded)	17.258	K076825	99,092
Pass-through Community Career Development:			
Connections Healthcare Training Academy (Recovery Act Funded)	17.259		7,962
Pass-through Economic Development Department:			
Advanced Manufacturing Training Institute	17.268	HG-15849-07-60	72,874
Pass-through San Bernardino Community College District:			
Pass-through Employment Development Department:			
Southern California Logistics Training Collaborative	17.275	GJ20040-10-60-A6	26,455
Subtotal pass-through programs			<u>1,576,037</u>
Total U.S. Department of Labor			<u>3,240,792</u>
National Aeronautics and Space Administration:			
Direct programs:			
NASA – An Innovative Partnership	43.001	N/A	14,600
Total National Aeronautics and Space Administration			<u>14,600</u>
U.S. Environmental Protection Agency:			
Direct programs:			
An Affordable Family-Scale Biogas Generator	66.516	SU-83433001-0	7,803
Total U.S. Environmental Protection Agency			<u>7,803</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Energy:			
Pass-through Employment Development Department:			
American Recovery and Reinvestment Act (ARRA):			
Clean Energy Project	81.041	K077137	\$ 160,057
Total U.S. Department of Energy			<u>160,057</u>
U.S. Department of Commerce:			
Direct programs:			
Improving Access to Weather Data	11.467	NA09NWS4670019	38,811
Total U.S. Department of Commerce			<u>38,811</u>
U.S. Department of Education:			
Direct programs:			
Higher Education Act:			
Higher Education Institutional Aid	84.031		10,435,639
TRIO cluster:			
Student Support Services	84.042		1,693,820
Talent Search	84.044		382,668
Upward Bound	84.047		1,672,303
Educational Opportunity Centers	84.066		236,088
Subtotal TRIO cluster			<u>3,984,879</u>
Fund for the Improvement of Post Secondary Education –			
Solving the Math Achievement Gap	84.116		300,299
Minority Science and Engineering Improvement	84.120		29,015
Strengthening Minority-Serving Institutions – Flying into the Future	84.382		258,901
Student financial assistance cluster:			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007		2,029,466
Federal Family Education Loans (FFEL)	84.032		9,015,939
Federal Work Study Program (FWS)	84.033		2,397,886
Federal Perkins Loan Program (FPL)	84.038		338,750
Federal Pell Grant Program (PELL)	84.063		138,176,255
Federal Direct Student Loan (Direct Loan)	84.268		9,133,722
Academic Competitive Grant (ACG)	84.375		1,286,167
Subtotal student financial assistance cluster			<u>162,378,185</u>
Subtotal direct programs			<u>177,386,918</u>
Pass-through California Community College’s Chancellors Office:			
Adult Education and Family Literacy and English Literacy	84.002	19-64741	967,975
Vocational and Applied Technology Education Act – Title IC	84.048	08-C01-027	421,965
Vocational and Applied Technology Education Act – Title IC	84.048	09-C01-027	4,970,265
Tech Prep Education – Los Angeles City College	84.243	09-139-083	64,454
Tech Prep Education – East Los Angeles College	84.243	09-139-032	65,739
Tech Prep Education – Los Angeles Harbor College	84.243	09-139-034	67,750
Tech Prep Education – Los Angeles Mission College	84.243	09-139-035	67,717
Tech Prep Education – Los Angeles Pierce College	84.243	09-139-036	67,749
Tech Prep Education – Los Angeles Southwest College	84.243	09-139-745	60,255
Tech Prep Education – Los Angeles Trade-Technical College	84.243	09-139-082	65,130
Tech Prep Education – Los Angeles Valley College	84.243	09-139-038	67,733
Tech Prep Education – West Los Angeles College	84.243	09-139-037	67,744
Tech Prep Education – Distribution Points Project	84.243	CN088121	196,354
State Fiscal Stabilization Fund –			
Education Stabilization Funds (Recovery Act Funded)	84.394		4,386,031
Pass-through Los Angeles Unified School District:			
GEAR UP	84.334	800479	22,744
GEAR UP	84.334	900208	77,138
GEAR UP	84.334	900263	47,037
GEAR UP	84.334	900418	12,892
GEAR UP	84.334	900542	10,588
GEAR UP	84.334	1000340	1,029
Subtotal pass-through programs			<u>11,708,289</u>
Total U.S. Department of Education			<u>189,095,207</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services:			
Direct programs:			
Nursing Student Loans	93.364		\$ 88,316
Health Care and Other Facilities	93.887	C76HF16195	<u>82,852</u>
Subtotal direct programs			<u>171,168</u>
Pass-through State of California Department of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	1,733,503
Pass-through California Department of Education:			
Instructional Materials	93.575	CIMS-9251	1,740
Child Development Block Grant	93.596	CCTR-9127	155,021
Pass-through California Community College's Chancellors Office:			
Phase II, Allied Health Program (Recovery Act Funded)	93.416	09-127-09	167,934
Phase II, Allied Health Program (Recovery Act Funded)	93.416	09-127-18	124,279
Pass-through St. Francis Medical Center of Lynwood Foundation:			
Nurse Education Practice and Retention	93.359	D11HP08389	206,792
Pass-through County of Los Angeles Department of Public Social Services			
City of Hawthorne, South Bay WIB-City of Los Angeles CDD:			
ARRA Emergency Contingency Funds for TANF:			
Summer Youth Employment Program	93.714	C-117871	<u>9,783</u>
Subtotal pass-through programs			<u>2,399,052</u>
Total U.S. Department of Health and Human Services			<u>2,570,220</u>
U.S. Department of State, Bureau of Education:			
Pass-through Foundation for California Community College:			
Egyptian Student Program	19.012	375304EGYPT	<u>427,252</u>
Total U.S. Department of State, Bureau of Education			<u>427,252</u>
Corporation for National and Community Service:			
Americorps	94.006		<u>358,965</u>
Total Corporation for National and Community Service			<u>358,965</u>
Total expenditures of federal awards			\$ <u><u>198,453,611</u></u>

See accompanying independent auditors' report on schedule of expenditures of federal awards and notes to schedules of expenditures of federal award and state financial awards.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of State Financial Awards

Year ended June 30, 2010

<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	\$ 3,836,919	—	—	3,836,919	5,036,943
State Matriculation (Credit)	3,542,268	—	—	3,542,268	3,987,824
State Matriculation (Non Credit)	527,430	—	—	527,430	694,621
Student Financial Aid Administration	5,105,626	—	—	5,105,626	4,875,511
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	—	—	—	—	983,936
Basic Skills	1,807,226	—	—	1,807,226	2,945,257
Extended Opportunity Program and Services (EOPS)	8,057,864	—	—	8,057,864	8,200,981
Cooperative Agencies Resource for Education (CARE)	807,199	—	—	807,199	974,493
CalWORKS Program	3,451,499	—	25,458	3,426,041	3,481,554
Telecommunication and Technology Infrastructure Program	—	—	—	—	202,671
Foster Care Program	898,060	271,693	—	1,169,753	1,189,917
Staff Development	—	—	—	—	57,861
Faculty and Staff Diversity	33,732	—	—	33,732	101,364
CAHSEE Preparation Program	1,693,870	509,649	96,271	2,107,248	2,107,307
Nursing Program	2,187,741	358,876	521,301	2,025,316	2,037,300
Temporary Assistance for Needy Families CDC	268,307	69,570	—	337,877	337,877
Independent Living Program	415,085	174,980	—	590,065	589,131
Economic Development	3,276,379	298,508	942,785	2,632,102	2,632,102
Career Technical Education	3,305,303	—	1,988,669	1,316,634	1,316,631
Math, Engineering, and Science Achievement (MESA)	57,303	—	—	57,303	57,303
Middle College High School (MCHS)	48,726	50,664	—	99,390	99,358
Transfer and Articulation Program	15,015	—	5,850	9,165	9,167
Child Development Pre-School Care	3,034,046	220,007	—	3,254,053	3,178,351
Child Development Services	1,184,370	105,436	—	1,289,806	1,261,971
Family Child Care Homes Network	726,207	27,962	—	754,169	754,169
CAL Grants	6,944,415	—	120,498	6,823,917	7,208,783
After School Education and Safety Program	176,501	19,611	—	196,112	196,112
Oscher Scholar	12,500	6,520	625	18,395	18,125
Other state assistance programs	2,444,527	1,433,607	54,689	3,823,445	3,935,820
<b>Total state programs</b>	<b>\$ 53,858,118</b>	<b>3,547,083</b>	<b>3,756,146</b>	<b>53,649,055</b>	<b>58,472,440</b>

See accompanying independent auditors' report on Schedule of Expenditures of Federal Awards and notes to schedules of expenditures of federal awards and state financial awards.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2010

**(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 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 is included in the schedule.

**(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 the fund financial statements:

General Fund	\$ 370,438,968
Special Revenue Fund	31,175,147
Student Financial Aid Fund	<u>9,869,899</u>
Total state revenues in fund financial statements	<u><u>\$ 411,484,014</u></u>

Total state revenues in accompanying schedule	\$ 53,649,055
---	---------------

Add:

General Fund:	
Basic and equalization aid	316,359,890
State lottery	15,013,447
Tax relief subvention	1,373,739
Other state funds	<u>245,755</u>
Total other General Fund revenues	<u>332,992,831</u>

Special Revenue Fund:	
Community College Construction Act	24,842,128
Scheduled Maintenance Program	<u>—</u>
Total other Special Revenue Fund revenues	<u>24,842,128</u>
Total state revenues in fund financial statements	<u><u>\$ 411,484,014</u></u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2010

**(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, 2010. 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 Family Education Loans (FFEL)	84.032	\$ 9,015,939	—
Federal Perkins Loans (FPL)	84.038	338,750	3,886,179
Federal Direct Student Loans	84.268	9,133,722	—
Nursing Student Loans	93.364	—	81,190

**(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	\$ 95,828
Federal Work-Study Program	105,281
	<u>\$ 201,109</u>

**(6) Federal Clusters of Programs**

The following tables summarize the expenditures of federal program clusters included in the schedule of expenditure of federal awards:

	<u>CFDA number</u>	<u>Expenditures</u>
Workforce Investment Act (WIA) Cluster:		
WIA Utilities Sector Initiative	17.258	\$ 107,568
WIA Adult Education Program	17.258	121,620
WIA Adult – Dislocated Program	17.260	381,005
		<u>\$ 610,193</u>
TRIO Cluster:		
Student Support Services	84.042	\$ 1,693,820
Talent Search	84.044	382,668
Upward Bound	84.047	1,672,303
Educational Opportunity Centers	84.066	236,088
		<u>\$ 3,984,879</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2010

	<u>CFDA number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	\$ 2,029,466
Federal Work-Study (FWS)	84.033	2,397,886
Federal Family Education Loans (FFEL)	84.032	9,015,939
Federal Perkins Loan (FPL)	84.038	338,750
Federal Direct Student Loans (Direct Loan)	84.268	9,133,722
Federal Pell Grant Program (PELL)	84.063	138,176,255
Academic Competitiveness Grant (ACG)	84.375	<u>1,286,167</u>
		<u>\$ 162,378,185</u>
Child Care Development Fund Cluster:		
Instructional Materials	93.575	\$ 1,740
Child Development Block Grant	93.596	<u>155,021</u>
		<u>\$ 156,761</u>



**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 District's compliance with the following state laws and regulations for the year ended June 30, 2010 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 (424)
- Residency Determination for Credit Courses (425)
- Students Actively Enrolled (426)
- Concurrent Enrollment of K-12 Students in Community College Credit Courses (427)
- Uses of Matriculation Funds (428)
- Gann Limit Calculation (431)
- Enrollment Fee (432)
- California Work Opportunity and Responsibility to Kids (CaIWORKS) – Use of State and Federal Temporary Assistance for Needy Families (TANF) Funding (433)
- Scheduled Maintenance Program (434)
- Open Enrollment (435)
- Student Fee – Instructional Materials and Health Fees (437).

Management is responsible for the Los Angeles Community College District (the District) compliance with those requirements. 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 specified requirements.



In our opinion, except for findings S-10-01 through S-10-05 described in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

This report is intended solely for the information and use of the District's management, the Board of Trustees, Audit Committee, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Vargus + Company LLP*

Los Angeles, California  
February 16, 2011

**ADDITIONAL REPORTS OF INDEPENDENT AUDITORS**

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KPMG LLP  
Suite 700  
20 Pacifica  
Irvine, CA 92618-3391

**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, 2010, and have issued our report thereon dated April 26, 2011. 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**

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 an 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency in the District's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as item FS-10-01 to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items FS-10-02 through FS-10-04 to be significant deficiencies in internal control over financial reporting.



### **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 are described in the accompanying schedule of findings and questioned costs. The District's update to the findings identified in our previous year's audits described in the accompanying schedule of prior year federal and state findings and prior year's comments. We did not audit the District's response and update, and accordingly, we express no opinion on them.

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

April 26, 2011



**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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (the Compliance Supplement) that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010, 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 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 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 Affiliated Computer 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, 2010 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 identified in the accompanying schedule of findings and questioned costs 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 of the District's compliance with those requirements.



In our opinion, the 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 identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

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-10-01 through F-10-12.

### **Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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 the 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, 2010 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 the entity's 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*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as findings F-10-01 to F-10-12. *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 the responses.



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

*Vergara + Company LLP*

Los Angeles, California  
February 16, 2011

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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, 2010. 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, 2010, in conformity with U.S. generally accepted accounting principles.

This report is intended solely for the use of the board of trustees, management, and the federal and state awarding agencies 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  
February 16, 2011

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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, 2010

**(1) Summary of Auditors' Results**

***Basic Financial Statements***

- (a) The type of report issued on the basic financial statements: **Unqualified.**
- (b) Internal control over financial reporting:
  - Material weakness(es) identified: **Yes. See item FS-10-01**
  - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See items FS-10-02 through FS-10-04.**
- (c) Noncompliance, which is material to the basic financial statements: **No.**

***Federal Awards***

- (d) 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-10-01 through F-10-12.**
- (e) The type of report issued on compliance for major programs:
  - Student Financial Assistance Cluster – **Unqualified.**
  - TRIO Cluster – **Unqualified.**
  - Career and Technical Education (CTE) Basic Grants to States (Perkins IV) – **Unqualified.**
  - Higher Education Institutional Aid – **Unqualified.**
  - State Fiscal Stabilization Fund – Education Stabilization Funds – **Unqualified.**
- (f) Any audit finding which are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**
- (h) Major programs:
  - U.S. Department of Education

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- Student Financial Assistance Cluster:
  - CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG)
  - CFDA 84.032 Federal Family Education Loans (FFEL)
  - CFDA 84.033 Federal Work-Study Program (FWS)
  - CFDA 84.038 Federal Perkins Loans (FPL)
  - CFDA 84.063 Federal Pell Grant Program (PELL)
  - CFDA 84.268 Federal Direct Student Loans (DIRECT LOAN)
  - CFDA 84.375 Academic Competitive Grant (ACG)
  
- Higher Education Institutional Aid – CFDA 84.031
  
- TRIO Cluster
  - CFDA 84.042 Student Support Services
  - CFDA 84.044 Talent Search
  - CFDA 84.047 Upward Bound
  - CFDA 84.066 Educational Opportunity Centers
  
- CTE Basic Grants to States (Perkins IV) – CFDA 84.048
  
- State Fiscal Stabilization Fund – Education Stabilization Funds – CFDA 84.394

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

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

***FS-10-01: Capital Assets and General Obligation Bond Program***

*Condition and Context*

The Los Angeles Community College District (the District) has contracted with a program management firm to manage the District’s General Obligation (G.O.) Bond Construction Projects (Proposition A, Proposition AA and Measure J) known as BuildLACCD (the Program Manager). The District also utilizes the County of Los Angeles to levy *ad valorem* property taxes on the District’s behalf to fund the debt service payments on the G.O. Bonds. The following issues were noted during our testwork:

- The District does not currently have adequate policies and procedures in place that allow them to identify and record capital asset expenses in the proper period in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Exceptions were noted during our capital asset testwork, which required additional analysis by management.
  
- The District does not currently reconcile furniture and equipment purchased with bond proceeds to the actual equipment received and tagged.
  
- The District requires all employees designated in the Los Angeles Community College District Administrative Regulations as C-5 Categories and C-6 Designated Positions as having procurement

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oversight responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District. However, we noted that there does not appear to be adequate controls in place to reconcile the information included in these forms with vendors or subcontractors utilized by the District.

#### *Cause and Effect*

Effective July, 2007, the District's board of trustees approved the Program Manager to oversee all bond-funded capital improvements. The Program Manager is responsible for maintenance of the master schedule of work performed, program budgets, accounting, contracting, and development. The Program Manager performs cutoff procedures during the District's closing process; however, the Program Manager did not perform adequate cutoff procedures related to expenditures paid for in the current year that related to the previous fiscal year. Additionally, there do not appear to be adequate controls in place over the receipt of goods and the related reconciliation to accounting records. Lack of formal cutoff procedures can impact the completeness of fixed asset records and the period in which expenses are reflected in the District's accounting records.

In 2010, the District contracted with a new asset management firm, Annams Systems Corporation, to record and track furniture and equipment purchases funded through bond proceeds as well as furniture and equipment disposals. Although the District has properly capitalized the furniture and equipment purchases made during the year, since the assets were not reconciled with BuildLACCD records, the District did not record this furniture and equipment into its Asset Management system. Lack of updating the inventory records into the District's Asset Management system will have an impact on possible loss and misuse of assets.

The lack of controls to reconcile the information included in California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District to the vendors and subcontractors employed as part of the District's bond program appears to be due to resource limitations and the lack of controls in place at the District. Perceived or actual conflicts of interest can exist if this information is not reconciled and reviewed in a timely manner.

#### *Criteria*

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. 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 believe the control deficiencies described above in aggregate represent a material weakness in internal control.

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#### *Recommendation*

We recommend that the District work with the Program Manager to design and implement internal controls to ensure that capital assets are being tracked and recorded in a timely manner, reconciled to accounting records and reported in accordance with U.S. GAAP for governmental organization. Additionally, we recommend the District strengthen its controls related to the reporting and tracking of potential conflicts of interest. These procedures could include expanding the representations made by vendors and subcontractors to require self-reporting of potential conflicts of interest. Finally, we also recommend that management implement processes and controls to determine that expenses, revenues, and accruals are recorded and disclosed in accordance with U.S. GAAP.

#### *Views of Responsible Officials and Planned Corrective Action*

The District continues to work with the Program Manager (BuildLACCD) to implement controls and processes to ensure capital assets are recorded and reconciled in a timely manner. The Program Manager implemented additional controls through a two-part accruals review after fiscal year-end of June 30, 2010. The District continues to work with the Program Manager to improve the process of reconciling furniture and equipment (FF&E) purchased with bond proceeds to the actual equipment received and tagged. In August 2010, the Program Manager went live using the District's accounting system (SAP) for recording all new FF&E purchases. Annam's Systems Corporation was selected and contracted on January 28, 2010 to be the Asset Management service to provide the following items: Phase 1 – Strategic Planning, Phase 2 – Technology Solution and Implementation, and Phase 3 – a Baseline Inventory. Currently the Program Manager is performing Phase 2 and expects to start Phase 3 in the next eight to twelve months. After completion of this work and a complete reconciliation is performed between the various systems, this completed inventory will be reflected in the District's Asset Management system in SAP. The District will strengthen its processes and controls in the review of the Form 700 for potential conflicts of interest related to the use of bond funds by the vendors and subcontractors employed as part of the District's bond program.

#### ***FS-10-02: Employee Benefits***

##### *Condition and Context*

During our current year testwork, we noted the following related to the District's accounting for employee benefits:

- There did not appear to be adequate controls in place to ensure that supporting documentation for check requisitions for medical-related employee benefit payments (i.e., payments made to Blue Shield, Kaiser Foundation, Safeguard Dental, and VSP) were reviewed and approved prior to payments. We noted that the supporting documentation was not included in one of the months selected for testwork.
- There did not appear to be adequate controls in place to ensure that the reconciliation of the SAP Workbench reports of employee benefits expenses (e.g., medical-related benefits, retirement-related benefits, and other employee benefits) according to the payroll register agrees to the general ledger in a timely manner. During our testwork, we noted that the information related to medical-related employee benefits that is transferred to the workbench files was not always complete and/or accurate. Errors are sometimes internally detected through a manual review of the data; however,

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due to the large volume of data, the District's staff are unable to manually review the entire report. Errors are also sometimes detected by either the District's health provider if they are either over or underpaid or by employees if they realize their medical claims are not being paid.

- There do not appear to be adequate controls in place to ensure that social security payments are made for all student workers and that all employees that work in excess of 1,000 hours are enrolled in CalPERS and Social Security. During fiscal year 2010, the District identified approximately 100 non-LACCD student workers where the District had not paid Social Security payments. The District also identified approximately 200 employees where it had not enrolled the employees into CalPERS and Social Security in a timely manner. Additionally, we noted exceptions in our testwork related to Social Security payments (both over and understatements).

#### *Cause and Effect*

The control deficiencies noted above appear to be due to missing reconciliations, reliance of work done by others without requiring documentation to support benefit payments, and missing controls related to the employment of student workers and certain employees. Given the control exceptions noted, there is a risk that benefit expenses will not be recorded correctly and in accordance with U.S. GAAP.

#### *Criteria*

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. 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 believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

#### *Recommendation*

We recommend that management strengthen its procedures and internal controls to ensure the following:

- Supporting documentation for benefit payments is reviewed prior to making disbursements.
- Reconciliations are performed of employee benefit data to SAP workbench reports.
- Controls are strengthened to ensure new student workers or employees of the District are timely enrolled in Social Security and the District's various benefit plans.

#### *Views of Responsible Officials and Planned Corrective Action*

The District will continue to strengthen its procedures and controls to ensure the proper review of employee benefits is performed on a monthly basis. The supporting documentation is reviewed for reasonableness of premium payment amount before approval of disbursement by management. Payments for Delta Dental and VSP (vision) are not based upon the workbench because these are self-insured plans, which are based on the actual expenses submitted by employees and already paid by the provider. We have

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implemented a monthly reconciliation of the employee benefit data to SAP workbench and will continue to review our process to ensure that all employee benefit payments are reconciled.

The District has strengthened controls to ensure that social security and retirement deductions are made from all eligible employees pay on a timely basis. We recently implemented the following: during the Fall of 2009, the Retirement Unit working with InfoTech created several reports that are now part of our business process to ensure that employees are enrolled in Social Security and the CalPERS retirement system on a timely basis. One report tracks employees' hours and notifies the colleges and district senior staff on a monthly basis when employees are approaching 1000 hours worked in a fiscal year. Once the 1000-hour threshold is reached, Retirement Unit staff enrolls the employees into CalPERS and Social Security. In September 2010, the job classes in which non-LACCD student workers may be employed were identified by Human Resources and assigned a new status code that must be used for current and new assignments. Attached to the new status code is the requirement that Medicare and PARS be a mandatory deduction. These students are now enrolled in PARS and Medicare.

#### ***FS-10-03: Risk Management***

##### *Condition and Context*

During our current year testwork, we noted the following related to the District's workers' compensation and general liabilities:

- There do not appear to be adequate controls in place to ensure that the accuracy of the data that is submitted to the actuary used by the District to calculate the estimated workers' compensation and general liability accruals.
- There do not appear to be adequate controls in place to ensure that the firm utilized by the District to process general liability claims is updated in a timely manner related to the status of pending cases related to claims the firm is processing.
- There do not appear to be adequate controls in place over the retention of supporting documentation related to claims being processed by the District's third-party servicer. During our current year testwork, we noted two cases where the District was unable to provide supporting documentation of the information provided to its third-party servicer for open cases.

##### *Cause and Effect*

The control deficiencies noted above appear to be due to a lack of review and updating of data submitted to third-party servicers used by the District. Given the control exceptions noted, there is a risk that expenses and related risk management accruals will not be recorded correctly and in accordance with U.S. GAAP.

##### *Criteria*

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. A significant deficiency is a deficiency, or combination of

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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 believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

#### *Recommendation*

We recommend that management strengthen its procedures and internal controls as follows:

- 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.
- The District should strengthen its controls over the updating of case information to its general liability third-party servicer.

#### *Views of Responsible Officials and Planned Corrective Action*

The District will strengthen its procedures and controls related to the District's workers' compensation and general liabilities to ensure proper reporting to the District's actuary and the general liability third-party servicer. Management will implement a plan to sample the data provided by the third-party servicers for discrepancies in completeness and accuracy before providing this data to the District's actuary. Forms are being designed to assist the colleges in reporting information in a timely manner and updating Risk Management with additional information about claims so that the pending general liability claims can be accurate and up-to-date.

#### ***FS-10-04: Information Technology***

##### *Condition and Context*

During our review of the District's information technology controls during the fiscal year 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 year 2010 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the fiscal year 2007 audit.

The District has made 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 2010.

##### *Cause and Effect*

During 2006-07, 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

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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.

#### *Criteria*

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. 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 believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

#### *Recommendation*

We recommend that management continue to implement the planned modules of Security Weaver and create an overall project plan that lays out the roadmap from complete tool implementation, security issue remediation, and implementation of an effective monthly monitoring control. Additionally, management should strengthen the use of the Mercury Quality Center to have all changes to the production environment appropriately documented, approved, and migrated to production. We recommend that these control improvements be completed as soon as possible.

#### *Views of Responsible Officials and Planned Corrective Action*

The SAP IT Team as part of its continuous improvement philosophy, and as was already implementing preaudit has completed moving IT support access to Security Weaver. HP Quality Center has and remains the key change management tool for tracking configuration and program changes. Workflow notifications regarding staff changes (new hires, terminations, etc.) are now part of the change management process. HP Quality Center continues to capture change management requests and activities as required. Super User Access has been removed where appropriate. SAP IT has embarked on a process to staff a full-time SAP HP Quality Assurance Position that will further emphasize its commitment to change management controls and processes.



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

	<b><u>Finding numbers</u></b>
1 Student Financial Assistance – Special Tests and Provisions – Late Return of Title IV Funds	F-10-01
2 Student Financial Assistance – Special Tests and Provisions – Late Payment of Post-withdrawal Disbursements	F-10-02
3 Student Financial Assistance – Special Tests and Provisions – Understatement of School Return of Title IV funds to the Department of Education	F-10-03
4 Student Financial Assistance – Special Tests and Provisions – Incorrect Calculation of Return of Title IV Funds	F-10-04
5 Student Financial Assistance – Special Tests and Provisions – Late Notification of Overpayment to Students	F-10-05
6 Student Financial Assistance – Reporting – Late Reporting of Overpayment to National Student Loan Database System (NSLDS)	F-10-06
7 Student Financial Assistance – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – Late Reporting to the Department of Education	F-10-07
8 Student Financial Assistance – Eligibility – Incorrect Pell Grant Disbursements	F-10-08
9 TRIO – Allowable Costs and Eligibility of Students Receiving Stipends	F-10-09
10 Higher Education – Procurement – Procurement Records	F-10-10
11 Higher Education – Reporting – Annual Performance Reports	F-10-11
12 CTE – Equipment Management – Policies and Procedures	F-10-12

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***Finding F-10-01 – Special Tests and Provisions – Late Return of Title IV Funds***

*Federal Program Information*

*Federal Catalog Number:* 84.063  
*Federal Program Name:* Student Financial Assistance Cluster: Federal Pell Grant Program  
*Federal Agency:* U.S. Department of Education  
*Pass-Through Entity:* N/A  
*Campus:* Los Angeles Mission College

*Federal Award Number and Award Year:*

OPE ID No. 00122300, July 1, 2009 to June 30, 2010, Federal Pell Grant ID: 001223

*Criteria or Requirement*

TITLE 34 – EDUCATION, CHAPTER VI – OFFICE OF POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION, PART 668 – STUDENT ASSISTANCE GENERAL PROVISIONS – Subpart L – Financial Responsibility Section 668.173(b) Timely Return of Title IV Funds.

In accordance with procedures established by the Secretary or FFEL Program lender, an institution returns unearned Title IV, HEA funds timely if:

- (1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 45 days after the date it determines that the student withdrew;
- (2) The institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew;
- (3) The institution initiates an electronic transaction no later than 45 days after the date it determines that the student withdrew, which informs an FFEL Program lender to adjust the borrower’s loan account for the amount returned; or
- (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. However, the Secretary considers that the institution did not satisfy this requirement if:
  - (i) The institution’s records show that the check was issued more than 45 days after the date the institution determined that the student withdrew; or
  - (ii) The date on the canceled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

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*Condition Found*

During our testing of the District's compliance with the timely requirements for return of Title IV funds, we noted that unearned Title IV funds for 1 student from Los Angeles Mission College, of the total 85 students selected for testing, were not returned within the required time frames. The funds were returned 64 days after the District determined that the student withdrew instead of the required 30 – 45 days.

Total Pell grant expenditures for the fiscal year ended June 30, 2010 amounted to \$138,176,255. The total disbursement for that 1 student was \$1,337.50 of the \$17,138.04 returns sampled.

*Questioned Costs*

\$1,337.50

*Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure that the return of Title IV funds is made within the required number of days.

*Recommendation*

We recommend that the District implement stricter controls to ensure compliance with the requirement for timely return of Title IV funds.

*Views of Responsible Officials and Planned Corrective Actions*

The District will provide Return to Title IV training to staff once per term to reinforce procedures. In addition, the District will provide timetables with District reports to assist staff.

***Finding F-10-02 – Special Tests and Provisions – Late Payment of Postwithdrawal Disbursements***

*Federal Program Information*

<i>Federal Catalog Number:</i>	84.063
<i>Federal Program Name:</i>	Federal Pell Grant
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles City College, Los Angeles East College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00122300, July 1, 2009 to June 30, 2010, Federal Pell Grant ID: 001223  OPE ID No. 02226000, July 1, 2009 to June 30, 2010, Federal Pell Grant ID: 001222

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#### *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 668.22(a)(5)(ii)(B)(1).

The institution must disburse directly to a student any amount of a postwithdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew, as defined in paragraph (1)(3) of this section.

#### *Condition Found*

During our testing of the District's compliance with the timely payment of postwithdrawal disbursements, we noted 6 out of 85 students selected for testing were not paid within the required time frames. Post-withdrawal disbursements are required to be disbursed to students no later than 45 days after the date the District determined that the student withdrew. Details of exceptions are as follows:

- 1 exception (from Los Angeles East College) was disbursed after 93 days from determination date and 2 exceptions were not yet disbursed as of examination date. The number of days lapsed from determination date to the date of fieldwork is over 180 days.
- 3 exceptions (from Los Angeles City College) were not yet disbursed as of our examination date. The number of days lapsed from determination date to the date of fieldwork is over 180 days.

#### *Questioned Costs*

\$7,674.33 out of \$20,009.90 sampled.

#### *Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure timely payment of postwithdrawal disbursements.

#### *Recommendation*

We recommend that the District implement stricter controls to ensure that postwithdrawal disbursements are made on a timely basis.

#### *Views of Responsible Officials and Planned Corrective Actions*

Students who no longer attend our schools may have moved out of the area. Due to the high number of returned checks and stale dated checks, many of our schools sent notices of postwithdrawal disbursements to students with instructions to confirm the address if they wish to receive the disbursement.

For 2010-2011, the District's disbursement delivery changed to a bankcard. All postwithdrawal disbursements will no longer require warrants but instead will be delivered to the student through the bankcard.

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***Finding F-10-03 – Special Tests and Provisions – Understatement of School Return of Title IV Funds to the Department of Education***

*Federal Catalog Number:* 84.033

*Federal Program Name:* Federal Pell Grant

*Federal Agency:* U.S. Department of Education

*Pass-Through Entity:* N/A

*Campus:* Los Angeles City College, Los Angeles Mission College,  
West Los Angeles College

*Federal Award Number and Award Year:* OPE ID No. 00122300, July 1, 2009 to June 30, 2010,  
Federal Pell Grant ID: 001223

OPE ID No. 00255500, July 1, 2009 to June 30, 2010,  
Federal Pell Grant ID: 002555

OPE ID No. 00859600, July 1, 2009 to June 30, 2010  
Federal Pell Grant ID: 008596

***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, Sec. 668.22 Treatment of Title IV funds when a student withdraws, (g) Return of unearned aid, responsibility of the institution.

- (1) The institution must return, in the order specified in paragraph (i) of this section, the lesser of:
  - (i) The total amount of unearned Title IV assistance to be returned as calculated under paragraph (e)(4) of this section; or
  - (ii) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student, as described in paragraph (e)(3) of this section.
- (2) For purposes of this section, “institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution.
- (3) If, for a nonterm program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, “total institutional charges incurred by the student for the payment period” is the greater of:
  - (i) The prorated amount of institutional charges for the longer period; or

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- (ii) The amount of Title IV assistance retained for institutional charges as of the student's withdrawal date.

*Condition Found*

During our testing of the District's compliance with the Return of Title IV funds, we noted that the amounts returned to the Department of Education for 5 out of 85 students selected for testing were understated.

- 1 exception (from Los Angeles Mission College) was the understatement of Title IV funds returned to the Department of Education by \$333.30.
- 2 exceptions (from West Los Angeles College) were the understatement of Title IV funds returned to the Department of Education by \$330.70.
- 2 exceptions (from Los Angeles City College) were the understatement of Title IV funds to the Department of Education by \$63.54.

*Questioned Costs*

\$727.54 out of \$17,138.04 sampled.

*Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure that the amount of Title IV funds returned to the Department of Education is accurate.

*Recommendation*

We recommend that the District implement stricter controls to ensure that Return to Title IV funds school portion returned to the Department of Education is accurate.

*Views of Responsible Officials and Planned Corrective Actions*

Mission College returned the school portion of \$333.30 within 45 days of the determination date of the student's withdrawal; however, the student subsequently returned the whole amount of the disbursement, \$1,337.50, which resulted in a total return of \$1,670.80. Our reporting software reported \$333.30 instead of \$0 (or negative \$333.30), thus resulting in a payment of \$333.30 in COD.

At City College, transposition errors resulted in understatement.

The District will increase the frequency of training sessions on Return to Title IV procedures to once per term. In addition, the District will provide timetables with District reports to assist college staff.

***Finding F-10-04 – Special Tests and Provisions – Incorrect Calculation of Return of Title IV Funds***

*Federal Catalog Number:* 84.033  
*Federal Program Name:* Federal Pell Grant  
*Federal Agency:* U.S. Department of Education

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*Pass-Through Entity:* N/A  
*Campus:* West Los Angeles College  
*Federal Award Number and Award Year:* OPE ID No. 00859600, July 1, 2009 to June 30, 2010  
Federal Pell Grant ID: 008596

*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, Sec. 668.22 Treatment of Title IV funds when a student withdraws, (e) Calculation of the amount of title IV assistance earned by the student:

- (1) General. The amount of Title IV grant or loan assistance that is earned by the student is calculated by:
  - (i) Determining the percentage of Title IV grant or loan assistance that has been earned by the student, as described in paragraph (e)(2) of this section; and
  - (ii) Applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and that could have been disbursed, as defined in paragraph (1)(i) of this section) to the student, or on the student’s behalf, for the payment period or period of enrollment as of the student’s withdrawal date.

*Condition Found*

During our testing of the District’s compliance with the Return of Title IV funds, we noted that the calculation of amount of funds to be returned to the Department of Education was incorrect in 2 out of 60 students selected for testing due to the use of incorrect withdrawal/drop date.

- 2 exceptions (from West Los Angeles College) used 2/17/10 and 2/25/10 in the calculation instead of the actual withdrawal date of 4/11/10 for both.

*Questioned Costs*

\$458

*Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure accuracy of the return to Title IV calculation by using the correct withdrawal date in the calculation. We noted no evidence of review, at the campus level, of the District’s Return to Title IV calculation and the drop date used by the District.

*Recommendation*

We recommend that the District implement stricter controls to ensure that information used in the calculation of Return to Title IV funds is correct and accurate.

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*Views of Responsible Officials and Planned Corrective Actions*

West Los Angeles College is in the process of hiring a Financial Aid Supervisor to oversee day-to-day operations and to assist in the implementation of internal controls. In addition, the District will increase training on Return to Title IV procedures to once per term.

***Finding F-10-05 – Special Tests and Provisions – Late Notification of Overpayment to Students***

<i>Federal Catalog Number:</i>	84.033
<i>Federal Program Name:</i>	Federal Pell Grant
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	West Los Angeles College, Los Angeles Mission College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00859600, July 1, 2009 to June 30, 2010 Federal Pell Grant ID: 008596  OPE ID No. 00255500, July 1, 2009 to June 30, 2010, Federal Pell Grant ID: 002555

*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, Sec. 668.22 Treatment of Title IV funds when a student withdraws, (h) Return of unearned aid, responsibility of the student (4)(ii).

Within 30 days of the date of the institution’s determination that the student withdrew, an institution must send a notice to any student who owes a Title IV, HEA grant overpayment as a result of the student’s withdrawal from the institution in order to recover the overpayment in accordance with paragraph (h)(4)(i) of this section.

*Condition Found*

During our testing of the District’s compliance with the timely notification of overpaid students, we noted 9 of 85 students selected for testing were not notified of their overpayments within 30 days from the date the District/college determined that the student withdrew.

- 4 exceptions (from West Los Angeles College) were notified 116 days from the date the college determined that the student withdrew.
- 5 exceptions (from Los Angeles Mission College) were notified between 49 – 54 days from the date the college determined that the student withdrew.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

*Questioned Costs*

\$4,274.75 out of \$30,380.43 sampled.

*Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure that students are notified timely of their overpayments.

*Recommendation*

We recommend that the District implement stricter controls to ensure students are notified timely of their overpayments.

*Views of Responsible Officials and Planned Corrective Actions*

Mission College Financial Aid will hire an accounting personnel to handle Return to Title IV (R2T4). West Los Angeles College is in the process of hiring a Financial Aid Supervisor to oversee the day-to-day operations of the financial aid office and to assist in the implementation of internal controls.

The District will offer R2T4 training sessions once per term to college staff. District Accounting will provide timetables to assist the campus in meeting timelines.

***Finding F-10-06 – Reporting – Late Reporting of Overpayment to National Student Loan Database System (NSLDS)***

<i>Federal Catalog Number:</i>	84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster: Federal Direct Student Loan (Direct Loan)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	West Los Angeles College, East Los Angeles College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00859600, July 1, 2009 to June 30, 2010; Federal Direct Student Loan ID: G0859600  OPE ID No. 022260000, July 1, 2009 to June 30, 2010; Federal Direct Student Loan ID: G0222600

*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, Sec. 668.22 Treatment of Title IV funds when a student withdraws, (h) Return of unearned aid, responsibility of the student (4)(iv).

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of Findings and Questioned Costs

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An institution must refer to the Secretary, in accordance with procedures required by the Secretary, an overpayment of Title IV, HEA grant funds owed by a student as a result of the student's withdrawal from the institution if:

- (A) The student does not repay the overpayment in full to the institution, or enter a repayment agreement with the institution or the Secretary in accordance with paragraph (h)(4)(i) of this section within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment;
- (B) At any time the student fails to meet the terms of the repayment agreement with the institution entered into in accordance with paragraph (h)(4)(i)(B) of this section; or
- (C) The student chooses to enter into a repayment agreement with the Secretary.

#### *Condition Found*

Reporting to NSLDS of student overpayment for 13 out of 85 samples selected was not done within 45 days from the date the District notified the student.

- 9 exceptions (from West Los Angeles College) were reported to NSLDS within 107 to 108 days from the date the District notified the students.
- 2 exceptions (from East Los Angeles College) were reported to NSLDS within 71 to 103 days from the date the District notified the students.
- 2 exceptions (from East Los Angeles College) were not yet reported to NSLDS as of examination date. Days lapsed from the District notified the students to date of fieldwork is over 180 days.

#### *Questioned Costs*

\$9,862 out of \$30,380.43 sampled.

#### *Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure timely reporting of overpayments to NSLDS.

#### *Recommendation*

We recommend that the District implement stricter controls to ensure that overpayments are reported to NSLDS on a timely basis.

#### *Views of Responsible Officials and Planned Corrective Actions*

The District will offer R2T4 training sessions once per term for college staff. District Accounting will provide timetables to assist the campus with meeting the reporting requirements.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

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***Finding F-10-07 – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – Late Reporting to the Department of Education***

*Federal Program Information*

*Federal Catalog Number:* 84.268

*Federal Program Name:* Student Financial Assistance Cluster: Federal Direct Student Loan (Direct Loan)

*Federal Agency:* U.S. Department of Education

*Pass-Through Entity:* N/A

*Campus:* East Los Angeles College

*Federal Award Number and Award Year:* OPE ID No. 00222600, Direct Loan ID: G02226 July 1, 2009 to June 30, 2010

*Criteria or Requirement*

TITLE 34 – EDUCATION, CHAPTER VI – OFFICE OF POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION, PART 685 – WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM – Subpart C – Requirements, Standards, and Payments for Direct Loan Program Schools, Sec. 685.301 Origination of a loan by a Direct Loan Program school, (d) Reporting to the Secretary.

A school that participates under school origination option 2 must submit the promissory note, loan origination record, and initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made.

A school that participates under school origination option 1 or standard origination must submit the initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made.

*Condition Found*

During our testing of the District’s compliance with the borrower data transmissions and reconciliations, we noted that Federal Direct Loan disbursements to 8 students out of 50 students sampled were not reported to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days from disbursement date. Details of exceptions are as follows:

- 8 exceptions noted (out of 25 students sampled from East Los Angeles College) – 1 was reported 35 days, 1 was reported 42 days, 2 were reported 49 days, and 4 were reported 63 days, to the DLSS, from the date of disbursement.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

We also noted that the disbursement dates of 5 Direct Loan borrowers out of 25 sampled from East Los Angeles College confirmed by ACS were different from the actual disbursement dates per District's record.

Total Direct Loan expenditures for the fiscal year ended June 30, 2010 amounted to \$9,133,722.

*Questioned Costs*

The loans of the students with exceptions totaled \$30,623 of the \$88,929 disbursements sampled.

*Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure compliance with the requirements on timely and accurate reporting of loan disbursements to the Department of Education.

*Recommendation*

We recommend the District strengthen monitoring controls to ensure that loan disbursement information is reported to COD accurately and on a timely basis.

*Views of Responsible Officials and Planned Corrective Actions*

The District began batch reporting of Direct Loan disbursements for East Los Angeles College on 5/30/2010. Weekly reporting of disbursements has been occurring since that date to meet the 30-day deadline.

***Finding F-10-08 – Eligibility – Incorrect Pell Grant Disbursements***

*Federal Program Information*

<i>Federal Catalog Number:</i>	84.063
<i>Federal Program Name:</i>	Federal Pell Grant
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	West Los Angeles College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00859600, July 1, 2009 to June 30, 2010 Federal Pell Grant ID: 008596

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*Criteria or Requirement*

Title 34 – Education, Chapter VI – Office of Post Secondary Education, Department of Education Part 690 – Federal Pell Grant Program – Subpart F – Determination of Federal Pell Grant Awards – Sec. 690.63 Calculation of a Federal Pell Grant for a payment period. (h) Payment from two Scheduled Awards (2).

The student’s payment for the payment period:

- (i) Is calculated based on the total credit or clock hours and weeks of instructional time in the payment period; and
- (ii) Is the remaining amount of the first Scheduled Award plus an amount from the second Scheduled Award for the balance of the payment for the payment period.

*Condition Found*

During our testing of the District’s compliance with eligibility requirements, we noted that Pell Grant disbursements made to 2 out of 60 students sampled differs from the computed disbursement based on student’s enrollment status. The details of the exceptions are as follows:

- 1 exception from West Los Angeles College resulted in an overpayment in the amount of \$750.75
- 1 exception from West Los Angeles College resulted in an underpayment in the amount of \$163.50

*Questioned Costs*

An overstatement of \$750.75 and an understatement of \$163.50.

*Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure that the grant disbursed to student is accurate and correct.

*Recommendation*

We recommend that the District strengthen controls to ensure that amount disbursed to students is accurate and correct.

*Views of Responsible Officials and Planned Corrective Actions*

West Los Angeles College will hire a Financial Aid Supervisor to oversee the day-to-day operations of the Financial Aid Office and to assist in the implementation of internal controls.

***Finding F-10-09– Allowable Costs and Eligibility of Students Receiving Stipends***

*Federal Program Information*

*Federal Catalog Number:* 84.047

*Federal Program Name:* TRIO Cluster: Upward Bound

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

*Federal Agency:* U.S. Department of Education  
*Pass-Through Entity:* N/A  
*Campus:* Los Angeles City College  
*Federal Award Number and Award Year:* Award Number P047A070608-08, September 1, 2008 to August 31, 2009

*Criteria or Requirement*

(20 USC 1070a-13(e); 34 CFR Section 645.42):

Stipends – Stipends for regular and math-science projects may not exceed \$40 per month from September to May of the academic year and \$60 for each of the summer months (June, July, and August). Youth participating in a work-study position may be paid a stipend of \$300 per month during June, July, and August. Stipends for participants in the veterans project may not exceed \$40 per month. To be eligible for a stipend, participants must show evidence of satisfactory participation in project activities, including regular attendance and performance in accordance with the number of sessions in which a student participated.

*Condition Found*

During the course of our audit, we noted that at Los Angeles City College, 11 students (out of 30 total students sampled) during the fiscal year had incomplete attendance documentation.

*Possible Asserted Cause and Effect*

Amounts of stipends paid to the above students are based on a counselor’s advice as to the student’s performance and attendance. Documentation for actual student attendance is incomplete. There were weeks in which a student received a stipend; however, there were no actual records of attendance for those weeks to support the payment. Hence, auditors were not able to verify attendance at the time of the audit. This is a repeat finding on City College (Finding 09-08).

*Questioned Costs*

Total stipends paid to 11 students lacking complete attendance records were \$1,768 of the total amount sampled of \$3,658.

*Recommendation*

We recommend that the District implement stricter controls to ensure that attendance for students receiving stipends under the program is documented properly.

*Views of Responsible Officials and Planned Corrective Actions*

As we stated in our response to the findings in the 2008-09 audit, our program has implemented a more comprehensive accountability system for student attendance and the resulting awarding of their monthly stipend. Beginning July 2010, each student signs an attendance sheet for each day they attend regular activities (Summer Academy, Saturday Academy, and weekly tutoring during the academic year). Signed

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

attendance rosters will then be reviewed by the program director, and monthly stipends will be awarded according to a formula. Stipend award requests will be reviewed by academic advisors, program director, the supervising dean, and our Vice President of Student Services before submission to the Vice President of Administrative Services for approval for payment.

***Finding F-10-10 – Procurement – Procurement Records***

*Federal Program Information*

*Federal Catalog Number:* 84.031  
*Federal Program Name:* Higher Education Institutional Aid  
*Federal Agency:* U.S. Department of Education  
*Pass-Through Entity:* N/A  
*Campus:* Los Angeles Trade-Technical College  
*Federal Award Number and Award Year:* Award Number: P031S080117-09, P031C080174;  
October 1, 2009 to September 30, 2010

*Criteria or Requirement*

CFR 34 – EDUCATION, PART 74 – ADMINISTRATION OF GRANTS AND AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, AND OTHER NON-PROFIT ORGANIZATIONS, Subpart C – Post-Award Requirements

Institutions of higher education, hospitals, and other nonprofit organizations shall use procurement procedures that conform to applicable federal law and regulations and standards identified in OMB Circular A-110. Further, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C Section 74.45* Cost and Price Analysis states: “Some form of cost or price analysis must be made and documented in the procurement files in connection with every procurement action.” Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.

Section 74.46 Procurement records further states “Procurement records and files for purchases in excess of the small purchase threshold” must include the following at a minimum:

- (a) Basis for contractor selection;
- (b) Justification for lack of competition when competitive bids or offers are not obtained; and
- (c) Basis for award cost or price.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

*Condition Found, Including Perspective*

Competitive procurement was not performed or quotes were not obtained for 2 purchases of the 20 samples selected for testing at Los Angeles Trade-Technical College. Documentation as to reasons and justifications for not performing the requirements of the District’s procurement policy was not available for our inspection. In addition, 1 of 20 samples selected for testing at Los Angeles Trade-Technical College, did not have the written quotations from 3 or more suppliers required for purchases that are \$5,000 and greater.

*Questioned Costs*

\$41,025.55 of the \$665,068 procurement transactions sampled.

*Possible Asserted Cause and Effect*

The District office does not appear to perform a monitoring to ensure that its campuses are complying with required cost and price analysis requirements.

*Recommendations*

We recommend that the District enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are in compliance with required cost and price analysis requirements.

*Views of Responsible Officials and Planned Corrective Actions*

To correct and prevent this situation of recurring and as a corrective action plan, Workforce Department has developed a WED Procurement *Cost/Price Analysis Checklist* for Small and Medium Purchases. This form will guide the purchase requestors in obtaining the proper documentation to place an order or initiate a contract but will also make sure that we are in compliance with the LACCD Procurement Policies and Procedures.

Also, as a result of these findings, Administrative Services Department sent an email to all purchase initiators to remind them to review and implement the LACCD Procurement Policies and Procedures to prevent this situation of recurring.

***Finding F-10-11 – Reporting – Annual Performance Reports***

*Federal Program Information*

<i>Federal Catalog Number:</i>	84.031
<i>Federal Program Name:</i>	Higher Education Institutional Aid
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>College:</i>	Los Angeles Trade-Technical College
<i>Federal Award Number and Award Year:</i>	P031S080117, October 1, 2009 to September 30, 2010



## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of Findings and Questioned Costs

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#### *Criteria or Requirement*

Title 2 – Grants and Agreements – Part 215 – Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (OMB Circular A-110) – Subpart C – Post-Award Requirements – Reports and Records – Sec. 215.51 Monitoring and reporting program performance (b).

The federal awarding agency shall prescribe the frequency with which the performance reports shall be submitted. Except as provided in §215.51(f), performance reports shall not be required more frequently than quarterly or, less frequently than annually. Annual reports shall be due 90 calendar days after the grant year; quarterly or semiannual reports shall be due 30 days after the reporting period. The federal awarding agency may require annual reports before the anniversary dates of multiple year awards in lieu of these requirements. The final performance reports are due 90 calendar days after the expiration or termination of the award.

#### *Condition Found, Including Perspective*

During our testing of the District's compliance with reporting requirements, we noted that Los Angeles Trade-Technical College was not able to submit their Annual Performance Report related to the Strengthening Institutions, Hispanic-Serving Institution on time. The report that was due on December 31, 2009 was submitted on June 1, 2010.

#### *Questioned Costs*

Not applicable.

#### *Possible Asserted Cause and Effect*

Adequate monitoring controls do not appear to be in place to ensure that annual performance reports are timely submitted.

#### *Recommendations*

We recommend the District strengthen policies and procedures to ensure that appropriate individuals involved with the program at each campus are properly monitoring that annual performance reports are timely submitted to the Department of Education.

#### *Views of Responsible Officials and Planned Corrective Actions*

Los Angeles Trade-Technical College has updated its SFP Policies and Procedures for the Division of Workforce Development to include the following:

All Annual Performance reports must be reviewed and submitted to the Supervising Administrator no later than 5 business days before submission deadline. The Supervising Administrator will review the final report contents to ensure the accuracy and approve for mail or submission either electronically or by carrier (as required by funder). Proof of submission will be scanned and copied for the program binder. The reports will be maintained by the respective Divisional Office (e.g., Workforce, Administrative Services).

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

***Finding F-10-12 – Equipment Management – Policies and Procedures***

*Federal Program Information*

*Federal Catalog Number:* 84.048  
*Federal Program Name:* CTE – Basic Grants to States  
*Federal Agency:* U.S. Department of Education  
*Pass-Through Entity:* State of California Community College Chancellor’s Office  
*College:* Los Angeles City College  
*Federal Award Number and Award Year:* Agreement No. 09-C01-027; July 1, 2009 to June 30, 2010

*Criteria or Requirement*

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C – Post-Award Requirements – Property Standards, Section 0.34 Equipment (f).*

The recipient’s property management standards for equipment acquired with federal funds and federally owned equipment shall include all of the following:

1. Equipment records shall be maintained accurately and shall include the following information:
  - (i) A description of the equipment.
  - (ii) Manufacturer’s serial number, model number, federal stock number, national stock number, or other identification number.
  - (iii) Source of the equipment, including the award number.
  - (iv) Whether title vests in the recipient or the federal government.
  - (v) Acquisition date (or date received, if the equipment was furnished by the federal government) and cost.
  - (vi) Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government).
  - (vii) Location and condition of the equipment and the date the information was reported.
  - (viii) Unit acquisition cost.

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### Schedule of Findings and Questioned Costs

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- (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share.
2. A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
  3. Equipment owned by the federal government shall be identified to indicate federal ownership.
  4. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the federal government, the recipient shall promptly notify the federal awarding agency.

#### *Condition Found, Including Perspective*

During control procedures performed over equipment management, we noted that inadequate controls over equipment management were in place at Los Angeles City College. The following control deficiencies were noted:

- 2 out of 25 samples selected for equipment inspection were not tagged with CTE tags.
- There were data elements missing from the equipment listings as required by the federal regulations namely: District Tag numbers or serial numbers, description, location, and condition of the equipment.

#### *Questioned Costs*

Of the \$212,764.59 equipment sampled for physical inspection, equipment costing \$1,508 was not properly tagged.

#### *Possible Asserted Cause and Effect*

The District does not have a policy that requires its campuses to submit physical inventories of equipment annually or biannually nor does it require any reconciliation of those inventories to the cumulative listing of assets maintained by the District office. Not performing physical inventories and reconciling physical equipment to the District cumulative asset listing increases the risk of theft or misappropriation of program equipment and is in violation of grantor requirements and federal regulations.

#### *Recommendations*

We recommend 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.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

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*Views of Responsible Officials and Planned Corrective Actions*

The Dean will work collaboratively with shipping and purchasing on a monthly basis to ensure tagging of equipment is completed prior to placing equipment in departments. Additionally, tagging and serial numbers will be provided to a dedicated staff person as they are completed in shipping to ensure the numbers are reflected and kept current on the inventory list. The Dean will ensure that auditors receive the expanded inventory list by which samples are taken, which reflects the location and condition of equipment and the dates the information is reported.

**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, 2010

**(1) Summary of State Findings and Recommendations**

	<u>Section</u>	<u>Finding numbers</u>
1 State General Apportionment Funding – Census Reporting	424	S-10-01
2 Student Actively Enrolled – Census Reporting	426	S-10-02
3 Concurrent Enrollment of K-12 Students in Community College Credit Courses – Teacher Minimum Qualifications	427	S-10-03
4 Concurrent Enrollment of K-12 Students in Community College Credit Courses – Approvals of Students to Attend Courses	427	S-10-04
5 Enrollment Fees – Discrepancy Between Enrollment Fee Reported in CCFS 323 and CCFS 311	432	S-10-05

***S-10-01 – State General Apportionment Funding (Section 424) – Census Reporting***

*State Criteria*

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

- (1) Credit Full-Time Equivalent Students (FTES) in weekly census, daily census, actual hours of attendance, and apprenticeship courses.
- (2) Noncredit FTES in actual hours of attendance and distance education courses:
  - CCR, Title 5, Sections 58003.1, 58003.4, 58020, 58022, 58024, and 58030.
  - Education Code Section 8152.
  - Labor Code Section 3074.
  - Data Element Dictionary for California Community Colleges Management Information System.

*Identified Condition*

During the testwork performed to ensure the accuracy of the FTES generated by the student information system (SIS), we reviewed the census/exclusion rosters to ensure that the FTES per the roster agreed to the SIS report. We noted that the FTES per the SIS report for 10 of 65 class sections sampled did not agree with Los Angeles Community College District (the District) supporting documentation. These differences consisted of the following:

- 4 class sections at Valley (1) and Trade Tech (3) colleges where the FTES per the census roster did not agree with the SIS report. The difference was mainly attributed to timing from when the rosters were printed to the census date. As the census roster is printed several days prior to census date, the students listed on the roster may not represent the students active in the class at census date. There

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Recommendations

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may be students in the class that were not in the roster or vice-versa. However, the District was unable to provide the add slips to support the change in the number of students after the rosters were printed but before the census date. In addition, the differences were attributed to students who were listed as inactive or no show in the roster but were included in the SIS – see Finding 10-02.

- 8 class sections at Pierce (1), Mission (1), City (1), and Valley (5) colleges where the rosters supporting the FTES per SIS report cannot be located.

We noted that the District monitoring controls over document retention were not sufficient to ensure that adjustment documentation (i.e., student add permits) was retained to support apportionment claimed. As such, it appears that the District overstated the number of FTES on the SIS report.

Total reported FTES on the 320 report submitted to the State for the fiscal year ended June 30, 2010 amounted to 108,124.

#### *Full-Time Equivalent Students (FTES)*

80.145 FTES of the 748.0957 FTES sampled.

#### *Questioned Costs*

\$365,848.30 (80.145 FTES exceptions x \$4,564.83)

#### *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. The District should strengthen controls to ensure that add slips and other supporting documentation are properly retained.

#### *District Response*

The District continues to work with the colleges to strengthen its control processes to help ensure that FTES per the SIS report are adequately supported, accurate, and complete. The District will also work with the colleges to strengthen controls to ensure that add slips and other supporting documentation are properly retained.

Valley College recently implemented electronic signatures. This has made it possible for faculty to complete most transactions online. Beginning Fall 2010, the college stopped using paper rosters with rosters now submitted online using the Web Faculty System. The paperless process has additional benefits because it allows faculty to submit exclusions in real-time throughout the course of the semester. The Admissions and Records Office is coordinating with Academic Affairs, AFT Faculty Guild, and the Academic Senate to communicate these changes and to facilitate training to ensure faculty is comfortable using the system. The college is working with the Office of Research and Planning to survey faculty on their experience with this new process. This should give the college the information necessary to make changes where necessary. The college is committed to continuous quality improvement and accuracy in record-keeping.



## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Recommendations

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At City College, all attendance accounting rosters submitted to the admissions office will be kept on file for two years after they have been scanned and indexed. This will allow us to retrieve rosters in case they have been indexed incorrectly. In addition, the Vice President of Academic Affairs will continue to receive missing attendance accounting rosters from the admissions office. However, starting immediately, the Admissions and Records Office will continue to monitor the missing roster list and work with the Vice President's Office to ensure that we receive all of the rosters.

At Trade Tech College to insure that records are filed and accessible, the college has plans to ask for more staff resources to maintain the multitude of files and to file accurately. The College will also periodically remind the departments that register students to make sure all paperwork is forwarded to the Admissions Office as soon as it is processed.

At Pierce College, they will do the following: work with Admission and Records, Academic Affairs, and Information Technology on how to process/track missing census rosters not submitted by faculty. Pierce College Student Services will work with the Vice President of Academic Affairs to monitor missing rosters on a timely manner.

The staff of the Admissions and Records department of Los Angeles Mission College makes a sincere effort to collect and organize rosters every semester. Historically, Academic Affairs administration is informed each semester of missing exclusion and grade rosters. Admissions and Records supervisors participate in both Flex Day activities and our Faculty Academy, along with Academic Affairs, to inform the faculty of their contractual obligations regarding rosters. The fact that both grade and exclusion rosters are paperless as of the Fall 2010 semester should help focus on missing rosters of all types. The Vice-President of Academic Affairs has welcomed the Admissions office to participate in the Council of Instruction to keep faculty informed. This will be in addition to participation in the Faculty Academy and Flex Day. Admissions will also provide a list of missing Census Rosters, as well as Grade and Exclusion rosters to Academic Affairs administration. The cover memo for Census Rosters has been revised with a message to instructors to make sure to write in all names of students added to their class.

#### ***S-10-02 – Students Actively Enrolled (Section 426) – Census Reporting***

##### *State Criteria or Requirement*

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance on the course section).

- CCR, Title 5, Sections 58003.1, 58004, 58005, and 58051
- Student Attendance Accounting Manual (SAAM), California Community Colleges

##### *Identified Condition*

During testwork performed to ensure the accuracy of the FTES per the 320 Report, we reviewed documentations supporting FTES claimed for 65 class sections. We noted that 17 students of Los Angeles Valley College who were listed as either no-shows or inactives on the census/exclusion rosters were improperly included in SIS that supports the 320 Report.

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Recommendations

Year ended June 30, 2010

The District monitoring controls over the documentation of the census were not sufficient to ensure that the census procedures were properly performed and that inactive students were properly excluded from the final census count.

#### *Full-Time Equivalent Students (FTES) Impact*

1.749 FTES of the 748.0957 FTES sampled.

We noted that the FTES impact of the finding was 1.749. However, the FTES also relates to S-10-01 Apportionment Funding (Section 424) – FTES Reporting as the course selected for testwork here was also selected for testwork in S-10-01 and cited as a finding. We included the questioned FTES in finding S-10-01. As such, we will not include 1.749 FTES in the questioned costs for this finding.

#### *Questioned Costs*

Not applicable.

#### *Recommendation for Corrective Action*

We recommend the District strengthen its control processes to help ensure that the number of FTES per the 320 Report is accurate and complete. The District should also strengthen controls to ensure that inactive students were properly excluded from the final census count.

#### *District Response*

The College recently implemented electronic signatures. This has made it possible for faculty to complete most transactions online. Beginning Fall 2010, we stopped using paper rosters. Rosters are now submitted online using our WebFaculty System. Our paperless process has additional benefits because it allows faculty to submit exclusions in real-time throughout the course of the semester.

The Admissions and Records Office is coordinating with Academic Affairs, AFT Faculty Guild, and the Academic Senate to communicate these changes and to facilitate training to ensure faculty is comfortable using the system. We are at the end our first semester using the paperless process. We are working with the Office of Research and Planning to survey faculty on their experience with this new process. This should give the college the information necessary to make changes where necessary. The college is committed to continuous quality improvement and accuracy in record-keeping.

#### ***S-10-03 – 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

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Recommendations

Year ended June 30, 2010

#### *Identified Condition*

During testwork performed to ensure that instructors met minimum qualification requirements to teach class sections with concurrently enrolled students, we noted 1 instructor from City College of 60 instructors sampled did not meet the minimum qualification requirements for the course.

There appeared to be a lack of controls in place to ensure that the qualifications are verified before the instructors began their teaching assignment.

#### *Full-Time Equivalent Students (FTES) Impact*

53.48 FTES of the 1,636.85 FTES sampled.

#### *Questioned Costs*

\$244,127.11 (53.48 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 verified and compared against the District's minimum qualification standards before the courses are scheduled to begin. The review and approval process has to be documented and retained in the District records in accordance with District policy.

#### *District Response*

Prescreening will be conducted at the college level to ascertain the qualification of the applicant. The Systematized control will be implemented that will prevent the entering of the assignment into SAP until the preliminary screening has been performed. The release to open the assignment screen will be at the District Human Resources office. The District Human Resources will perform a prescreen and validate the prescreening performed by the college to give permission to enter the assignment in SAP. Each College will perform their independent evaluation regardless that the potential instructor is currently teaching in one or more of the nine colleges within the district. A training session will be conducted to ascertain compliance to these requirement and new update policies.

#### ***S-10-04 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approvals of Students to Attend Courses***

##### *State Criteria or Requirement*

The governing board of a school district may determine which pupils would benefit from advanced scholastic or vocational work. The intent of this section is to provide educational enrichment opportunities for a limited number of eligible pupils, rather than to reduce current course requirements of elementary and secondary schools, and also to help ensure a smoother transition from high school to college for pupils by providing them with greater exposure to the collegiate atmosphere. The governing board may authorize those pupils, upon recommendation of the principal of the pupil's school of attendance, and with parental consent, to attend a community college during any session or term as special part-time or full-time students and to undertake one or more courses of instruction offered at the community college level.

- California Education Code, Section 48800.

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Recommendations

Year ended June 30, 2010

#### *Identified Condition*

To ensure that K-12 students who were concurrently enrolled in community college courses had the proper approvals to attend class and could benefit from advanced scholastic or vocational work, we selected a sample of 60 K-12 students enrolled in courses offered by the District. We then ascertained if these students received the required approvals (i.e., K-12 school official and District personnel signatures) prior to enrolling in the community college courses.

In our sample of 60 K-12 student participants, we noted that the approved K-12 applications of the 4 K-12 student participants from City College cannot be located.

There appeared to be a lack of monitoring by the District to ensure that each campus retains copies of K-12 approvals. Consequently, there was no evidence to support that the K-12 students who participated in the community college credit courses were eligible.

#### *Full-Time Equivalent Students (FTES) Impact*

0.314 FTES exceptions of the 860.05 FTES sampled.

#### *Questioned Costs*

\$1,433.36 (0.314 FTES exceptions x \$4,564.83)

#### *Recommendation for Corrective Action*

We recommend that the District strengthen controls to ensure that K-12 approvals for all student participants are retained by each campus in accordance with District policy.

#### *District Response*

City College's Admissions Office policy has been to scan, index and shred supplemental documentation immediately. The documents requested could not be located and we have determined that they must have been scanned and indexed to the wrong students. Unfortunately, the original hard copies have been destroyed. The new policy effective Fall 2010 is to file student supplemental records for one year after they have been scanned and indexed.

#### ***S-10-05 – Enrollment Fees (Section 432) – Discrepancy Between Enrollment Fee Reported in CCFS 323 and CCFS 311***

##### *State Criteria or Requirement*

Enrollment fee revenue includes the full amount of the fees charged, regardless of whether the fees are collected. Accounts receivable must be established to record the revenue on enrollment fees charged for the spring term or earlier, if such fees are not collected by year-end.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of State Findings and Recommendations

Year ended June 30, 2010

Under Accounting Advisory No. 98-02 issued by the Chancellors Office, the reporting method prescribed by the CCFS-323 will also be used as the basis of accounting and reporting on the CCFS-311

- Education Code Sections 76300 and 76140(k)
- California Education Code, Section 58500
- Form CCFS-323, Actual Enrollment Fee Revenue Report
- Form CCFS-311, Annual Financial and Budget Report
- Accounting Advisory No. 98-02, dated April 13, 1998
- Budget and Accounting Manual (BAM), Ch. 3, pg. 3.36

*Identified Condition*

During testwork performed to ensure that the reporting method for enrollment fee revenue for CCFS-311 is consistent with CCFS-323, we noted that there is a discrepancy between the enrollment fee revenue reported in both reports as follows:

Enrollment fee revenue, per CCFS 323	\$	21,949,533
Enrollment fee revenue, per CCFS 311		<u>21,779,955</u>
Difference	\$	<u><u>169,578</u></u>

We learned that a revised CCFS-323 was subsequently submitted to reflect the correct enrollment fee revenue of \$21,779,955 for the fiscal year ended June 30, 2010.

*Questioned Costs*

Not applicable.

*Recommendation for Corrective Action*

We recommend that the District strengthen controls to ensure that enrollment fee revenue data reported are accurate.

*District Response*

The District will strengthen controls to ensure that the enrollment fee revenue data is reported accurately.

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**SCHEDULE OF PRIOR YEAR FEDERAL AND STATE FINDINGS**

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**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

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:

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
F-09-01	Student Financial Aid Cluster: Federal Pell Grant Program – Special Tests and Provisions – Late Return of Title IV funds	We recommend the Los Angeles Community College District (the District) implement stricter controls to ensure compliance with the requirements for timely return of Title IV funds.	Not Implemented	The District will review and revise the District Financial Aid Accounting policies and procedures to ensure that returns of Title IV funds are made in a timely manner. Training will be provided to District/Campus staff.
F-09-02	Student Financial Aid Cluster: Federal Pell Grant – Special Tests and Provisions – Return to Title IV – Late Payment of Postwithdrawal Disbursements	We recommend the District implement stricter controls to ensure that postwithdrawal disbursements are made on a timely basis.	Not implemented	The District will review and revise the District Financial Aid Accounting policies and procedures to ensure that postwithdrawal disbursements are made in a timely manner. Training will be provided to District/Campus staff.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
F-09-03	Student Financial Aid Cluster: Federal Direct Student Loan (Direct Loan) – Special Tests and Provisions – Late Reporting of Overpayments to National Student Loan Database System (NSLDS)	We recommend the District implement stricter controls to ensure that overpayments are reported to NSLDS on a timely basis.	Not implemented	The District/College subsequently did report the overpayments. The District/College will have a process in place to ensure the reporting function is done within the prescribed time.
F-09-04	Student Financial Aid Cluster: Federal Direct Student Loan (Direct Loan) – Special Tests and Provisions Student Status Changes – Late Reporting to NSLDS	We recommend the District strengthen monitoring controls to ensure that student status changes are reported to NSLDS on a timely basis.	Implemented	

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
F-09-05	Student Financial Aid Cluster: Federal Direct Student Loan (Direct Loan) – Borrower Data Transmission and Reconciliation – Late Reporting to the Department of Education (DOE)	We recommend the District strengthen monitoring controls to ensure that loan disbursement information is reported to DOE on a timely basis.	Not Implemented	Each of the Los Angeles Community Colleges uses EDEXpress to process Direct Loans and record loan disbursements. Problems with transmissions via EdConnect are discovered and resolved during monthly reconciliations. To standardize reporting schedules, the District has centralized and automated the reporting of Direct Loan disbursements beginning with Fall 2009.
F-09-06	Student Financial Aid Cluster: Federal Direct Student Loan (Direct Loan) – Borrower Data transmission and Reconciliation – Nonperformance of Monthly School Account Statement (SAS) Reconciliation	We recommend the District strengthen controls to ensure that requirements are complied with and that monthly SAS report is reconciled to the campuses' financial records.	Implemented	
F-09-07	TRIO Cluster: Upward Bound – Allowable/Unallowable Cost Principle – Expenditures Charged to the Program	We recommend the District implement stricter controls to ensure compliance with the requirements of the program specifically requirements on allowable/unallowable expenditures.	Implemented	

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
F-09-08	TRIO Cluster: Upward Bound – Allowable Cost and Eligibility of Students Receiving Stipends	We recommend that the District implement stricter controls to ensure that attendance for students receiving stipends under the program is documented properly.	Not Implemented	The District’s Internal Audit Department will implement stricter controls to ensure that attendance for students receiving stipend under the program are documented properly. While our documentation at the time of the audit may not have been 100% complete, we now have sufficient documentation to ensure that attendance for students receiving stipend under the program are documented properly as follows: a form has been developed to chart each participant’s participation on a weekly basis. This form accounts for all types of contacts and activities, including the travel allowance awarded for Saturday Academy attendance. The Director has instructed Academic Advisors the proper and thorough use of this form so stipend awards are now fair, consistent, and well documented. The Director of Upward Bound is monitoring the completion of records and ensures adequate record-keeping is maintained in the program offices. Records are reviewed to ensure consistency in the submission of stipend requests. The Dean of Student Retention works with the Director to ensure compliance with federal regulations.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
F-09-09	Higher Education Institutional Aid – Equipment 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 reconciliation to promote accurate reporting and reduce the risk of misappropriation of assets of the program.	Implemented	
F-09-10	Higher Education Institutional Aid – Procurement – Support for Price/Cost Analysis	We recommend the District enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are in compliance with required cost and price analysis requirement. We also recommend that the District implement uniform policies and procedures applicable to all campuses.	Not implemented	The District’s Internal Audit Department will work with all the colleges to enhance and enforce current policies, procedures, forms, and monitoring controls to ensure that campuses are uniform and in compliance with required cost and price analysis requirements.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
F-09-11	Career and Technical Education – Basic Grants to States – Equipment Management – Equipment Policies and Procedures	We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed.	Not implemented	The District’s Internal Audit Department will continue to strengthen and enforce policies and procedures to ensure that federal equipment management regulations are followed such as appropriate identification, tracking, physical inventories, and reconciliation to promote accurate reporting and reduce the risk of misappropriation of assets of the program.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
S-09-01	State General Apportionment (Section 424) – Census Reporting	We recommend the District strengthen its control processes to help ensure that Full-Time Equivalent Students (FTES) per the Student Information System (SIS) report is adequately supported, accurate and complete. The District should strengthen controls to ensure that add slips and other supporting documentation are properly retained.	Not implemented	The District’s Internal Audit Department will continue to work with the colleges to strengthen its control processes to help ensure that the FTES per the SIS report is accurate and complete. The District’s Internal Audit Department will continue to work with the colleges to strengthen controls to ensure that add slips and other supporting documentation are properly retained.
S-09-02	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) and Open Enrollment (Section 435) – Course Advertisement	We recommend that the District strengthen controls to ensure supporting documentation for public notification of all courses including retaining any Web site postings for the required document retention period. The District should retain paper copies of all online course postings or addendums to the schedule of classes. For classes that were advertised solely via electronic media, the District should also note that the classes are advertised for 30 continuous days prior to the start of the class.	Implemented	

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
S-09-03	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications	We recommend the District strengthen controls to ensure that documentations supporting instructor qualifications are verified and compared against the District’s minimum qualification standards before the courses are scheduled to begin. The review and approval process has to be documented and retained in the District records in accordance with District policy.	Not implemented	Prescreening will be conducted at the college level to ascertain the qualification of the applicant. The Systematized control will be implemented that will prevent the entering of the assignment into SAP until the preliminary screening has been performed. The release to open the assignment screen will be at the District Human resources office. The District Human Resources will perform a prescreen and validate the prescreening performed by the college to give permission to enter the assignment in SAP. Each College will perform their independent evaluation regardless that the potential instructor is currently teaching in one or more of the nine colleges within the district. A training session will be conducted to ascertain compliance to these requirement and new update policies.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
S-09-04	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approvals of Students to Attend Courses	We recommend that the District strengthen existing controls to ensure that K-12 approvals for all student participants are retained by each campus in accordance with District policy.	Not implemented	A check sheet will be implemented to validate that all required documents have been completed and are retained within the student file. The check sheet will be completed by the employee and then forwarded to the employee supervisor for approval. All documents will be scanned and saved in electronic format. A random self audit will be conducted by the Academic Affairs Department on a quarterly basis to ascertain that the files are complete. A training session will be conducted to ensure compliance to these requirements.
S-09-05	50% Law – Salaries of Classroom Instructor (Section 421) – Unallowable Salaries	We recommend that the District strengthen controls to ensure that Instructional salary cost accounts comprised only of salaries of classroom instructors as defined in CCR Title 5, Section 59204.	Implemented	

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

**Prior Year Comments**

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

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
FS-09-01	Financial Statements Reported in Accordance with Government Standards – Payroll	We recommend that management establish formal procedures and internal controls to ensure that payrolls are processed accurately. Further, we recommend that management retain manual supporting documentation for payroll payments until the SAP-HR module controls are operating effectively.	Implemented	
FS-09-02	Financial Statements Reported in Accordance with Government Standards – Capital Assets	We recommend that the District work with BuildLACCD (the Program Manager) to design and implement internal controls to ensure that completed projects are appropriately classified in a depreciable capital asset category and all furniture and equipment are properly recorded and reconciled. We also recommend that management also implement processes and controls to determine that capital asset transactions are recorded and disclosed in accordance with	Partially implemented	The District continues to work with the Program Manager (BuildLACCD) to implement controls and processes to ensure capital assets are recorded and reconciled in a timely manner. The Program Manager implemented additional controls through a two-part accruals review after fiscal year end of June 30, 2010. The District continues to work with the Program Manager to improve the process of reconciling furniture and equipment (FF&E) purchased with bond proceeds to the actual equipment received

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
FS-09-03	Financial Statements Reported in Accordance with Government Standards – Financial Reporting	We recommend management implement processes and controls to determine that transactions are recorded and disclosed in accordance with U.S. GAAP. The District should also strengthen its process and procedures to ensure that the financial statements and the schedule of	Implemented	and tagged. In August 2010, the Program Manager went live using the District’s accounting system (SAP) for recording all new FF&E purchases. Annam’s Systems Corporation was selected and contracted on January 28, 2010 to be the Asset Management service to provide the following items: Phase 1 – Strategic Planning, Phase 2 – Technology Solution and Implementation, and Phase 3 – a Baseline Inventory. Currently the Program Manager is performing Phase 2 and expects to start Phase 3 in the next eight to twelve months. After completion of this work and a complete reconciliation is performed between the various systems, this completed inventory will be reflected in the District’s Asset Management system in SAP.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
		expenditures of federal awards are reviewed and approved for proper classification and that all grant activities are included. Finally, we recommend the District consider reorganizing to have the Accounting and Disbursements Division report directly to the Chief Financial Officer/Treasurer.		

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2010

<b>Finding reference</b>	<b>Finding description</b>	<b>Recommendation</b>	<b>Current status</b>	<b>Explanation if not fully implemented</b>
FS-09-04	Financial Statements Reported in Accordance with Government Standards – Information Technology	We recommend that management design and implement adequate access control and change management procedures to help ensure that the District’s business systems are adequately controlled and secured. These procedures should also include periodic reviews of both roles within the organization and of user access for the SAP system in order to remove user access that generates segregation-of-duties conflicts within application processes.	Partially implemented	The SAP IT Team as part of its continuous improvement philosophy, and as was already implementing preaudit has completed moving IT support access to Security Weaver. HP Quality Center has and remains the key change management tool for tracking configuration and program changes. Workflow notifications regarding staff changes (new hires, terminations, etc.) are now part of the change management process. HP Quality Center continues to capture change management requests and activities as required. Super User Access has been removed where appropriate. SAP IT has embarked on a process to staff a full-time SAP HP Quality Assurance Position that will further emphasize its commitment to change management controls and processes.





