



Los Angeles Community College District

Basic Financial Statements and Supplemental Information

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Table of Contents

	Page
Introduction	
Chancellor's Message	i
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	17
Statements of Revenue, Expenses, and Changes in Net Position	19
Statements of Cash Flows	20
Notes to Basic Financial Statements	21
Required Supplemental Information	
Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Employer Contribution	47
Supplemental Financial Information	
General Fund:	
Schedule of Balance Sheet Accounts	48
Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts	49
Special Revenue Funds:	
Combined Schedule of Balance Sheet Accounts	50
Combined Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts	51
Debt Service Fund:	
Schedule of Balance Sheet Accounts	52
Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts	53
Postretirement Health Insurance Fund:	
Schedule of Balance Sheet Accounts	54
Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts (Deficit)	55

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Table of Contents

	Page
Scholarship and Loan Fund:	
Schedule of Balance Sheet Accounts	56
Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts	57
Building Fund:	
Schedule of Balance Sheet Accounts	58
Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts (Deficit)	59
Student Financial Aid Fund:	
Schedule of Balance Sheet Accounts	60
Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts	61
Expendable Trust Fund – Associated Student Organization Funds and Agency Funds:	
ASO Trust Fund:	
Combined Schedule of Balance Sheet Accounts	62
Combined Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts	63
Student Representation Fee Trust Fund:	
Combined Schedule of Balance Sheet Accounts	64
Combined Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts	65
Other Supplemental Information	
Organization	66
Schedule of Workload Measures for State General Apportionment	68
Reconciliation of Annual Financial and Budget Report (CCFS 311) with Audited Financial Statements	69
Annual Financial and Budget Report – Analysis of compliance with the 50 Percent Law (ECS 84362)	70
Annual Financial and Budget Report – Details of Education Protection Account	72
Schedule of Expenditures of Federal Awards	73

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Table of Contents

	Page
Schedule of State Financial Awards	76
Notes to Schedules of Expenditures of Federal and State Financial Awards	77
Independent Accountants' Report on State Compliance Requirements	80
Additional Independent Auditors' Reports:	
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 <i>Government Auditing Standards</i>	82
Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	86
Independent Auditors' Report on Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards	89
Schedule of Findings and Questioned Costs	91
Schedule of State Findings and Recommendations	101
Schedule of Prior Year Federal and State Findings	110

INTRODUCTION



LOS ANGELES COMMUNITY COLLEGE DISTRICT

CITY / EAST / HARBOR / MISSION / PIERCE / SOUTHWEST / TRADE-TECHNICAL / VALLEY / WEST

OFFICE OF THE CHANCELLOR

December 3, 2014

The Members, Board of Trustees
Los Angeles Community College District

Dear Board of Trustees:

I have 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, 2014. This report is presented in six sections, which include an introduction, the Independent Auditors' Report, the Management's Discussion and Analysis, the Basic Financial Statements, the Supplemental Financial Information, and Other Supplemental Information as noted in the table of contents. The report 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 auditors' opinion of 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. 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, and 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.

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 post-war period, the state’s two-year junior colleges were moved away from the secondary education system and into higher education. In 1967, Governor Reagan authorized establishment of a Board of Governors for the California Community Colleges. In that same year, legislation passed which provided for a separate community college Board of Trustees and administration. The first Trustees of the Los Angeles Community College District were sworn into office on July 1, 1969.

The Los Angeles Community College District serves approximately 200,000 students annually, employs approximately 3,677 full-time and 5,758 part-time personnel and covers a service area of more than 800 square miles.

Enrollment

The Los Angeles Community College District’s enrollment for the fiscal year ended June 30, 2014 increased by 2.2% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2013-14 fiscal years were as follows:

	<u>Fall</u>	<u>Spring</u>
Los Angeles City College	18,961	18,713
Los Angeles East College	26,384	25,463
Los Angeles Harbor College	10,104	9,977
Los Angeles Mission College	9,279	9,859
Los Angeles Pierce College	20,253	20,347
Los Angeles Southwest College	7,990	7,082
Los Angeles Trade–Technical College	13,751	13,583
Los Angeles Valley College	18,345	18,288
Los Angeles West College	10,284	9,976
Instructional Television	609	737
Total Districtwide	<u>135,960</u>	<u>134,025</u>

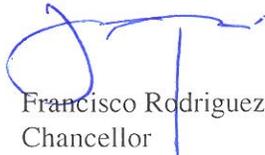
The Members, Board of Trustees
Los Angeles Community College District
December 3, 2014
Page 3 of 3

The Los Angeles Community College District's FTES (Full-time equivalent student) figures for the fiscal year ended June 30, 2014, the measure by which the state of California funds Community Colleges, increased by 8.7% from 93,303 in fiscal year 2013 to 101,382 in fiscal year 2014. Fiscal year 2014 enrollment by campus are as follows:

	<u>Credit</u>	<u>Noncredit</u>
Los Angeles City College	14,106	942
Los Angeles East College	21,963	1,248
Los Angeles Harbor College	7,153	82
Los Angeles Mission College	6,097	287
Los Angeles Pierce College	14,378	297
Los Angeles Southwest College	5,149	500
Los Angeles Trade-Technical College	12,019	483
Los Angeles Valley College	13,042	756
Los Angeles West College	7,000	241
Instructional Television	475	9
Total Districtwide	<u>101,382</u>	<u>4,845</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,



Francisco Rodriguez, Ph.D.
Chancellor



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Community College District (the District), which comprise the statements of net position as of and for the years ended June 30, 2014 and 2013, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles Community College District as of June 30, 2014 and 2013, and the changes in financial position, and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Emphasis of Matters

As discussed in note 2 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedule of other postemployment benefits funding progress and employer contribution on pages 4–16 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management's discussion and analysis does not include a discussion of 2013 information that U.S. generally accepted accounting principles require to supplement, although not required to be part of, the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental financial information on pages 48 through 65 and the Reconciliation of Annual Financial and Budget Report (CCFS 311) with Audited Financial Statements on page 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary financial information and the Reconciliation of Annual Financial and Budget Report (CCFS 311) with Audited Financial Statements are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

This section presents Management's Discussion and Analysis (MD&A) of the Los Angeles Community College District's (the District) financial activities for the fiscal year ended June 30, 2014. 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, 2014 by \$743.6 million (net position). Of this amount, \$34.7 million (unrestricted net position) may be used to meet the District's ongoing obligations and \$295.5 million (restricted net position) may be used for the District's ongoing obligations related to programs with external restrictions. The remaining component of the District's net position represents \$413.3 million of net amounts invested in capital assets.
- The District's total net position increased \$43.1 million for the fiscal year ended June 30, 2014. A significant portion of the increase in the District's net position was primarily a result of increases in operating and nonoperating revenues for the fiscal year ended June 30, 2014.
- The District's investment in capital assets (net of depreciation) increased by \$143.5 million or 3.75% during the year ended June 30, 2014 due to construction activity.
- The District's total noncurrent liabilities decreased by \$50.1 million or 1.3% during the fiscal year ended June 30, 2014. The decrease is primarily due to \$53.7 million in debt payments.

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 – an amendment of GASB Statement No. 34*. These statements require the District to report its basic financial statements at an entity-wide level under the business-type activity-reporting model. This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include four components: (1) statements of net position; (2) statements of revenue, expenses, and changes in net position; (3) statements of cash flows; and (4) notes to basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The statements of net position represents the entire District's combined assets, liabilities, and net position, including Associated Student Organization's financial information. Changes in total net position as presented on the statements of net position are based on the activities presented in the statement of revenue, expenses, and changes in net position. The statement of revenue, expenses, and changes in net position represents the revenue received, operating and nonoperating, and any other revenue, 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.

Statements of Net Position

The statements of net position presents the assets, liabilities, and net position of the District as of the end of the 2014 and 2013 fiscal years. The statements of net position is a point-in-time financial statement. The purpose is

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

to present to the readers of the basic financial statements a fiscal snapshot of the District. The statements of net position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities). From the data presented, readers of the statements of net position 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 statements of net position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the institution. Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution. The second category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is 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 position category is unrestricted. Unrestricted net position is available to the institution for any lawful purpose of the institution.

Statement of Revenue, Expenses, and Changes in Net Position

Changes in total net position as presented on the statements of net position are based on the activities presented in the statements of revenue, expenses, and changes in net position. The purpose of these statements is to present the revenue received by the District, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the District.

Generally speaking, operating revenue 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 revenue and to carry out the mission of the District. Nonoperating revenue is revenue 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 revenue.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

Financial Analysis of the District as a Whole

As of June 30, 2014, the District's net position increased by \$43.1 million from \$700.4 at June 30, 2013 to \$743.6 million at June 30, 2014. Current and other assets decreased by \$270.1 million and capital assets increased by \$143.5 million. Current liabilities decreased by \$119.6 million and noncurrent liabilities decreased by \$50.1 million.

Summary Schedule of Net Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013 *</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 906,489,185	1,176,541,455	(270,052,270)
Capital assets, net	<u>3,965,049,358</u>	<u>3,821,586,520</u>	<u>143,462,838</u>
Total assets	<u>4,871,538,543</u>	<u>4,998,127,975</u>	<u>(126,589,432)</u>
Liabilities:			
Current liabilities	321,683,736	441,328,079	(119,644,343)
Noncurrent liabilities	<u>3,806,289,239</u>	<u>3,856,381,869</u>	<u>(50,092,630)</u>
Total liabilities	<u>4,127,972,975</u>	<u>4,297,709,948</u>	<u>(169,736,973)</u>
Net position:			
Net investment in capital assets	413,313,474	442,859,846	(29,546,372)
Restricted – expendable	294,545,059	237,995,845	56,549,214
Restricted – Nonexpendable	1,000,000	—	1,000,000
Unrestricted	<u>34,707,034</u>	<u>19,562,336</u>	<u>15,144,698</u>
Total net position	<u>\$ 743,565,567</u>	<u>700,418,027</u>	<u>43,147,540</u>

* Balances presented as restated due to implementation of GASB Statement No. 65.

In fiscal year 2014, the District added \$243.0 million of capital assets, capitalized interest of \$33.3 million, depreciated \$125.1 million of capital assets, and disposed \$7.7 million of capital assets net of accumulated depreciation. See further discussions in *Capital Assets and Debt Administration* at page 13 for additional detail.

The \$270.1 million decrease in current and other assets is a result of \$271.8 million decrease in restricted investments primarily due to construction activity.

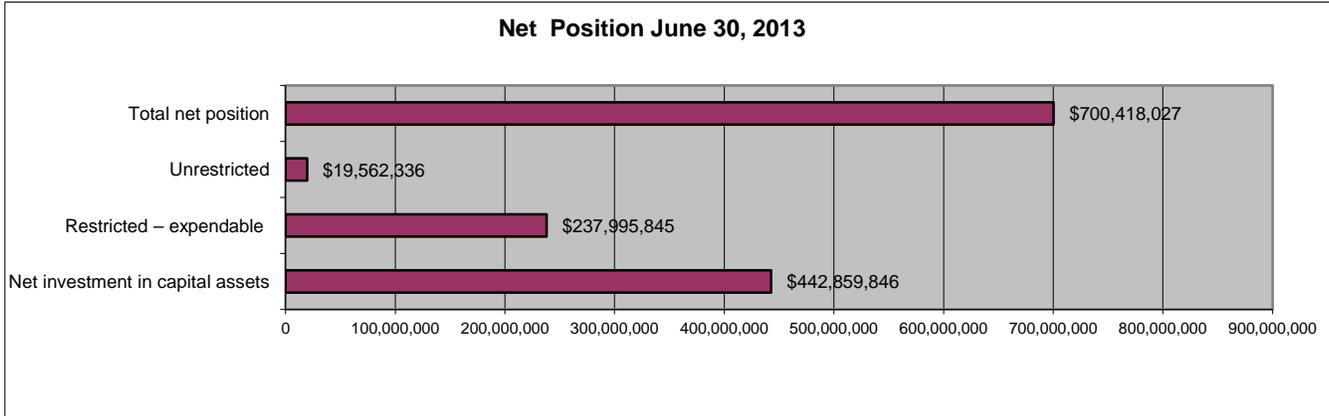
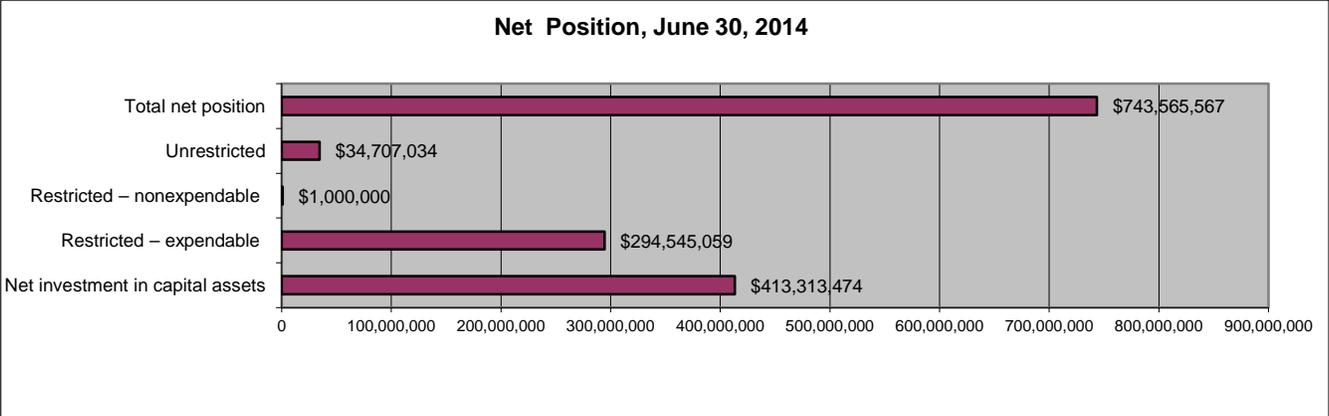
The \$119.6 million decrease in current liabilities is primarily due to payment of the \$80.0 million Tax Revenue Anticipation Notes (TRANS) that existed at June 30, 2013. The remaining decrease is due to a \$25.8 million decrease in the current portion of long-term debt due to annual debt service payments.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2014

The \$50 million decrease in noncurrent liabilities is primarily due to a \$53.7 million net decrease in the noncurrent portion of General Obligation (G.O.) bonds due to annual debt service payments.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

As noted earlier, net position 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, 2014, by \$743.6 million (net position). A significant portion of the District's net position represents \$35.0 million expendable financial resources restricted for capital projects, \$413.3 million of capital assets, net of related debt, \$235.9 million restricted for debt service and \$7.0 million restricted for scholarships and loans.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

Summary Schedule of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenue:			
Operating revenue:			
Net tuition and fees	\$ 49,223,477	48,304,953	918,524
Grants and contracts, noncapital	122,132,648	114,312,345	7,820,303
Other	25,016,953	23,418,295	1,598,658
Nonoperating revenue:			
State apportionments, noncapital	318,760,875	281,588,453	37,172,422
Property taxes	166,621,171	170,628,250	(4,007,079)
Investment income	5,076,869	10,992,433	(5,915,564)
Federal financial aid grants, noncapital	194,672,505	187,698,047	6,974,458
State financial aid grants, noncapital	9,993,411	8,681,266	1,312,145
Other	16,189,969	11,046,620	5,143,349
Other revenue:			
State apportionments, capital	6,328,750	5,459,896	868,854
Federal subsidy	27,622,066	21,131,250	6,490,816
Gifts and grants, capital	5,775,835	—	5,775,835
Local tax for G.O. Bonds	292,905,404	289,910,288	2,995,116
Local property taxes and revenue, capital	1,648,950	1,069,987	578,963
Total revenue	<u>1,241,968,883</u>	<u>1,174,242,083</u>	<u>67,726,800</u>
Expenses:			
Operating expenses:			
Salaries	401,817,816	372,940,777	28,877,039
Employee benefits	147,524,421	155,781,100	(8,256,679)
Supplies, materials, and other operating expenses and services	107,903,742	136,017,620	(28,113,878)
Student grants	241,657,174	235,934,984	5,722,190
Other	138,640,967	122,640,823	16,000,144
Total operating expenses	<u>1,037,544,120</u>	<u>1,023,315,304</u>	<u>14,228,816</u>
Nonoperating expenses:			
Interest expense	160,289,710	161,514,052	(1,224,342)
Other	987,513	841,683	145,830
Bond issuance cost	—	348,707	(348,707)
Total expenses	<u>1,198,821,343</u>	<u>1,186,019,746</u>	<u>12,801,597</u>
Change in net position	\$ <u>43,147,540</u>	<u>(11,777,663)</u>	<u>54,925,203</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

The summary of revenue, expenses, and changes in net position reflects an increase of \$43.1 million in the net position at the end of the year as explained below.

Operating revenue increased \$10.3 million. The net increase is due in part to the following:

- (1) \$7.8 million increase in grants and contracts. This is primarily due to a \$4.2 million increase in Student Success and Support Program revenue and \$3.7 million increase in Extended Opportunities Programs and Services and CalWORKS.
- (2) \$1.6 million increase in other operating revenues. This is primarily due an increase in various enterprise revenues such as textbook sales (\$670 thousand increase), class supplies sales (\$407 thousand increase) and confections sales (\$232 thousand increase). The increases are consistent with the FTES growth experienced during fiscal 2014

Nonoperating revenue increased \$40.7 million. The net increase is due in part to the following:

- (1) State apportionment is made up of state general revenue less local property tax. The \$37.2 million increase in state apportionments is primarily from the \$36.2 million increased in state general revenue and \$2.4 million increased in other categorical apportionment. The increases were primarily caused by a cost of living adjustment (COLA) of 0.85% and funded enrollment growth revenue of 2.6%.
- (2) \$5.9 million decrease in investment income is primarily due to lower cash and investment balances in fiscal year 2014.
- (3) \$7.0 million increase in federal financial aid grants, noncapital primarily due to increased student enrollment fees.

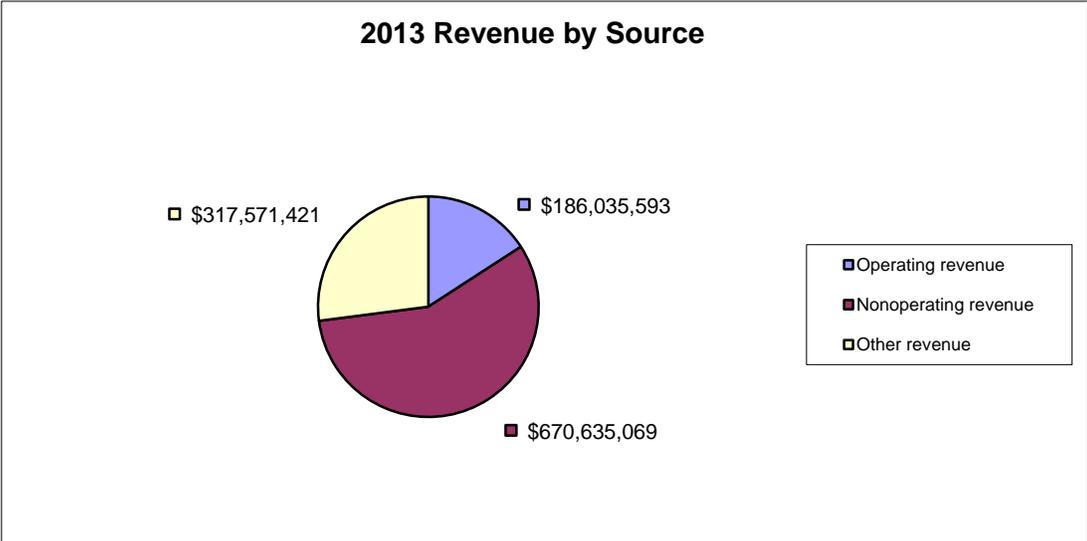
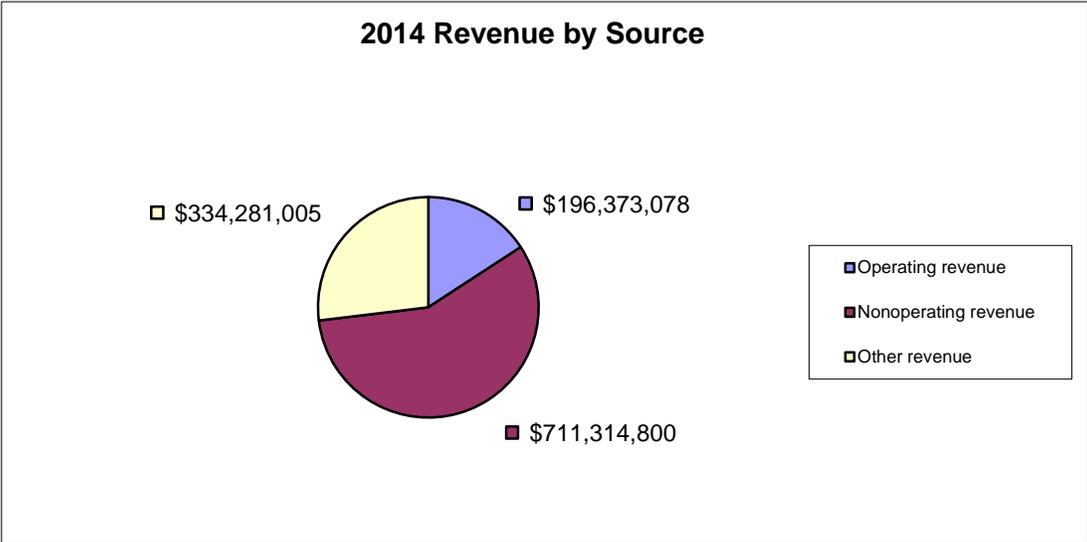
Other revenue increased \$16.7 million. The net increase is due in part to the following:

- (1) \$6.5 million increase in federal subsidy due to Build America Bonds subsidy received.
- (2) \$3.0 million increase in Local tax for G.O. Bonds related to property taxes levied for the District's debt issuances.
- (3) \$5.8 million increase in gifts and grants, capital primarily due to a \$5 million grant received from the City of Los Angeles for infrastructure improvements at Los Angeles Trade Tech College.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014



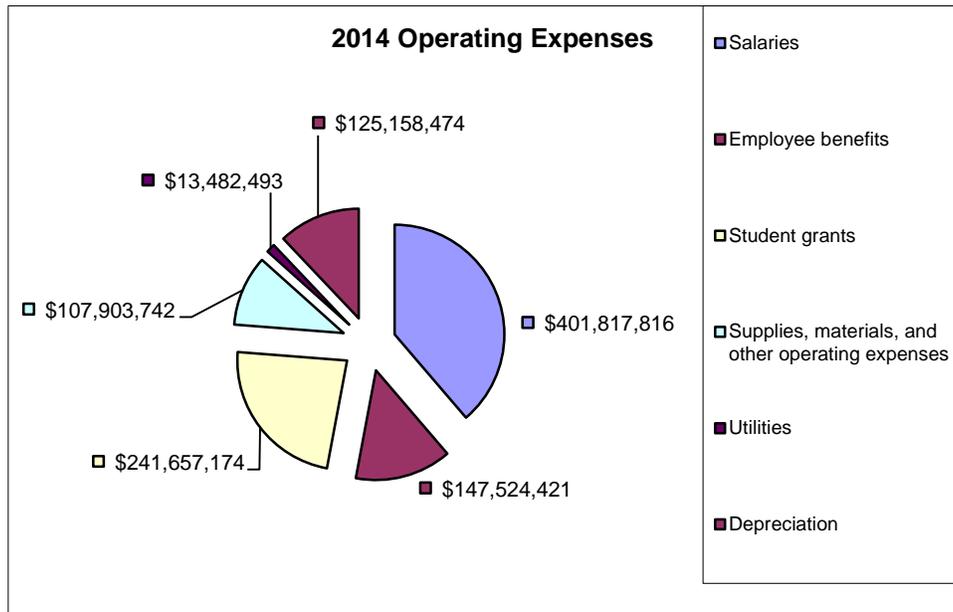
LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2014

Operating expenses increased \$14.2 million. The net increase is due in part to the following:

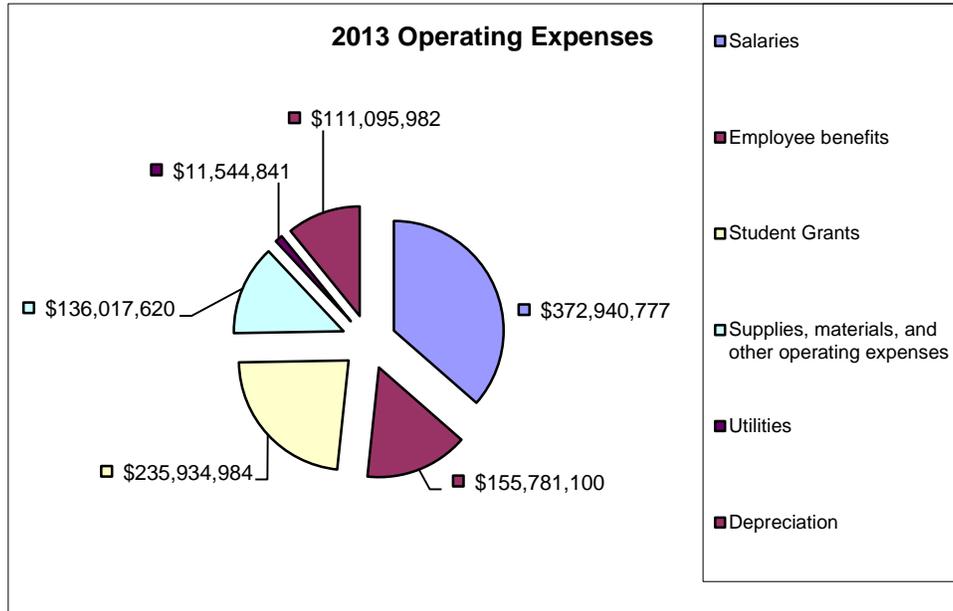
- (1) \$28.8 million increase in salary expenses caused by a 3% cost of living increase applied to all salaries. In addition, the increases in salary expenses were also from an increase in the number of class sections which the District’s enrollment and full time equivalent students (FTES) increased by 8.7% from 93,303 to 101,382 in fiscal 2014.
- (2) \$8.3 million decrease in employee benefits due to a lower Other Post Employment Benefit (OPEB) annual required contribution of \$8 million and \$4 million decrease in unemployment expense. The reduction in the OPEB required contribution is based on the actuary study as of July 1, 2013. The unemployment insurance expense is based on the changes quarterly in the unemployment insurance rates calculated by the Employment Development Department. Recession era reductions in employment lead to lower unemployment insurance costs during fiscal 2014. Decreases were partially offset by increased employee benefit costs due to the cost of living increases noted above.
- (3) \$28.1 decrease in supplies, materials, and other operating expenses and services primarily due to a \$9.2 million decrease in general liability expenses caused by a decreased actuary determined liability. \$4.5 million decrease in election expense as there were no board member elections during fiscal 2014, and a \$13.8 million decrease in other operating expenses during fiscal 2014.
- (4) \$16.0 million increase in other operating expenses primarily caused by a \$14.1 million increase in depreciation expense due to additional assets constructed during fiscal 2014.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014



Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2014 and 2013 totaled \$3.96 billion and \$3.82 billion, 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, 2014 and 2013:

Capital Assets, Net

	Balance at June 30	
	2014	2013
Land	\$ 198,683,775	191,644,452
Land improvements	426,291,708	401,927,638
Buildings	3,271,719,896	2,980,642,674
Construction in progress	690,306,642	754,328,256
Works of art	518,000	518,000
Furniture and equipment	103,618,462	98,708,195
Infrastructure	9,421,875	4,214,474
Total	4,700,560,358	4,431,983,689
Less accumulated depreciation	<u>(735,511,000)</u>	<u>(610,397,169)</u>
Net capital assets	<u>\$ 3,965,049,358</u>	<u>3,821,586,520</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

In fiscal year 2014, the District added \$243.5 million of capital assets, capitalized interest of \$33.3 million, depreciated \$125.2 million of capital assets, and disposed \$7.7 million of capital assets net of accumulated depreciation. During the year ended June 30, 2014, 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.

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 thirteenth year of the Proposition A, the eleventh year of Proposition AA, and the sixth year of the Measure J Bond construction programs. Approximately, \$4 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 the authorized amounts of Proposition A and Proposition AA Bonds, and \$1.875 billion of the Measure J authorized amounts.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2014

Long-Term Debt

At June 30, 2014 and 2013, the District had \$3.6 billion and \$3.7 billion in long-term debt, respectively. The District’s long-term debt decreased during the year ended June 30, 2014, primarily as a result of the \$70.0 million repayment on matured G.O. Bonds. There were no new G.O. Bond issuances in fiscal year 2013-2014.

Summary of Outstanding Long-Term Debt

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
G.O. Bonds:		
G.O. Bonds Proposition AA, 2003 Series	\$ —	3,100,000
G.O. Bonds Proposition A and AA, 2004 Series	83,085,000	86,425,000
G.O. Bonds Proposition A, 2005 Series	403,320,000	417,695,000
G.O. Bonds Proposition AA, 2006 Series	266,185,000	275,300,000
G.O. Bonds Proposition A, 2007 Series	381,585,000	382,160,000
G.O. Bonds Proposition A and AA, 2008 Series	608,905,000	617,175,000
G.O. Bonds Measure J, 2009 Series	425,000,000	425,000,000
G.O. Bonds Measure J, 2010 Series	1,200,000,000	1,200,000,000
G.O. Bonds Measure J, 2013 Series	220,000,000	250,000,000
G.O. Bonds Measure J, 2013 Series Refunding Bond	54,480,000	55,700,000
	<u>\$ 3,642,560,000</u>	<u>3,712,555,000</u>

The District’s debt rating from Moody’s and Standard and Poor’s was Aa1 and AA, respectively, in fiscal year 2013 and 2014.

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

Economic Factors

The economic position of the District is closely tied to the State of California funding for California Community Colleges. On June 20, 2014, the Governor signed the balanced state budget (SB852) for fiscal year 2014-15 providing California Community Colleges with significant increase in state funding. The 2014–15 State budget of \$7 billion for California Community Colleges represents a \$585 million increase in funds for Cost of Living Adjustment (COLA), growth/access, deferral buy-down, state funded programs including funding for student success and support program, adult education, energy efficiency, block grants for instructional equipment and physical plant, and funding for student equity. Due in large part to the passage of Proposition 30 and improvement of the State economy, the State has made additional investments in community colleges: \$200 million additional for student success, \$100 million to improve student equity for ensuring equal educational opportunities for all students, and \$148 million for Physical Plant and Instructional Support.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2014

One of the major components of the State budget in fiscal year 2014–15 was the passage of a plan to fully fund Cal STRS over 30 years. This resulted in the California State Teachers Retirement System (STRS) employer rate increasing for fiscal year 2014-15 from 8.25% to 8.88%. The STRS employer rate will increase gradually by a 1.85% annual increase over the next five years and 0.97% in 2020-2021 to 19.1% by fiscal year 2021 for a total accumulated increase in cost of approximately \$25 million by the District.

Overall, the State budget is balanced for the second consecutive year, COLA was funded at 0.85% and enrollment growth was funded at a higher rate (2.75%) than previous year.

Student Enrollment and State Funding

The student enrollment fee remained at \$46 per unit in 2014–15. The State provided a 2.75% or \$140.4 million enrollment growth for apportionments for California Community Colleges. The District will receive \$12.5 million in enrollment growth revenue for the 2014–15 fiscal years.

The District plans to achieve at least 4.75% enrollment growth in fiscal years 2014–15.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the Chief Financial Officer/Treasurer, Los Angeles Community College District, 770 Wilshire Blvd, Los Angeles, CA 90017.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2014 and 2013

Assets	2014	2013
	2014	2013
Current assets:		
Cash and cash equivalents (note 3)	\$ 138,582,232	174,383,702
Accounts receivable, net of allowance (note 4)	116,618,961	116,054,731
Student loans receivable, net current portion (note 4)	217,165	212,555
Deposit with trustee – current portion (note 3)	149,257,126	205,573,339
Inventory	5,073,406	4,986,770
Prepaid expenses and other assets	44,877,533	46,598,818
Total current assets	454,626,423	547,809,915
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	6,450,145	7,584,847
Restricted investments (note 3)	261,462,525	533,301,461
Student loans receivable, net of allowance – noncurrent portion (note 4)	3,837,248	3,721,107
Deposit with trustee – noncurrent portion (note 3)	178,552,315	82,563,596
Prepaid expenses and other assets	1,560,529	1,560,529
Capital assets (note 6):		
Land	198,683,775	191,644,452
Land improvements	426,291,708	401,927,638
Buildings	3,271,719,896	2,980,642,674
Construction in progress	690,306,642	754,328,256
Works of art	518,000	518,000
Machinery and equipment	103,618,462	98,708,195
Infrastructure	9,421,875	4,214,474
Accumulated depreciation	(735,511,000)	(610,397,169)
Capital assets, net	3,965,049,358	3,821,586,520
Total assets	4,871,538,543	4,998,127,975

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2014 and 2013

Liabilities and Net Position	2014	2013
Accounts payable and accrued liabilities (note 5)	\$ 158,698,337	173,452,927
Unearned revenue	6,355,978	6,358,861
Compensated absences (note 10)	7,932,808	7,791,688
General liability (notes 10 and 11)	1,984,817	2,338,221
Workers' compensation (notes 10 and 11)	4,954,104	5,454,895
Accrued interest	87,314,830	85,447,310
Amounts held in trust for others	532,144	534,194
TRANS payable	—	80,000,000
Long-term debt – current (note 10)	53,651,405	79,419,495
Capital leases – current (note 10)	259,313	530,488
	<hr/>	<hr/>
Total current liabilities	321,683,736	441,328,079
	<hr/>	<hr/>
Noncurrent liabilities:		
Compensated absences (note 10)	7,770,666	7,483,784
General liability (notes 10 and 11)	4,068,183	6,845,779
Workers' compensation (notes 10 and 11)	28,176,896	27,691,105
Net OPEB obligation (note 8)	63,122,611	57,451,272
Long-term debt, net of current portion (note 10)	3,702,499,676	3,756,151,082
Capital leases, net of current portion (note 10)	651,207	758,847
	<hr/>	<hr/>
Total noncurrent liabilities	3,806,289,239	3,856,381,869
	<hr/>	<hr/>
Total liabilities	4,127,972,975	4,297,709,948
	<hr/>	<hr/>
Net position:		
Net investment in capital assets	413,313,474	442,859,846
Restricted:		
Expendable:		
Scholarships and loans	7,007,362	6,758,990
Capital projects	35,010,080	31,540,884
Debt service	235,873,400	186,755,666
Other special purposes	16,654,217	12,940,305
Nonexpendable:		
Scholarships	1,000,000	—
Unrestricted	34,707,034	19,562,336
	<hr/>	<hr/>
Total net position	\$ 743,565,567	700,418,027
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See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Statements of Revenue, Expenses, and Changes in Net Position
Years ended June 30, 2014 and 2013

	2014	2013
Operating revenue:		
Tuition and fees	\$ 131,237,076	122,839,730
Less scholarship discounts and allowances	(82,013,599)	(74,534,777)
Net tuition and fees	49,223,477	48,304,953
Grants and contracts, noncapital:		
Federal	67,403,994	71,395,469
State	38,500,064	30,073,050
Local	16,228,590	12,843,826
Net grants and contracts, noncapital	122,132,648	114,312,345
Auxiliary enterprise sales and charges	25,016,953	23,418,295
Total operating revenue	196,373,078	186,035,593
Operating expenses:		
Salaries	401,817,816	372,940,777
Employee benefits	147,524,421	155,781,100
Supplies, materials, and other operating expenses and services	107,903,742	136,017,620
Student grants	241,657,174	235,934,984
Utilities	13,482,493	11,544,841
Depreciation	125,158,474	111,095,982
Total operating expenses	1,037,544,120	1,023,315,304
Operating loss	(841,171,042)	(837,279,711)
Nonoperating revenue (expenses):		
State apportionments, noncapital	318,760,875	281,588,453
Local property taxes	166,621,171	170,628,250
State taxes and other revenue	3,022,385	4,232,847
Investment income – noncapital	551,508	981,068
Investment income – capital	4,525,361	10,011,365
Interest expense – noncapital	(89,394)	(520,168)
Interest expense on capital asset-related debt	(160,200,316)	(153,117,857)
Federal financial aid grants, noncapital	194,672,505	187,698,047
State financial aid grants, noncapital	9,993,411	8,681,266
Other nonoperating revenue	8,399,454	6,813,773
Other nonoperating expense	(987,513)	(841,683)
Investment gain (loss)	4,768,130	(7,876,027)
Bond issuance costs	—	(348,707)
Total nonoperating revenue	550,037,577	507,930,627
Loss before other revenue, expenses, gains, or losses	(291,133,465)	(329,349,084)
State apportionments, capital	6,328,750	5,459,896
Gifts and Grants, capital	5,775,835	—
Federal subsidy	27,622,066	21,131,250
Local tax for G.O. Bonds	292,905,404	289,910,288
Local property taxes and revenue, capital	1,648,950	1,069,987
Increase (decrease) in net position	43,147,540	(11,777,663)
Net position:		
Beginning of year, as restated (note 2)	700,418,027	712,195,690
End of year	\$ 743,565,567	700,418,027

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Tuition and fees	\$ 49,393,150	48,866,173
Grants and contracts	121,354,802	113,703,120
Payments to suppliers	(100,518,440)	(127,441,368)
Payments for student grants	(239,043,794)	(236,765,284)
Payments for utilities	(13,482,493)	(11,544,841)
Payments to employees	(403,592,465)	(369,227,731)
Payments for benefits	(140,159,129)	(138,303,462)
Bookstore and cafeteria sales	24,023,582	24,008,566
Net cash used in operating activities	<u>(702,024,787)</u>	<u>(696,704,827)</u>
Cash flows from noncapital financing activities:		
State apportionments	335,683,759	318,256,390
Property taxes	166,621,171	170,628,250
State taxes and other revenue	3,022,385	4,232,847
Federal financial aid grants	194,672,505	187,698,047
State financial aid grants	9,993,411	8,681,266
Proceeds (repayments) from TRAN	(80,000,000)	80,000,000
Interest expense	(556,060)	(53,501)
Other receipts	7,290,136	6,054,979
Net cash provided by noncapital financing activities	<u>636,727,307</u>	<u>775,498,278</u>
Cash flows from capital financing activities:		
Proceeds from capital debt issuance	—	272,370,392
Capital appropriations, local property tax, grants and gifts, capital	8,753,535	12,659,928
Local tax for G.O. bond	268,016,758	216,099,937
Purchases of capital assets	(260,983,266)	(256,646,801)
Principal paid on capital debt and leases	(69,995,000)	(35,728,820)
Interest paid on capital debt and leases	(198,646,551)	(196,247,457)
Bond issuance cost	—	(2,993,324)
Net cash (used in) provided by capital and related financing activities	<u>(252,854,524)</u>	<u>9,513,855</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	283,351,406	315,781,827
Interest on investments	9,376,896	1,261,226
Purchase of investments	(11,512,470)	(300,719,567)
Net cash provided by investing activities	<u>281,215,832</u>	<u>16,323,486</u>
Net (decrease) increase in cash and cash equivalents	<u>(36,936,172)</u>	<u>104,630,792</u>
Cash and cash equivalents – beginning of the year	<u>181,968,549</u>	<u>77,337,757</u>
Cash and cash equivalents – end of year	\$ <u>145,032,377</u>	\$ <u>181,968,549</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (841,171,042)	(837,279,711)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	125,158,474	111,095,982
Changes in assets and liabilities:		
Receivables, net	793,803	(1,887,746)
Inventories	(86,636)	743,051
Other assets	7,854,547	696,956
Accounts payable	2,881,726	9,899,435
Deferred revenue	(2,883)	423,211
Deposits held for others	(2,050)	—
General liability	(3,131,000)	6,071,000
Workers' compensation	(15,000)	1,138,000
Compensated absences	428,002	(309,574)
Net OPEB Obligation	5,671,339	14,652,667
Other liabilities	(404,067)	(1,948,098)
Net cash used by operating activities	\$ <u>(702,024,787)</u>	<u>(696,704,827)</u>
Noncash capital financing activities:		
Equipment acquired through new capital lease obligations	\$ 155,625	866,352
Additions to capital assets included in accounts payable	(17,609,871)	17,473,842
Bond proceeds wired directly to escrow account for refunding	—	(7,200,000)
Amortization of accrued original bond issue premium	9,424,495	5,728,246
Amortization of prepaid interest	(1,084,088)	(1,432,516)

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(1) Organization and Reporting Entity

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(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 – an amendment of GASB Statement No. 34*, and 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, include a statements of net position; a statement of revenue, expenses, and changes in net position; 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.

(c) Net Position

The District's net position is classified into the following categories:

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

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

Restricted Nonexpendable: Subject to externally imposed conditions where the principal portion of net position is not to be expended for any reason. Only interest earned by the principal portion can be expended on purposes designated by the externally imposed conditions.

Unrestricted: Unrestricted net position is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

(d) Cash and Cash Equivalents

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

(e) Inventory

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

(f) Properties and Depreciation

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

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

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

The District's capitalization threshold is as follows:

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(g) *Accrued Employee Benefits*

The District has reported for vacation leave benefits that have been earned as a liability within the statements of net position. Accumulated sick leave benefits are not reported as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest.

(h) *Unearned Revenue*

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

(i) *Operating Revenue and Expenses*

The District's operating revenue includes tuition fees, and federal and state revenue. Operating costs include cost of services as well as materials, contracts, personnel, and depreciation.

Nonoperating revenue include state apportionments, property taxes, and grants. Property taxes are recognized as revenue 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.

(j) *Income Taxes*

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

(k) *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, revenue, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(1) *New Accounting Standards*

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The District adopted the statement during the fiscal year ended June 30, 2014. The statement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. At June 30, 2014 and 2013, the District did not have any deferred inflows or outflows of resources. Implementation of Statement No. 65 resulted in unamortized bond-issuance costs, except any portion related to prepaid insurance costs, being recognized as expense in the period incurred. The statement also requires the District to restate the beginning net position of the earliest period presented. Accordingly, the District has made the following adjustments to fiscal year 2013 beginning net position:

	<u>2013</u>
Unrestricted net position:	
Beginning of year	\$ 734,541,868
Write-off of debt issuance costs	<u>(22,346,178)</u>
Beginning of year, as restated	<u>\$ 712,195,690</u>

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the fiscal year beginning July 1, 2014, which requires the District to implement this statement in fiscal year 2015. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures related to pensions. This statement provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability. Governments will now be required to report that amount as a liability in their basic financial statements. In addition, the statement requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met. As of June 30, 2014, the District has not yet determined the impact of GASB No. 68 on its financial statements or financial position.

GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. As of June 30,

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

2014, the District has not yet determined the impact of GASB No. 70 on its financial statements or financial positions.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date --An Amendment of GASB Statement No. 68*. The statement requires that, at transition to the new accounting standards in accordance with GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. The provisions of this statement are effective for basic financial statements for periods beginning after June 15, 2014, which requires the District to implement this statement in fiscal year 2015. As of June 30, 2014, the District has not yet determined the impact of GASB No. 71 on its financial statements or financial position.

(3) Cash and Investments

Cash and investments at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents in County Treasury	\$ 103,520,366	154,287,085
Cash in banks	41,512,011	27,681,464
Total cash and cash equivalents	<u>145,032,377</u>	<u>181,968,549</u>
Investments:		
Investments in County Treasury	260,319,901	533,199,549
Other	1,142,624	101,912
Total investments	<u>261,462,525</u>	<u>533,301,461</u>
Deposit with trustee:		
Investments in County Treasury	316,649,956	276,260,726
Other	11,159,485	11,876,209
	<u>327,809,441</u>	<u>288,136,935</u>
Total cash, and investments and deposit with trustee	\$ <u><u>734,304,343</u></u>	<u><u>1,003,406,945</u></u>

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

As provided for by the State of California Education Code, amounts are also deposited by the District in the Los Angeles County Treasurer's Pool (the County Pool) for the purpose of increasing interest earnings through the County's investment activities. At June 30, 2014 and 2013, the District's cash and investments consist primarily of deposits and investments in the County Pool. The District reports amounts

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

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 and local property tax collected to pay bond principal and interest) as investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments. Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, negotiable certificates of deposit, corporate and depository notes, floating rate notes, commercial paper, shares of beneficial interest, repurchase agreements, reverse repurchase agreements, forwards, futures and options, interest rate swaps, securities lending agreement, investment of bond proceeds.

The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the County 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. 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, 2014 and 2013, the District had \$680,490,223 and \$963,747,360 invested in the County Pool, respectively.

To manage the liquidity in the Treasury Pool while still capturing the higher yield offered by longer maturities, the County's investment guidelines target a portfolio weighted average maturity range between 1.0 and 2.0 years. The weighted average maturity of cash and investments in the Los Angeles Treasurer's Pool was 2.03 years and 1.73 years at June 30, 2014 and 2013, respectively. To mitigate the risk of securities with longer-term maturities in the investment pool, the Treasurer has limited maturities that exceed one year to 75% of the last three years' average minimum total cash and investment and requires that no more than 50% of the new issuer limits may be used for periods greater than 180 days. The investments in the Los Angeles Treasurer's Pool with maturities that exceeded one year represented 50.7% and 35.8% of the total pool at June 30, 2014 and 2013, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Tax delinquencies	\$ 10,172,475	16,144,192
Federal and state programs	13,339,443	16,812,881
Local tax for G.O. Bonds	20,810,928	16,143,472
State lottery	7,447,791	8,179,111
Interest receivable	1,423,913	955,810
Accounts receivable – principal apportionment	49,786,481	65,990,203
Accounts receivable – campus students	127,986	329,057
Accounts receivable – student loan programs	4,054,688	3,997,557
Bookstore	1,547,004	1,502,600
State of California – capital outlay	2,804,603	2,612,368
Other	19,996,270	4,194,953
	<hr/>	<hr/>
Subtotal	131,511,582	136,862,204
Less allowance for doubtful accounts	(10,838,208)	(16,873,811)
	<hr/>	<hr/>
Accounts, notes and other receivables, net	\$ <u>120,673,374</u>	<u>119,988,393</u>

The allowance for doubtful accounts is maintained at an amount sufficient to reserve the possible uncollectible receivable balances. Tax delinquencies represent prior and current year unpaid/uncollected property taxes that were assessed and billed by the County during the 2013-2014 year and prior. The District receives tax revenue from the County biannually in December and April. Any amounts that remain unpaid and not received by the District within the fiscal year are considered delinquent. The County's board of supervisors is the taxing authority that levies and collects tax revenue.

(5) Accounts Payable and Accrued Liabilities

Accounts payable at June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Vendors payable	\$ 35,484,160	23,028,626
Capital outlay and program management	109,434,391	127,044,262
Payroll accrual	6,802,690	14,703,977
Grants	6,431,526	6,431,526
Financial aid payable	545,570	380,228
Election expense payable	—	1,864,308
	<hr/>	<hr/>
Total	\$ <u>158,698,337</u>	<u>173,452,927</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(6) Capital Assets

A summary of changes in capital assets is as follows:

	2014				Balance at June 30, 2014
	Balance at July 1, 2013	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 191,644,452	—	(134,040)	7,173,363	198,683,775
Construction in process	754,328,256	271,360,193	(7,559,751)	(327,822,056)	690,306,642
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>946,490,708</u>	<u>271,360,193</u>	<u>(7,693,791)</u>	<u>(320,648,693)</u>	<u>889,508,417</u>
Capital assets being depreciated:					
Land improvements	401,927,638	—	—	24,364,070	426,291,708
Buildings	2,980,642,674	—	—	291,077,222	3,271,719,896
Furniture, fixtures, and equipment	98,708,195	4,954,910	(44,643)	—	103,618,462
Infrastructure	4,214,474	—	—	5,207,401	9,421,875
Total capital assets being depreciated	<u>3,485,492,981</u>	<u>4,954,910</u>	<u>(44,643)</u>	<u>320,648,693</u>	<u>3,811,051,941</u>
Total capital assets	4,431,983,689	276,315,103	(7,738,434)	—	4,700,560,358
Less accumulated depreciation	<u>(610,397,169)</u>	<u>(125,158,474)</u>	<u>44,643</u>	<u>—</u>	<u>(735,511,000)</u>
Capital assets, net	<u>\$ 3,821,586,520</u>	<u>151,156,629</u>	<u>(7,693,791)</u>	<u>—</u>	<u>3,965,049,358</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

	2013				Balance at June 30, 2013
	Balance at July 1, 2012	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 191,638,756	5,696	—	—	191,644,452
Construction in process	925,558,076	305,022,183	(6,920,845)	(469,331,158)	754,328,256
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>1,117,714,832</u>	<u>305,027,879</u>	<u>(6,920,845)</u>	<u>(469,331,158)</u>	<u>946,490,708</u>
Capital assets being depreciated:					
Land improvements	374,157,571	—	—	27,770,067	401,927,638
Buildings	2,539,077,378	4,205	—	441,561,091	2,980,642,674
Furniture, fixtures, and equipment	85,344,686	13,822,464	(458,955)	—	98,708,195
Infrastructure	4,214,474	—	—	—	4,214,474
Total capital assets being depreciated	<u>3,002,794,109</u>	<u>13,826,669</u>	<u>(458,955)</u>	<u>469,331,158</u>	<u>3,485,492,981</u>
Total capital assets	4,120,508,941	318,854,548	(7,379,800)	—	4,431,983,689
Less accumulated depreciation	<u>(499,742,947)</u>	<u>(111,095,982)</u>	<u>441,760</u>	<u>—</u>	<u>(610,397,169)</u>
Capital assets, net	<u>\$ 3,620,765,994</u>	<u>207,758,566</u>	<u>(6,938,040)</u>	<u>—</u>	<u>3,821,586,520</u>

Capitalized Interest

Included in additions to capital assets is \$33,320,523 and \$43,867,553 of capitalized interest at June 30, 2014 and 2013, 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 \$6,583,562 have been reported in the accompanying statements of revenue, expenses, and changes in net position.

At June 30, 2014, minimum capital lease commitments under long-term lease contracts were as follows:

Year ending June 30:	
2015	\$ 304,726
2016	255,656
2017	221,146
2018–2019	<u>227,167</u>
Total	<u>\$ 1,008,695</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(8) Employee Retirement Systems

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

(a) *Plan Descriptions and Provisions*

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

Employees, who were hired prior to January 1, 2013, attaining the age of 60 with five 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 three consecutive years of service or highest year if member has more than 25 years of CalSTRS Service Credit. 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 five years of service. A family benefit is available if the deceased member had at least one year of service and was an active member or on disability leave. After five years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, only the accumulated member contributions and interest earned on those contributions are refundable.

Under the California Public Employees' Pension Reform Act of 2013 (AB340), effective January 1, 2013, new CalSTRS members are required to be under a new defined-benefit formula of 2% at age 62. The law establishes a limit on compensation that is counted toward calculating a member's pension. New CalSTRS members, starting on or after January 1, 2013, who like existing members, are not covered by Social Security; the initial limit is 120% of 2013 Social Security Wages. It also limits postretirement public employment. The 2012-13 earnings limit for postretirement public employment is \$40,011, and the 2013-14 earnings limit is \$39,903, and \$40,173 for 2014-2015 and these limits apply regardless of whether the retired member is an employee of a CalSTRS employer, an employee of a third-party performing service for a California public school or an independent contractor performing service for a California public school.

Benefit provisions for CalSTRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, Section 22000 et seq.). CalSTRS 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 CalSTRS Executive Office.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

California Public Employees' Retirement System (CalPERS) – Full-time classified employees and hourly employees who exceed 1,000 hours in a fiscal year participate in CalPERS, 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. The District is part of a cost-sharing pool within CalPERS. An actuarial valuation by employer is not currently available. One actuarial valuation is performed for those employers participating in the pool and the same contribution rate applies to each.

Employees, who were hired prior to January 1, 2013, 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.

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 and interest earned on those funds are refundable through the date of separation.

Under the California Public Employees' Pension Reform Act of 2013 (AB340), effective January 1, 2013, all new miscellaneous (nonsafety) member will be under a new defined benefit formula of a monthly benefit of 2% of their final compensation at age 62, with an early retirement age of 52 and a maximum benefit factor of 2.5% at age 67. Final compensation means the highest average annual pensionable compensation earned by a member during a period of at least 36 consecutive months, or three school years as applicable.

In addition, the following new provisions will apply to new CalPERS members:

- Pensionable Compensation Cap – Caps the annual salary that can be used to calculate final compensation for all new School members, at \$117,000 (2014 Social Security Contribution and Benefit Base) for employees that participate in Social Security or \$140,400 (120% of the 2013 Contribution and Benefit Base) for those employees that do not participate in Social Security. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.
- Equal Sharing of Normal Cost – For schools employers, a new member's initial contribution rate will be at least 50% of the total normal cost rate or the current contribution rate of similarly situated employees, whichever is greater. (Currently PEPRA members contribute 6% and Non PEPRA Members 7%).

The new Pension Reform also prohibits the purchase of nonqualified service credit on or after January 1, 2013 and limits post retirement public employment. CalPERS retirees cannot serve, be employed by or be employed through a contract directly by CalPERS employer unless he or she reinstates.

Benefit provisions for CalPERS are established by the Public Employees' Retirement Law (Part 3 of the California Government Code, Section. 20000 et seq.). CalPERS 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

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

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

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

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

On December 4, 1991, the District's board of trustees adopted PARS-ARS, 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 CalSTRS or CalPERS who were employed on that date or hired thereafter. The District has appointed Phase 11 Systems, in which Imperial Trust Company serves as the trustee, to manage the assets of the PARS-ARS plan and serve as the Trust Administrator.

Total contributions to PARS-ARS are 7.50%. The employer contribution is 4.00% and the employee contribution is 3.50%. Contributions are vested 100.00% for employees. Employees can receive their funds after 24 months if they change retirement plans, when they retire, become disabled, or terminate employment. If they die, their beneficiary(s) then get the employee's funds.

(b) *Contributions Required and Contributions Made*

For fiscal year 2013–14, the District was required by statute to contribute 8.25%, 11.442%, 4.25%, and 4.00% of gross salary expenditures to STRS, PERS (pooled), Cash Balance, and PARS, respectively. Participants are required to contribute 8.00%, 7.00%, 3.75%, and 3.50% of gross salary to STRS, PERS, Cash Balance, and PARS, respectively, for the year ended June 30, 2014. CalPERS participants who were hired prior to January 1, 2013 are required to contribute 7% of gross salary to CalPERS, and CalPERS participants who were hired on or after January 1, 2013 are required to contribute 6% of gross salary to CalPERS in fiscal year 2013–2014.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

The District's contributions for the years ended June 30, 2014, 2013, and 2012 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
STRS:		
2014	\$ 16,622,648	100%
2013	16,089,500	100
2012	15,925,376	100
PERS:		
2014	\$ 15,345,462	100%
2013	15,109,137	100
2012	14,360,463	100
Cash Balance STRS:		
2014	\$ 1,505,478	100%
2013	1,305,749	100
2012	1,354,573	100
PARS-ARS:		
2014	\$ 507,388	100%
2013	488,395	100
2012	532,942	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 follows the reporting requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

Plan Description

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

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

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

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

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

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

Currently, the District has about 4,000 active full-time employees who are eligible for postretirement health benefits and 3,200 retirees and surviving spouses who receive postretirement health benefits.

Actuarial Methods and Assumptions

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

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, 2013 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 6.88% 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 7.25% and 4.00%, respectively, initially, reduced by decrements to an ultimate rate of less than 6.00% and 4.00%, respectively, after 4 years.

Funding Policy

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

The trust is to be funded with annual contributions by the District of approximately 1.92% of the total full-time salary expenditures in the District. Additionally, the District will direct an amount equivalent to the federal Medicare Part D subsidy returned to the District each year into the trust fund. The District deposited \$7,206,829 and \$5,177,653 to the irrevocable trust with CalPERS during FY2014 and FY2013, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

Annual OPEB Costs and Net OPEB Obligation

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

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 34,419,000	42,786,000
Interest on net OPEB obligation	3,953,000	2,469,000
Adjustment to annual required contribution	<u>(3,130,000)</u>	<u>(2,025,000)</u>
Annual OPEB cost	35,242,000	43,230,000
Contributions made	<u>(29,570,661)</u>	<u>(28,577,333)</u>
Increase in net OPEB obligation	5,671,339	14,652,667
Net OPEB obligation, beginning of year	<u>57,451,272</u>	<u>42,798,605</u>
Net OPEB obligation, end of year	<u>\$ 63,122,611</u>	<u>57,451,272</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, 2014	\$ 35,242,000	83.90%	\$ 63,122,611
June 30, 2013	43,230,000	66.10	57,451,272

Funded Status Information

The District's funding status information is as follows (dollars in thousands (000s omitted)):

<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, 2013	\$ 51,823	478,320	426,497	10.83%	\$ 275,000	155.09%
July 1, 2011	34,185	593,389	559,203	5.76	272,400	205.29

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

As of June 30, 2014 and 2013, the District has set aside approximately \$49.9 million and \$42.7 million, respectively, in an external trust fund. The fair value of the trust fund as of June 30, 2014 and 2013 was approximately \$69.6 million and \$51.8 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. Contributions made by the District are \$5.9 million and \$6.1 million for the fiscal years ended June 30, 2014 and 2013, respectively. This benefit was approved by the Board of Trustee's on November 19, 2014 for a two year extension.

(9) Commitments and Contingencies

The District receives a substantial portion of its total revenue 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, 2014. 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, 2014, the total value of these outstanding commitments is \$633,349,176.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(10) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2014 and 2013:

	2014				
	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due within one year
G.O. Bonds 2003 Series A, B, and C	\$ 3,100,000	—	(3,100,000)	—	—
G.O. Bonds 2004 Series A and B	86,425,000	—	(3,340,000)	83,085,000	3,490,000
G.O. Bonds 2005 Series A	417,695,000	—	(14,375,000)	403,320,000	16,190,000
G.O. Bonds 2006 Series E	275,300,000	—	(9,115,000)	266,185,000	10,895,000
G.O. Bonds 2007 Series A	382,160,000	—	(575,000)	381,585,000	705,000
G.O. Bonds 2008 Series E1 and F1	616,625,000	—	(7,720,000)	608,905,000	9,490,000
G.O. Bonds 2008 Series E2 and F2	550,000	—	(550,000)	—	—
G.O. Bonds 2009 Series A and B	425,000,000	—	—	425,000,000	—
G.O. Bonds 2010 Series C, D, and E	1,200,000,000	—	—	1,200,000,000	—
G.O. Bonds 2013 Series F	250,000,000	—	(30,000,000)	220,000,000	3,500,000
G.O. Bonds 2013 Refunding Bond	55,700,000	—	(1,220,000)	54,480,000	2,905,000
Unamortized bond premiums	123,015,577	—	(9,424,498)	113,591,079	6,476,405
Workers' compensation claims	33,146,000	4,939,104	(4,954,104)	33,131,000	4,954,104
General liability	9,184,000	(1,146,183)	(1,984,817)	6,053,000	1,984,817
Compensated absences	15,275,472	428,002	—	15,703,474	7,932,808
Capital lease obligations	1,289,335	155,625	(534,440)	910,520	259,313
Total	\$ 3,894,465,384	4,376,548	(86,892,859)	3,811,949,073	68,782,447

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

	2013				
	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Due within one year
G.O. Bonds 2003 Series A, B, and C	\$ 68,950,000	—	(65,850,000)	3,100,000	3,100,000
G.O. Bonds 2004 Series A and B	89,625,000	—	(3,200,000)	86,425,000	3,340,000
G.O. Bonds 2005 Series A	430,410,000	—	(12,715,000)	417,695,000	14,375,000
G.O. Bonds 2006 Series E	284,050,000	—	(8,750,000)	275,300,000	9,115,000
G.O. Bonds 2007 Series A	382,575,000	—	(415,000)	382,160,000	575,000
G.O. Bonds 2008 Series E1 and F1	620,495,000	—	(3,870,000)	616,625,000	7,720,000
G.O. Bonds 2008 Series E2 and F2	3,805,000	—	(3,255,000)	550,000	550,000
G.O. Bonds 2009 Series A and B	425,000,000	—	—	425,000,000	—
G.O. Bonds 2010 Series C, D, and E	1,200,000,000	—	—	1,200,000,000	—
G.O. Bonds 2013 Series F	—	250,000,000	—	250,000,000	30,000,000
G.O. Bonds 2013 Refunding Bond	—	55,700,000	—	55,700,000	1,220,000
Unamortized bond premiums	99,173,430	29,570,393	(5,728,246)	123,015,577	9,424,495
Workers' compensation claims	32,008,000	6,592,895	(5,454,895)	33,146,000	5,454,895
General liability	3,113,000	8,409,221	(2,338,221)	9,184,000	2,338,221
Compensated absences	15,585,046	9,460,528	(9,770,102)	15,275,472	7,791,688
Capital lease obligations	996,803	866,352	(573,820)	1,289,335	530,488
Total	\$ 3,655,786,279	360,599,389	(121,920,284)	3,894,465,384	95,534,787

(a) G.O. Bonds

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

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

On July 29, 2003, the District issued the 2003 Series A, B, and C G.O. Bonds (Proposition AA) in the amount of \$189,685,000, with interest rates ranging from 2% to 5% maturing in 2028. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District. On June 11, 2013, \$62,900,000 was refunded by issuing 2013 Refunding G.O Bonds (Proposition AA). The refunding was done to reduce the District's debt service payment over the next 14 years by \$975,000 a year. The refunding resulted in an economic gain of \$11,637,386. As of June 30, 2014, the 2003 Series A, B and C G.O. Bonds have been fully repaid.

On October 12, 2004, the District issued the 2004 Series A and B G.O. Bonds (Proposition A and Proposition AA) in the amount of \$103,900,000 with interest rates ranging from 3.17% to 6.44%,

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

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, 2014 are as follows:

	2004 Series A and B		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2015	\$ 3,490,000	4,340,480	7,830,480
2016	3,650,000	4,173,514	7,823,514
2017	3,820,000	3,994,773	7,814,773
2018	4,005,000	3,804,179	7,809,179
2019	4,200,000	3,599,826	7,799,826
2020–2024	24,530,000	14,358,674	38,888,674
2025–2029	31,915,000	6,749,135	38,664,135
2030	7,475,000	216,039	7,691,039
Total	<u>\$ 83,085,000</u>	<u>41,236,620</u>	<u>124,321,620</u>

On March 22, 2005, the District issued the 2005 Series A G.O. Refunding Bonds (Proposition A) in the amount of \$437,450,000 with interest rates ranging from 3% to 5.25%, 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 was used to refund \$425,385,000 outstanding principal of the 2001 Series A G.O. Bond (Proposition A) and to increase \$12,330,000 projects funding.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2014 are as follows:

	2005 Series A		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2015	\$ 16,190,000	19,826,837	36,016,837
2016	18,140,000	18,925,675	37,065,675
2017	20,220,000	17,944,000	38,164,000
2018	22,390,000	16,878,750	39,268,750
2019	24,710,000	15,701,250	40,411,250
2020–2024	163,930,000	56,372,000	220,302,000
2025–2026	137,740,000	10,304,500	148,044,500
Total	<u>\$ 403,320,000</u>	<u>155,953,012</u>	<u>559,273,012</u>

On October 11, 2006, the District issued the 2006 Series E G.O. Bonds (Proposition AA) in the amount of \$350,000,000 with interest rates ranging from 3.4% to 5.0%, maturing in 2032. The bond

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

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, 2014 are as follows:

	2006 Series E		
	Principal	Interest	Total
Year(s) ending June 30:			
2015	\$ 10,895,000	12,885,902	23,780,902
2016	9,940,000	12,450,590	22,390,590
2017	10,420,000	11,979,625	22,399,625
2018	10,890,000	11,474,250	22,364,250
2019	11,430,000	10,916,250	22,346,250
2020–2024	66,325,000	45,185,125	111,510,125
2025–2029	84,650,000	26,402,750	111,052,750
2030–2032	61,635,000	4,722,875	66,357,875
Total	\$ <u>266,185,000</u>	<u>136,017,367</u>	<u>402,202,367</u>

On October 23, 2007, the District issued the 2007 Series A G.O. Bonds (Proposition A) in the amount of \$400,000,000 with interest rates ranging from 4% to 5%, maturing in 2033. The bond 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, 2014 are as follows:

	2007 Series A		
	Principal	Interest	Total
Year(s) ending June 30:			
2015	\$ 705,000	19,025,263	19,730,263
2016	820,000	18,990,950	19,810,950
2017	4,565,000	18,858,375	23,423,375
2018	4,880,000	18,637,500	23,517,500
2019	5,165,000	18,401,625	23,566,625
2020–2024	22,840,000	88,130,000	110,970,000
2025–2029	104,835,000	80,231,375	185,066,375
2030–2033	237,775,000	24,669,625	262,444,625
Total	\$ <u>381,585,000</u>	<u>286,944,713</u>	<u>668,529,713</u>

On September 23, 2008, the District issued the 2008 Series E-1 G.O. Bonds (Proposition A) in the amount of \$276,500,000 and the 2008 Series F-1 G.O. Bonds (Proposition AA) in the amount of \$344,915,000 with interest rates ranging from 3% to 5%, maturing in 2034. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

Debt service requirements to maturity of the G.O. Bonds at June 30, 2014 are as follows:

	2008 Series E-1 and F-1		
	Principal	Interest	Total
Year(s) ending June 30:			
2015	\$ 9,490,000	29,545,238	39,035,238
2016	10,795,000	29,229,100	40,024,100
2017	12,130,000	28,870,063	41,000,063
2018	13,605,000	28,332,825	41,937,825
2019	15,155,000	27,689,600	42,844,600
2020–2024	101,840,000	125,132,500	226,972,500
2025–2029	155,755,000	93,240,375	248,995,375
2030–2034	290,135,000	42,672,875	332,807,875
Total	\$ <u>608,905,000</u>	<u>404,712,576</u>	<u>1,013,617,576</u>

On September 23, 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 interest rates ranging from 3.049% to 4.316%, maturing in 2014. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at various campuses of the District. As of June 30, 2014, the 2008 Series E-2 and F-2 G.O. Bonds have been fully repaid.

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

On April 1, 2009, the District issued the 2009 Series A G.O. Bonds (Measure J) in the amount of \$350,000,000 and the 2009 Taxable Series B G.O. Bonds (Measure J) in the amount of \$75,000,000 with interest rates ranging from 4.50% to 7.53%, maturing in 2034. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

Debt service requirements to maturity of the G.O. Bonds at June 30, 2014 are as follows:

	2009 Series A and B		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2015	\$ —	26,247,663	26,247,663
2016	—	26,247,663	26,247,663
2017	—	26,247,663	26,247,663
2018	—	26,247,663	26,247,663
2019	—	26,247,663	26,247,663
2020–2024	10,495,000	130,701,625	141,196,625
2025–2029	88,010,000	118,115,517	206,125,517
2030–2034	326,495,000	60,290,578	386,785,578
Total	\$ <u>425,000,000</u>	<u>440,346,035</u>	<u>865,346,035</u>

On July 22, 2010, the District issued \$900,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series E Build America Bonds with 6.60% and 6.75% interest rates maturing in 2050. 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 2040. 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 2037. 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, 2014 are as follows:

	2010 Series C, D, and E		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2015	\$ —	77,912,500	77,912,500
2016	—	77,912,500	77,912,500
2017	—	77,912,500	77,912,500
2018	—	77,912,500	77,912,500
2019	—	77,912,500	77,912,500
2020–2024	—	389,562,500	389,562,500
2025–2029	—	389,562,500	389,562,500
2030–2034	—	389,562,500	389,562,500
2035–2039	277,500,000	348,309,385	625,809,385
2040–2044	363,730,000	251,368,695	615,098,695
2045–2049	455,125,000	114,478,819	569,603,819
2050	103,645,000	3,498,019	107,143,019
Total	\$ <u>1,200,000,000</u>	<u>2,275,904,918</u>	<u>3,475,904,918</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

On June 11, 2013, the District issued the 2013 Series F G.O. Bonds (Measure J) in the amount of \$250,000,000 with interest rates ranging from 2% to 5%, maturing in 2038. 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, 2014 are as follows:

	2013 Series F		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2015	\$ 3,500,000	9,615,000	13,115,000
2016	3,500,000	9,457,500	12,957,500
2017	4,000,000	9,270,000	13,270,000
2018	4,000,000	9,070,000	13,070,000
2019	3,000,000	8,910,000	11,910,000
2020–2024	27,000,000	41,325,000	68,325,000
2025–2029	41,000,000	32,625,000	73,625,000
2030–2034	36,000,000	22,525,000	58,525,000
2035–2038	98,000,000	9,080,000	107,080,000
Total	\$ <u>220,000,000</u>	<u>151,877,500</u>	<u>371,877,500</u>

On June 11, 2013, the District issued the 2013 Refunding Bonds (Proposition AA) in the amount of \$55,700,000 with 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.

The net proceeds from the sale of the 2013 Refunding Bonds was used to refund \$62,900,000 outstanding principal of the 2003 Series B G.O. Bonds (Proposition AA).

Debt service requirements to maturity of the G.O. Bonds at June 30, 2014 are as follows:

	2013 Refunding Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2015	\$ 2,905,000	2,427,325	5,332,325
2016	2,990,000	2,338,900	5,328,900
2017	3,080,000	2,232,450	5,312,450
2018	3,200,000	2,090,850	5,290,850
2019	3,360,000	1,926,850	5,286,850
2020–2024	19,515,000	6,869,375	26,384,375
2025–2028	19,430,000	1,636,850	21,066,850
Total	\$ <u>54,480,000</u>	<u>19,522,600</u>	<u>74,002,600</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

(b) Lease Purchase Financing

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2014 are as follows:

	Lease purchase financing		
	Principal	Interest	Total
Year(s) ending June 30:			
2015	\$ 259,313	45,412	304,725
2016	226,584	29,071	255,655
2017	205,192	15,957	221,149
2018	136,254	6,139	142,393
2019	83,177	1,597	84,774
Total	<u>\$ 910,520</u>	<u>98,176</u>	<u>1,008,696</u>

(11) Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for up to a maximum of \$750,000 for each workers' compensation claim, \$1,000,000 per employment practices claims, and \$1,500,000 for each general liability claim.

The District currently reports all of its risk management activities in the accompanying statements of net positions. 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 2014. The amount of the outstanding liability at June 30, 2014 and 2013 includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases, which occurred through that date.

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2014 and 2013

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2014 and 2013 were as follows:

	2014			
	Balance at July 1, 2013	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2014
Workers' compensation	\$ 33,146,000	4,939,104	(4,954,104)	33,131,000
General liability	9,184,000	(1,146,183)	(1,984,817)	6,053,000

	2013			
	Balance at July 1, 2012	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2013
Workers' compensation	\$ 32,008,000	6,592,895	(5,454,895)	33,146,000
General liability	3,113,000	8,409,221	(2,338,221)	9,184,000

During the years ended June 30, 2014 and 2013, the District made total premium payments of approximately \$2,954,694 and \$2,455,776, respectively, for general liability and property claims.

(12) Tax Revenue Anticipation Notes (TRAN)

On March 14, 2013, the District issued the 2012–2013 note Participations Series E in the amount of \$80,000,000 with interest rate of 2% maturing on December 31, 2013. The note was issued to provide operating cash for the District's current working capital expenditures prior to the receipt of anticipated tax payments and other revenue. The TRAN was issued with original issue premium of \$1,139,200 and issuance cost of \$145,217. As of June 30, 2013, \$80,000,000 in principal and \$1,275,556 in interest was payable in fiscal year 2014. As of June 30, 2014, the TRAN was paid and no outstanding balance existed.

(13) Subsequent Events

The District evaluated events or transactions that occurred subsequent to the statements of net position date through December 3, 2014, the date the accompanying financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

Year ended June 30, 2014

Schedule of funding progress:

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

The District funding progress information is illustrated as follows (amounts in thousands):

<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, 2013	\$ 51,823	478,320	426,497	10.83%	\$ 275,000	155.09%
July 1, 2011	34,185	593,389	559,203	5.76	272,400	205.29

See accompanying independent auditors' report.

SUPPLEMENTAL FINANCIAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Balance Sheet Accounts

June 30, 2014

Assets	
Cash in county treasury	\$ 43,678,821
Cash in banks	13,007,118
Cash in revolving fund	161,727
Accounts, notes, interest, and loans receivable, net	74,345,213
Cash held with trustee	65,402
Due from other funds	9,596,555
Prepaid expenses and other assets	7,428,819
Total assets	<u>\$ 148,283,655</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 43,405,086
Due to other funds	6,947,072
Amounts held in trusts	532,144
Deferred revenue	6,232,584
Total liabilities	<u>57,116,886</u>
Fund balance:	
Restricted	16,234,110
Unrestricted	74,932,659
Total fund balance	<u>91,166,769</u>
Total liabilities and fund balance	<u>\$ 148,283,655</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts

Year ended June 30, 2014

Revenue:	
Federal revenue:	
Higher education acts	\$ 14,543,928
Job training partnership act	2,912,444
Temporary assistance for needy families (TANF)	995,546
Vocational education act	4,809,555
Veterans education	31,482
College work study	2,216,219
Federal supplementary education opportunity grants (FSEOG)	109,759
Federal pell grants	285,445
Other	<u>7,475,086</u>
Total federal revenue	<u>33,379,464</u>
State revenue:	
State apportionments	220,658,266
Tax relief subvention	3,022,385
State lottery	14,935,201
California Works Opportunity & Responsibility to Kids	5,259,716
Extended opportunity program	5,928,040
Matriculation program	8,250,436
Disabled students programs and services	4,934,839
Other	<u>93,578,663</u>
Total state revenue	<u>356,567,546</u>
Local revenue:	
Local property taxes	166,621,171
Enrollment fees	22,464,619
Tuition and fees, net of scholarship discounts and allowance	11,989,203
Community service fees	6,106,555
Parking fees	2,858,977
Health service fees	4,778,575
Student fees and charges	2,112,789
Interest	535,860
Other	<u>14,919,698</u>
Total local revenue	<u>232,387,447</u>
Total revenue	<u>622,334,457</u>
Expenses:	
Current:	
Academic salaries	250,024,902
Classified salaries	141,840,203
Employee benefits	131,419,805
Books and supplies	9,825,033
Contract services, student grants, and other operating expenses	57,107,345
Capital outlay and equipment replacement:	7,244,223
Other	<u>664,517</u>
Total expenses	<u>598,126,028</u>
Excess of revenue over expenses	24,208,429
Other financing uses:	
Operating transfers in (out)	<u>(13,838,097)</u>
Net increase in fund balance	10,370,332
Fund balances at July 1, 2013	<u>80,796,437</u>
Fund balances at June 30, 2014	<u>\$ 91,166,769</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2014

Assets	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Cash in county treasury	\$ 60,301,230	—	37,346	—	60,338,576
Cash in banks	1,422,165	309,844	479,780	1,282,300	3,494,089
Cash in revolving fund	—	2,889	—	117,384	120,273
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	8,018,929	174,838	825,001	3,092,461	12,111,229
Due from other funds	5,519,178	1,579	389,190	314,094	6,224,041
Prepaid expenses	—	—	—	771	771
Inventory	—	108,617	—	4,920,536	5,029,153
Total assets	<u>\$ 75,261,502</u>	<u>597,767</u>	<u>1,731,317</u>	<u>9,727,546</u>	<u>87,318,132</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 164,800	74,011	322,209	221,942	782,962
Due to other funds	5,013,342	255,754	999,071	2,231,914	8,500,081
Deferred revenue	—	—	—	108,390	108,390
Total liabilities	<u>5,178,142</u>	<u>329,765</u>	<u>1,321,280</u>	<u>2,562,246</u>	<u>9,391,433</u>
Fund balance:					
Capital projects	70,083,360	—	—	—	70,083,360
Unrestricted	—	268,002	410,037	4,082,472	4,760,511
Reserve for facility improvements and inventory	—	—	—	3,082,828	3,082,828
Total fund balance	<u>70,083,360</u>	<u>268,002</u>	<u>410,037</u>	<u>7,165,300</u>	<u>77,926,699</u>
Total liabilities and fund balance	<u>\$ 75,261,502</u>	<u>597,767</u>	<u>1,731,317</u>	<u>9,727,546</u>	<u>87,318,132</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts

Year ended June 30, 2014

	<u>Special Reserve Fund</u>	<u>Cafeteria Fund</u>	<u>Child Development Fund</u>	<u>Bookstore Fund</u>	<u>Total</u>
Revenue:					
Federal revenue:					
Tuition and fees	\$ —	2,238	—	—	2,238
Grants and gifts, noncapital	201,956	—	2,247,416	—	2,449,372
Total federal revenue	<u>201,956</u>	<u>2,238</u>	<u>2,247,416</u>	<u>—</u>	<u>2,451,610</u>
State revenue:					
State apportionment	6,328,750	—	—	—	6,328,750
Other	—	—	4,486,109	—	4,486,109
Total state revenue	<u>6,328,750</u>	<u>—</u>	<u>4,486,109</u>	<u>—</u>	<u>10,814,859</u>
Local revenue:					
Food service sales	—	2,209,583	—	—	2,209,583
Bookstore sales	—	—	—	22,620,926	22,620,926
Interest	442,378	—	4,381	—	446,759
Other	6,335,307	137,844	262,326	15,796	6,751,273
Total local revenue	<u>6,777,685</u>	<u>2,347,427</u>	<u>266,707</u>	<u>22,636,722</u>	<u>32,028,541</u>
Total revenue	<u>13,308,391</u>	<u>2,349,665</u>	<u>7,000,232</u>	<u>22,636,722</u>	<u>45,295,010</u>
Expenses:					
Current:					
Academic salaries	—	—	3,364,187	—	3,364,187
Classified salaries	—	429,336	2,338,735	3,820,444	6,588,515
Employee benefits	—	75,869	1,276,057	1,446,520	2,798,446
Books and supplies	—	1,622,583	640,769	15,404,497	17,667,849
Contract services, student grant, and other operating expenses	538,408	117,868	529,327	1,170,029	2,355,632
Utilities	—	—	—	228,359	228,359
Capital outlay	8,685,566	6,431	25,225	288,055	9,005,277
Total expenses	<u>9,223,974</u>	<u>2,252,087</u>	<u>8,174,300</u>	<u>22,357,904</u>	<u>42,008,265</u>
Excess (deficit) of revenue over (under) expenses	4,084,417	97,578	(1,174,068)	278,818	3,286,745
Other financing sources – operating transfers in (out)	<u>6,152,773</u>	<u>(74,953)</u>	<u>1,215,181</u>	<u>(652,539)</u>	<u>6,640,462</u>
Net increase (decrease) in fund balances	10,237,190	22,625	41,113	(373,721)	9,927,207
Fund balances at July 1, 2013	<u>59,846,170</u>	<u>245,377</u>	<u>368,924</u>	<u>7,539,021</u>	<u>67,999,492</u>
Fund balances at June 30, 2014	\$ <u>70,083,360</u>	<u>268,002</u>	<u>410,037</u>	<u>7,165,300</u>	<u>77,926,699</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2014

Assets

Cash held with trustee	\$ 292,683,300
Accounts, notes, interest, and loans receivable, net	<u>28,983,833</u>
Total assets	<u><u>\$ 321,667,133</u></u>

Liabilities and Fund Balance

Liabilities:	
Deferred revenue	\$ 28,981,678
Other liabilities	<u>84,505,173</u>
Total liabilities	<u>113,486,851</u>
Fund balance:	
Restricted	<u>208,180,282</u>
Total fund balance	<u>208,180,282</u>
Total liabilities and fund balance	<u><u>\$ 321,667,133</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts

Year ended June 30, 2014

Revenue:		
Local revenue:		
Interest	\$	<u>2,155</u>
Total local revenue		<u>2,155</u>
Expenses:		
Current:		
Debt service		69,995,000
Interest expense on capital asset-related debt		<u>202,115,035</u>
Total expenses		<u>272,110,035</u>
Deficit of revenue over expenses		<u>(272,107,880)</u>
Other financing sources:		
Local tax for G.O. Bonds		<u>307,689,267</u>
Total other financing sources		<u>307,689,267</u>
Net increase in fund balance		35,581,387
Fund balances at July 1, 2013		<u>172,598,895</u>
Fund balances at June 30, 2014	\$	<u><u>208,180,282</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2014

Assets

Total assets \$ —

Liabilities and Fund Balance

Liabilities:

Unfunded OPEB payable \$ 63,122,611

Total liabilities 63,122,611

Fund balance:

Restricted (63,122,611)

Total fund balance (63,122,611)

Total liabilities and fund balance \$ —

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts (Deficit)

Year ended June 30, 2014

Revenue:		
Interest		\$ <u>2,522</u>
Total local revenue		<u>2,522</u>
Expenses:		
Current:		
Employee benefits		<u>12,878,168</u>
Total expenses		<u>12,878,168</u>
Deficit of revenue over expenses		<u>(12,875,646)</u>
Other financing sources:		
Operating transfers in (out)		<u>7,204,307</u>
Total other financing sources		<u>7,204,307</u>
Net decrease in fund balance		(5,671,339)
Fund balances at July 1, 2013		<u>(57,451,272)</u>
Fund balances at June 30, 2014		\$ <u><u>(63,122,611)</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

Schedule of Balance Sheet Accounts

June 30, 2014

Assets

Cash in county treasury	\$	567
Cash held with trustee		<u>1,016,175</u>
Total assets	\$	<u><u>1,016,742</u></u>

Liabilities and Fund Balance

Liabilities:		
Due to other funds	\$	<u>6,672</u>
Total liabilities		<u>6,672</u>
Fund balance:		
Reserve for expendable fund balance		10,070
Reserve for nonexpendable fund balance		<u>1,000,000</u>
Total fund balance		<u>1,010,070</u>
Total liabilities and fund balance	\$	<u><u>1,016,742</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts

Year ended June 30, 2014

Revenue:	
Investment income – noncapital	\$ 1,742
Grants and gifts, noncapital	<u>1,015,000</u>
Total revenue	1,016,742
Expenses:	
Total expenses	<u>—</u>
Excess of revenue over expenses	<u>1,016,742</u>
Other financing sources:	
Other financing sources (uses)	<u>(6,672)</u>
Total other financing sources	<u>(6,672)</u>
Net increase in fund balance	1,010,070
Fund balances at July 1, 2013	<u>—</u>
Fund balances at June 30, 2014	<u><u>\$ 1,010,070</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2014

Assets	
Cash in county treasury	\$ 261,467,050
Cash in banks	9,943,078
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	1,171,809
Due from other funds	5,448,233
Prepaid expenses and other assets	37,558,750
Deposit with trustee	35,489,113
Total assets	<u>\$ 351,078,033</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 109,434,388
Due to other funds	4,713
Total liabilities	<u>109,439,101</u>
Fund balance:	
Reserved for capital expenditures	<u>241,638,932</u>
Total fund balance	<u>241,638,932</u>
Total liabilities and fund balance	<u>\$ 351,078,033</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts (Deficit)

Year ended June 30, 2014

Local revenue:	
Interest	\$ 4,082,983
Other	<u>923,040</u>
Total revenue	<u>5,006,023</u>
Expenses:	
Other operating expenses and services	21,573,983
Other nonoperating income	(832,464)
Capital outlay	<u>236,057,672</u>
Total expenses	<u>256,799,191</u>
Deficit of revenue over expenses	<u>(251,793,168)</u>
Net decrease in fund balance	(251,793,168)
Fund balances at July 1, 2013	<u>493,432,100</u>
Fund balances at June 30, 2014	<u>\$ 241,638,932</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2014

Assets		
Cash in county treasury		\$ 20,159
Cash in banks		8,334,026
Accounts, notes, interest, and loans receivable, net		4,679,936
Due from other funds		<u>382,628</u>
Total assets		<u>\$ 13,416,749</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable		\$ 4,873,220
Due to other funds		<u>6,192,922</u>
Total liabilities		<u>11,066,142</u>
Fund balance:		
Restricted		<u>2,350,607</u>
Total fund balance		<u>2,350,607</u>
Total liabilities and fund balance		<u>\$ 13,416,749</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

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

Year ended June 30, 2014

Revenues:

Federal revenue:

Federal supplementary education opportunity grants	\$ 2,316,114
Federal pell grants	189,744,968
Direct loan	33,708,620
Other	477,955
Total federal revenue	<u>226,247,657</u>

State revenue:

Extended opportunity program	4,540,741
Cal grant	9,993,411
Other	26,000
Total state revenue	<u>14,560,152</u>

Local revenue:

Interest	4,849
Other	156,328
Total local revenue	<u>161,177</u>

Total revenue 240,968,986

Expenses:

Student grant	<u>240,992,657</u>
Total expenses	<u>240,992,657</u>

Net decrease in fund balance (23,671)

Fund balances at July 1, 2013 2,374,278

Fund balances at June 30, 2014 \$ 2,350,607

See accompanying independent auditors' report.

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

June 30, 2014

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	\$ 1,465,262	57,187	311,249	399,091	597,471	154,443	1,705,479	1,022,607	65,161	5,777,950
Investments	—	342,296	—	70,533	607,599	20,281	100,154	1,758	—	1,142,621
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	1,775	1,269	1,676	—	24,374	10,887	5,545	—	45,526
Inventory	—	—	—	—	32,689	—	10,870	—	694	44,253
Capital assets	55,744	—	—	—	—	—	162,986	274,091	54,685	547,506
Total assets	<u>\$ 1,521,006</u>	<u>401,258</u>	<u>312,518</u>	<u>471,300</u>	<u>1,237,759</u>	<u>199,098</u>	<u>1,990,376</u>	<u>1,304,001</u>	<u>120,540</u>	<u>7,557,856</u>
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	\$ 24,970	2,785	—	143,842	—	7,341	9,089	14,609	44	202,680
Deferred revenue	10,944	—	—	—	—	—	4,060	—	—	15,004
Other liabilities	975,743	6,117	116,724	—	605,736	121,372	974,800	—	9,165	2,809,657
Total liabilities	<u>1,011,657</u>	<u>8,902</u>	<u>116,724</u>	<u>143,842</u>	<u>605,736</u>	<u>128,713</u>	<u>987,949</u>	<u>14,609</u>	<u>9,209</u>	<u>3,027,341</u>
Fund balance:										
Investment in fixed assets	55,744	—	—	—	—	—	162,986	274,091	54,685	547,506
Fund balances – designated for future expenditures	453,605	392,356	195,794	327,458	632,023	70,385	839,441	1,015,301	56,646	3,983,009
Total fund balance	<u>509,349</u>	<u>392,356</u>	<u>195,794</u>	<u>327,458</u>	<u>632,023</u>	<u>70,385</u>	<u>1,002,427</u>	<u>1,289,392</u>	<u>111,331</u>	<u>4,530,515</u>
Total liabilities and fund balance	<u>\$ 1,521,006</u>	<u>401,258</u>	<u>312,518</u>	<u>471,300</u>	<u>1,237,759</u>	<u>199,098</u>	<u>1,990,376</u>	<u>1,304,001</u>	<u>120,540</u>	<u>7,557,856</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 ASO Trust Fund – Combined Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts
 Year ended June 30, 2014

	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
Revenue:										
Operating revenue	\$ 222,324	105,755	25,546	240,329	130,092	34,445	59,671	115,208	30,752	964,122
Total revenue	<u>222,324</u>	<u>105,755</u>	<u>25,546</u>	<u>240,329</u>	<u>130,092</u>	<u>34,445</u>	<u>59,671</u>	<u>115,208</u>	<u>30,752</u>	<u>964,122</u>
Expenses:										
Contract services and other operating expenses	195,904	74,183	28,664	206,881	79,696	14,566	56,100	117,367	27,835	801,196
Total expenses	<u>195,904</u>	<u>74,183</u>	<u>28,664</u>	<u>206,881</u>	<u>79,696</u>	<u>14,566</u>	<u>56,100</u>	<u>117,367</u>	<u>27,835</u>	<u>801,196</u>
Net increase (decrease) in fund balance	26,420	31,572	(3,118)	33,448	50,396	19,879	3,571	(2,159)	2,917	162,926
Fund balances at July 1, 2013	<u>482,929</u>	<u>360,784</u>	<u>198,912</u>	<u>294,010</u>	<u>581,627</u>	<u>50,506</u>	<u>998,856</u>	<u>1,291,551</u>	<u>108,414</u>	<u>4,367,589</u>
Fund balances at June 30, 2014	<u>\$ 509,349</u>	<u>392,356</u>	<u>195,794</u>	<u>327,458</u>	<u>632,023</u>	<u>70,385</u>	<u>1,002,427</u>	<u>1,289,392</u>	<u>111,331</u>	<u>4,530,515</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 Student Representation Fee Trust Fund – Combined Schedule of Balance Sheet Accounts
 June 30, 2014

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	\$ 39,737	149,953	62,209	36,476	230,861	8,040	11,349	98,261	35,309	672,195
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	—	494	—	—	—	—	1,058	—	1,552
Total assets	<u>\$ 39,737</u>	<u>149,953</u>	<u>62,703</u>	<u>36,476</u>	<u>230,861</u>	<u>8,040</u>	<u>11,349</u>	<u>99,319</u>	<u>35,309</u>	<u>673,747</u>
Liabilities and Fund Balance										
Liabilities:										
Total liabilities	\$ —	—	—	—	—	—	—	—	—	—
Fund balance:										
Fund balances – designated for future expenditures	<u>39,737</u>	<u>149,953</u>	<u>62,703</u>	<u>36,476</u>	<u>230,861</u>	<u>8,040</u>	<u>11,349</u>	<u>99,319</u>	<u>35,309</u>	<u>673,747</u>
Total fund balance	<u>39,737</u>	<u>149,953</u>	<u>62,703</u>	<u>36,476</u>	<u>230,861</u>	<u>8,040</u>	<u>11,349</u>	<u>99,319</u>	<u>35,309</u>	<u>673,747</u>
Total liabilities and fund balance	<u>\$ 39,737</u>	<u>149,953</u>	<u>62,703</u>	<u>36,476</u>	<u>230,861</u>	<u>8,040</u>	<u>11,349</u>	<u>99,319</u>	<u>35,309</u>	<u>673,747</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

Student Representation Fee Trust Fund – Combined Schedule of Revenue, Expenses, and Changes in Fund Balance Accounts

Year ended June 30, 2014

	<u>East Los Angeles College</u>	<u>Los Angeles City College</u>	<u>Los Angeles Harbor College</u>	<u>Los Angeles Mission College</u>	<u>Pierce College</u>	<u>Los Angeles Southwest College</u>	<u>Los Angeles Trade Technical College</u>	<u>Los Angeles Valley College</u>	<u>West Los Angeles College</u>	<u>Total</u>
Revenue:										
Operating revenue	\$ 56,541	37,645	16,085	16,200	39,098	13,935	26,325	26,060	18,903	250,792
Total revenue	<u>56,541</u>	<u>37,645</u>	<u>16,085</u>	<u>16,200</u>	<u>39,098</u>	<u>13,935</u>	<u>26,325</u>	<u>26,060</u>	<u>18,903</u>	<u>250,792</u>
Expenses:										
Contract services and other operating expenses	37,265	32,759	34,707	7,274	—	7,780	25,802	17,560	23,170	186,317
Total expenses	<u>37,265</u>	<u>32,759</u>	<u>34,707</u>	<u>7,274</u>	<u>—</u>	<u>7,780</u>	<u>25,802</u>	<u>17,560</u>	<u>23,170</u>	<u>186,317</u>
Net increase (decrease) in fund balance	19,276	4,886	(18,622)	8,926	39,098	6,155	523	8,500	(4,267)	64,475
Fund balances at July 1, 2013	20,461	145,067	81,325	27,550	191,763	1,885	10,826	90,819	39,576	609,272
Fund balances at June 30, 2014	\$ <u>39,737</u>	<u>149,953</u>	<u>62,703</u>	<u>36,476</u>	<u>230,861</u>	<u>8,040</u>	<u>11,349</u>	<u>99,319</u>	<u>35,309</u>	<u>673,747</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2014

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
- Los Angeles 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, 2014 comprised the following members:

Board of Trustees		
Name	Office	Term expires
Miguel Santiago	President	June 30, 2015
Scott J. Svonkin	Vice President	June 30, 2015
Mike Eng	Member	June 30, 2017
Mona Field	Member	June 30, 2015
Ernest H. Moreno	Member	June 30, 2017
Nancy Pearlman	Member	June 30, 2017
Steve Veres	Member	June 30, 2015
LaMont G. Jackson	Student Trustee	May 31, 2015

Administration

Dr. Francisco Rodriguez
Dr. Adriana D. Barrera, Deputy Chancellor
Mr. James D. O'Reilly, Chief Facilities Executive
Ms. Camille A. Goulet, General Counsel
Ms. Jeanette L. Gordon, Chief Financial Officer/Treasurer

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2014

College presidents

Marvin Martinez	East Los Angeles College
Renee Martinez	Los Angeles City College
Farley Herzek*	Los Angeles Harbor College
Dr. Monte Perez	Los Angeles Mission College
Dr. Kathleen Burke	Los Angeles Pierce College
Dr. Yasmin Delahoussaye*	Los Angeles Southwest College
Larry Frank	Los Angeles Trade-Technical College
Alma Johnson-Hawkins*	Los Angeles Valley College
Nabil Abu-Ghazaleh	West Los Angeles College

* Interim

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Workload Measures for State General Apportionment
Annual 2013-14 Apportionment Attendance Report

Categories	State residents report data
A. Summer intersession (Summer Seg 2 only):	
1. Noncredit	\$ 809
2. Credit	2,975
B. Summer intersession (Summer Seg 1 only):	
1. Noncredit	41
2. Credit	1,592
C. Primary terms (exclusive of summer intersessions):	
1. Census procedure courses	
a. Weekly census contact hours	72,706
b. Daily census contact hours	7,208
2. Actual hours of attendance procedure courses	
a. Noncredit	3,993
b. Credit	3,910
3. Independent study/work experience education courses	
a. Weekly census procedure courses	5,887
b. Daily census procedure courses	2,261
c. Noncredit independent study	—
D. Total FTES	<u>\$ 101,382</u>
Supplemental Information	
E. In-service training courses	\$ 2,103
F. For future use	
G. For future use	
H. Basic skills courses	
1. Noncredit	3,614
2. Credit	5,336
I. CCFS-320 Addendum COCA Noncredit FTES	2,909
J. Centers FTES	
a. Noncredit	—
b. Credit	—

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Annual Financial and Budget Report (CCFS 311) with Audited Financial Statements
 Year ended June 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Retirees' Health Insurance Fund	Building Fund	Student Financial Aid Fund	ASO Fund *	Scholarship Loan Fund	General Long-term Fixed Assets	Other GASB Adj to general long-term Debt	Total
June 30, 2014 total fund balances per annual financial budget report	\$ 89,545,024	74,822,690	—	(71,110,611)	249,556,547	2,350,607	5,204,262	1,010,070	—	—	351,378,589
Audit adjustments to fund balance:											
Adjustments to cash with bond trustee	—	—	254,365,814	—	—	—	—	—	—	—	254,365,814
Adjustments to accrued interest expense	(808,889)	—	(283,881,954)	—	—	—	—	—	—	—	(284,690,843)
Adjustments to accrued interest income	—	(250)	—	—	—	—	—	—	—	—	(250)
Adjustments to investment income	(241,202)	21,431	2,155	—	220,021	—	—	—	—	—	2,405
Adjustments to payables	(468,524)	—	—	—	4,160,372	—	—	—	—	—	3,691,848
Adjustments to revenue	—	—	307,689,267	—	832,464	—	—	—	—	—	308,521,731
Adjustments to expenses	1,240,360	—	(69,995,000)	7,988,000	(13,130,472)	—	—	—	—	—	(73,897,112)
Adjustments to bookstore's reserve for inventory and facility improvements	—	3,082,828	—	—	—	—	—	—	—	—	3,082,828
Adjustments to worker's compensation payable reserve	1,900,000	—	—	—	—	—	—	—	—	—	1,900,000
Adjustments and reclass	<u>1,621,745</u>	<u>3,104,009</u>	<u>208,180,282</u>	<u>7,988,000</u>	<u>(7,917,615)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>212,976,421</u>
June 30, 2014 unaudited ending fund balance	91,166,769	77,926,699	208,180,282	(63,122,611)	241,638,932	2,350,607	5,204,262	1,010,070	—	—	564,355,010
Current assets:											
Adjustment to receivables	(665,722)	—	—	—	20,810,928	—	—	—	—	—	20,145,206
Adjustment to payables	8,170,750	—	—	—	—	—	—	—	—	—	8,170,750
Adjustment to cash and deposit with trustee	(3,107,897)	—	—	—	—	—	—	—	—	—	(3,107,897)
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	902,213	—	3,965,049,358	—	3,965,951,571
Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	—	—	—
Long-term liabilities are not booked as part of fund balances:											
G.O. Bonds	—	—	—	—	—	—	—	—	—	(3,642,560,000)	(3,642,560,000)
Unamortized bond premiums	—	—	—	—	—	—	—	—	—	(113,591,079)	(113,591,079)
Workers' compensation claims payable	—	—	—	—	—	—	—	—	—	(33,131,000)	(33,131,000)
General liability	—	—	—	—	—	—	—	—	—	(6,053,000)	(6,053,000)
Vacation benefits payable	—	—	—	—	—	—	—	—	—	(15,703,474)	(15,703,474)
Capital lease payable	—	—	—	—	—	—	—	—	—	(910,520)	(910,520)
June 30, 2014 net position	<u>\$ 95,563,900</u>	<u>77,926,699</u>	<u>208,180,282</u>	<u>(63,122,611)</u>	<u>262,449,860</u>	<u>2,350,607</u>	<u>6,106,475</u>	<u>1,010,070</u>	<u>3,965,049,358</u>	<u>(3,811,949,073)</u>	<u>743,565,567</u>

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

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of 50% Law to Audited Financial Statements

Year ended June 30, 2014

	Object Code	Activity (ECSA) ECS 84362 A			Activity (ECSB) ECS 84362 B		
		Instructional Salary Cost			Total CEE		
		AC 0100-5900 & AC 6110			AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	98,564,862	0	98,564,862	99,152,132	0	99,152,132
Other	1300	81,478,378	0	81,478,378	83,454,609	0	83,454,609
Total Instructional Salaries		180,043,240	0	180,043,240	182,606,741	0	182,606,741
Non-Instructional Salaries							
Contract or Regular	1200				40,350,285	0	40,350,285
Other	1400				4,243,078	0	4,243,078
Total Non-Instructional Salaries		0	0	0	44,593,363	0	44,593,363
Total Academic Salaries		180,043,240	0	180,043,240	227,200,104	0	227,200,104
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100				88,871,475	0	88,871,475
Other	2300				3,960,865	0	3,960,865
Total Non-Instructional Salaries		0	0	0	92,832,340	0	92,832,340
Instructional Aides							
Regular Status	2200	9,250,087	0	9,250,087	9,892,567	0	9,892,567
Other	2400	958,604	0	958,604	1,129,400	0	1,129,400
Total Instructional Aides		10,208,691	0	10,208,691	11,021,967	0	11,021,967
Total Classified Salaries		10,208,691	0	10,208,691	103,854,307	0	103,854,307
Employee Benefits	3000	54,522,687	0	54,522,687	117,823,035	0	117,823,035
Supplies and Materials	4000				3,970,872	0	3,970,872
Other Operating Expenses	5000	2,132,358	0	2,132,358	59,294,701	0	59,294,701
Equipment Replacement	6420						
Total Expenditures Prior to Exclusions		246,906,976	0	246,906,976	512,143,019	0	512,143,019

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of 50% Law to Audited Financial Statements

Year ended June 30, 2014

Exclusions	TOP Code	Activity (ECSA) ECS 84362 A			Activity (ECSB) ECS 84362 B		
		Instructional Salary Cost			Total CEE		
		AC 0100-5900 & AC 6110			AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to Exclude	TOP Code						
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900						
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				63,912	0	63,912
Noninstructional Staff-Retirees' Benefits and Retirement	6740				22,363,834	0	22,363,834
Objects to Exclude	Object Code						
Rents and Leases	5060				1,868,190	0	1,868,190
Lottery Expenditures							
Academic Salaries	1000				9,392,177	0	9,392,177
Classified Salaries	2000				532,549	0	532,549
Employee Benefits	3000				2,068,075	0	2,068,075
Supplies and Materials	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional, Supplies & Materials	4400						
Total Supplies and Materials		0	0	0	0	0	0
Other Operating Expenses and Services	5000						
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment		0	0	0	0	0	0
Total Capital Outlay		0	0	0	0	0	0
Other Outgo	7000						
Total Exclusions		0	0	0	36,288,737	0	36,288,737
Total for ECS 84362, 50% Law		246,906,976	0	246,906,976	475,854,282	0	475,854,282
Percent of CEE (Instructional Salary Cost / Total CEE)		51.89%	0	51.89%	100.00%	0	100.00%
50% of Current Expense of Education					237,927,141	0	237,927,141

The 50% Law Calculation reported in CCFS311 for the year ended June 30, 2014 reconciles with the audited financial statements. As shown above, there were no audit adjustments or reclassifications noted.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of Education Protection Account (EPA) Expenditures to Audited Financial Statements

Year ended June 30, 2014

	Activity Code	Amount
EPA Proceeds Received	8630	74,536,779

Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(1000-3000)	(4000-5000)	(6000)	
Instructional Activities					
Total Instructional Activities	0100-5900	\$ 75,237,803	\$ -	\$ -	\$ 75,237,803
Other Support Activities					
Total Other Support Activities	6XXX	305,019	-	-	305,019
Total Expenditures for EPA		\$ 75,542,822	\$ -	\$ -	\$ 75,542,822
Revenues less Expenditures					\$ (1,006,043)
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

The above information reconciles with the audited financial statements. There were no audit adjustments or reclassifications noted.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Agriculture :			
Direct programs :			
Borlaug Fellowship Program – Feed the Future	10.777	58-3148-2-259	\$ 3,320
Subtotal direct programs			3,320
Pass-through California Department of Education:			
Child Care Food Program	10.558	04056-CACFP-19-CC-CS	634,451
Pass-through California Department of Health Services:			
Network for a Healthy California	10.561	11-10217	234,213
Network for a Healthy California	10.561	10-10039	176,309
Total U.S. Department of Agriculture			<u>1,048,293</u>
U.S. Department of Labor:			
Direct programs:			
H-1B Technical Skills Training Grants	17.268	HG-22731-12-60-A-6	1,057,945
H-1B Technical Skills Training Grants	17.268	HG-22706-12-60-A-6	552,619
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23756-12-60-A-6	837,975
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-083-13-60-A-6	177,058
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-084-13-60-A-6	5,150
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-085-13-60-A-6	75,204
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-086-13-60-A-6	131,944
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-087-13-60-A-6	2,332
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-088-13-60-A-6	9,661
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-089-13-60-A-6	134,624
Los Angeles Healthcare Competency to Career Consortium	17.282	TC-25-091-13-60-A-6	240,166
Pass-through City of Los Angeles:			
Boyle Heights Youth Opportunity	17.259	13100220466	12,218
Youth Worksource Center	17.259	123422	507,462
Teacher Pathways	17.259	T5250	53,481
Pass-through Community Career Development, Inc/ Wilshire-Metro WorkSource Center:			
Biomedical Sector Initiative Program	17.258	C-120926	43,604
Biomedical Sector Initiative Program	17.278	C-120926	41,362
Biomedical Sector Initiative Program	17.277	C-120926	6,989
Biomedical Sector Initiative Program	17.802	C-120926	3,045
Compton WorkSource Center/Community Career Development	17.258	K391995	2,250
Compton WorkSource Center/Community Career Development	17.278	K391995	1,500
Compton WorkSource Center/Community Career Development	17.802	K391995	2,250
Pass-through Employment Development Department:			
Urban Teacher Fellowship Program	17.261	K182086	35,921
Pass-through Forsyth Technical Community College:			
Consortium for Bioscience Credentials	17.282	FTCC-LAVC	358,563
Pass-through Coalition for Responsible Community Development:			
YouthBuild Program	17.274	YB-24556-13-60-A-6	73,551
Pass-through Jewish Vocational Service:			
Community-Based Job Training Grants	17.269	CB-20561-10-60-A-6	268,903
Pass-through South Bay Workforce Investment Board:			
South Bay-Workforce Investment Board 1Tr	17.245	13-W107	939
Pass-through Managed Career Solutions, Inc/Hollywood WorkSource Center:			
Entertainment Industry Sector Grant	17.258	TS205	13,575
Entertainment Industry Sector Grant	17.278	TS205	9,050
Pass-through Northern Virginia Community College:			
Credential Career Program	17.282	NW#TC-23776-12-60-A-51	197,367
Total U.S. Department of Labor			<u>4,856,708</u>
National Science Foundation:			
Direct programs:			
A 2+2+2 Model for an Environmental Science and Technology Program	47.076	1003563	21,769
Academic and Student Support to Improve STEM Transfers	47.076	1068483	420,241
Riding the Road Map to Transfer Program	47.076	1154552	81,006
Consortium for Undergraduate Research Experiences	47.049	AST-1156756	80,559
Total National Science Foundation			<u>603,575</u>
U.S. Department of Energy:			
Pass-through Employment Development Department:			
American Recovery and Reinvestment Act (ARRA):			
LATTC Weatherization and Energy Efficiency Training Center	81.042	DE-EE0004134	39,073
Pass-through Stanford Transportation Group LLC:			
DOE Stafford Transportation Group Grant	81.106	41409	1,800
Total U.S. Department of Energy			<u>40,873</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Direct programs:			
Higher Education Act :			
Higher Education Institutional Aid	84.031		\$ 7,411,614
Student Support Services	84.042		1,952,702
Talent Search	84.044		416,670
Upward Bound	84.047		2,658,345
Educational opportunity centers	84.066		190,497
Fund for the Improvement of Postsecondary Education	84.116		96,631
Strengthening Minority-Serving Institutions-Flying into the Future	84.382		1,422,380
Student Financial Assistance:			
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007		2,425,914
Federal Work Study Program	84.033		2,329,823
Federal Perkins Loan Program	84.038		382,697
Federal Pell Grant Program	84.063		189,917,604
Federal Direct Student Loans	84.268		33,708,620
Subtotal direct programs			<u>242,913,497</u>
Pass-through California Community College's Chancellors Office:			
Perkins Title IC	84.048	13-C01-027	4,413,330
Tech Prep Education - Los Angeles City College	84.048	13-112-741	44,025
Tech Prep Education - East Los Angeles College	84.048	13-112-748	44,025
Tech Prep Education - Los Angeles Harbor College	84.048	13-112-742	44,025
Tech Prep Education - Los Angeles Mission College	84.048	13-112-743	44,025
Tech Prep Education - Los Angeles Pierce College	84.048	13-112-744	44,025
Tech Prep Education - Los Angeles Southwest College	84.048	13-112-745	44,025
Tech Prep Education - Los Angeles Trade Technical College	84.048	13-112-746	44,025
Tech Prep Education - Los Angeles Valley College	84.048	13-112-747	44,025
Tech Prep Education - West Los Angeles College	84.048	13-112-749	44,025
Pass-through California Department of Education:			
Adult Education and Family Literacy & English Literacy	84.002	13-6474-00	1,766,009
Pass-through San Mateo County Community College District/Canada College:			
California Alliance for the Long-term Strengthening of Transfer Engineering Programs	84.031	P031C110159	66,048
Pass-through Los Angeles Unified School District:			
GEAR UP	84.334	1200250	64,588
GEAR UP	84.334	1200251	74,542
Pass-through Marymount College/Project GRAD Los Angeles:			
GEAR UP	84.334	PGLA 2011-18	58,261
Pass-through University of Southern California:			
USC TRIO Upward Bound Program	84.047	4500193010	118,210
Pass-through California State University Dominguez Hills:			
Title V Hispanic Serving Institution Cooperative	84.031	P031S110042	303,325
Subtotal pass-through programs			<u>7,260,538</u>
Total U.S. Department of Education			<u>250,174,035</u>
U.S. Department of Health and Human Services:			
Pass-through State of California Department of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	995,546
Pass-through California Department of Education:			
Family Child Care Homes	93.575	CFCC-3011	103,938
Family Child Care Homes	93.596	CFCC-3011	189,385
California State Preschool	93.575	CSPP-2206	252,812
California State Preschool	93.596	CSPP-2206	530,006
General Child Care and Development Program	93.575	CCTR-2108	174,939
General Child Care and Development Program	93.596	CCTR-2108	366,750
Pass-through Los Rios Community College District:			
American Recovery and Reinvestment Act (ARRA):			
Educating Information Technology Professionals in Health Care	93.721	90CC076/01 - 759100	117,637
Pass-through University of California, Los Angeles:			
UCLA Bridges to the Baccalaureate Program	93.859	0519 G PA140	63,793
UCLA Bridges to the Baccalaureate Program	93.859	0519 G PA082	68,885
Total U.S. Department of Health and Human Services			<u>2,863,691</u>
U.S. Department of Homeland Security:			
Direct programs:			
Homeland Security-Computer Science Bridge Project	97.062	2011-ST-062-000044	55,439
Total U.S. Department of Homeland Security			<u>55,439</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Transportation: Federal Transportation Administration: Pass-through Los Angeles County Metropolitan Transportation Authority: Metro University	20.514	CA-26-7100	\$ <u>33,781</u>
Total U.S. Department of Transportation			<u>33,781</u>
Corporation for National and Community Service: American Recovery and Reinvestment Act (ARRA): Americorps	94.006	N/A	<u>477,955</u>
Total Corporation for National and Community Service			<u>477,955</u>
Total Expenditures of Federal Awards			\$ <u><u>260,154,350</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Financial Awards

Year ended June 30, 2014

<u>Program name</u>	<u>Cash received</u>	<u>Accounts receivable</u>	<u>Deferred income</u>	<u>Total program revenue</u>	<u>Total program expenditures</u>
Disabled Students Program and Services	\$ 4,934,839	—	—	4,934,839	6,675,206
Student Success and Support (Credit)	7,485,040	—	—	7,485,040	5,424,856
Student Success and Support (Noncredit)	765,396	—	—	765,396	441,915
Student Financial Aid Administration	5,004,378	—	—	5,004,378	5,041,258
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	2,428,976	—	—	2,428,976	2,064,002
Basic Skills	1,380,022	—	—	1,380,022	1,149,459
Extended Opportunity Program and Services (EOPS)	9,637,148	—	—	9,637,148	9,637,147
Cooperative Agencies Resource for Education (CARE)	831,633	—	—	831,633	816,621
CalWORKS Program	5,354,865	—	95,149	5,259,716	5,259,716
Telecommunication and Technology Infrastructure Program	—	—	—	—	9,041
Foster Care Program	734,661	419,331	—	1,153,992	1,153,992
Staff Development	—	—	—	—	12,928
Faculty and Staff Diversity	32,266	—	—	32,266	77,282
Nursing Program	1,636,781	167,302	92,213	1,711,870	1,711,870
Youth Empowerment Strategies for Success	207,550	—	—	207,550	207,550
Economic and Workforce Development	1,373,661	367,079	325,680	1,415,060	1,423,928
Career Technical Education	1,629,756	9,753	204,922	1,434,587	1,434,577
Math, Engineering and Science Achievement (MESA)	60,651	—	6,449	54,202	54,202
Middle College High School (MCHS)	39,600	58,210	—	97,810	97,810
After School Education and Safety Program	282,420	30,161	—	312,581	312,581
ESL/Basic Skills Professional Development	1,008,265	581,400	—	1,589,665	1,589,664
Other State Assistance Programs	639,290	1,181,495	36,953	1,783,832	1,775,337
Child Development Pre-School Care	2,155,375	415,759	—	2,571,134	2,571,134
Child Development Services	512,213	63,518	—	575,731	599,468
Family Child Care Homes Network	296,535	—	—	296,535	296,535
CAL Grants	9,994,104	—	—	9,994,104	9,994,104
Osher Scholar	30,250	—	4,250	26,000	26,000
Total state programs	\$ <u>58,455,675</u>	<u>3,294,008</u>	<u>765,616</u>	<u>60,984,067</u>	<u>59,858,183</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2014

(1) General

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

(2) Basis of Accounting

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

(3) Reconciliations to Basic Financial Statements

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

State revenue in fund financial statements:

General Fund	\$ 356,567,546
Special Revenue Fund	10,814,859
Student Financial Aid Fund	<u>14,560,152</u>
Total state revenue in fund financial statements	<u>\$ 381,942,557</u>

Total state revenue in accompanying schedule \$ 60,984,067

Add:

General Fund:	
Basic and equalization aid	293,815,023
State lottery	14,935,201
Tax relief subvention	3,022,385
Other state funds	<u>2,857,131</u>
Total other General Fund revenue	<u>314,629,740</u>

Special Revenue Fund:

Community College Construction Act	<u>6,328,750</u>
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Total state revenue in fund financial statements \$ 381,942,557

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2014

(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, 2014. Loan advances made are included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Cluster name/program title</u>	<u>CFDA number</u>	<u>Loan advances made</u>	<u>Loan balances outstanding</u>
Student financial aid cluster:			
Federal Perkins Loans (FPL)	84.038	\$ 377,300	4,031,578
Federal Direct Student Loans	84.268	33,708,620	—
Nursing Student Loans	93.364	—	73,220

(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	\$ 109,759
Federal Work-Study Program	<u>86,776</u>
	<u>\$ 196,535</u>

(6) Federal Clusters of Programs

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

	<u>CFDA number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 2,425,914
Federal Work Study (FWS)	84.033	2,329,823
Federal Perkins Loan Program (FPL)	84.038	382,697
Federal Direct Student Loans (Direct Loan)	84.268	33,708,620
Federal Pell Grant Program (PELL)	84.063	<u>189,917,604</u>
		<u>\$ 228,764,658</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2014

	<u>CFDA number</u>	<u>Expenditures</u>
Child Care Development Fund Cluster:		
Family Child Care Homes	93.575	\$ 103,938
Family Child Care Homes	93.596	189,385
California State Preschool	93.575	252,812
California State Preschool	93.596	530,006
General Child Care and Development Program	93.596	366,750
General Child Care and Development Program	93.575	174,939
		<u>\$ 1,617,830</u>
TRIO Cluster:		
Student Support Services	84.042	\$ 1,952,702
Talent Search	84.044	416,670
Upward Bound	84.047	2,776,555
Educational Opportunity Centers	84.066	190,497
		<u>\$ 5,336,424</u>
TANF Cluster:		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 995,546
Workforce investment Act (WIA) Cluster:		
Boyle Heights Youth Opportunity	17.259	\$ 12,218
Youth Worksource Center	17.259	507,462
Teacher Pathways	17.259	53,481
Biomedical Sector Initiative Program	17.258	43,604
Biomedical Sector Initiative Program	17.278	41,362
Compton WorkSource Center/Community Career Development	17.258	2,250
Compton WorkSource Center/Community Career Development	17.278	1,500
Entertainment Industry Sector Grant	17.258	13,575
Entertainment Industry Sector Grant	17.278	9,050
		<u>\$ 684,502</u>

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

Independent Accountants' Report on State Compliance Requirements

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

We have examined the compliance of the Los Angeles Community College District's (the District) with the following state laws and regulations for the year ended June 30, 2014 in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- Salaries of Classroom Instructors: 50% Law (421)
- Apportionment for Instructional Service Agreements/Contracts (423)
- State General Apportionment Funding System (424)
- Residency Determination for Credit Courses (425)
- Students Actively Enrolled (426)
- Concurrent Enrollment of K-12 Students in Community College Credit Courses (427)
- Scheduled Maintenance Program (430)
- Gann Limit Calculation (431)
- Open Enrollment (435)
- Student Fees – Health Fees and Use of Health Fee Funds (438)
- Proposition 39 Clean Energy (439)
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (474)
- Disabled Student Programs and Services (DSPS) (475)
- To be Arranged Hours (TBA) (479)
- Proposition 1D State Bond Funded Projects (490)
- Proposition 30 Education Protection Account Funds (491)

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



Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, except for findings S-2014-01 through S-2014-04 described in the accompanying schedule of state findings and recommendations, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2014.

The District's responses to the noncompliance findings identified in our examination are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

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

Vergara + Company LLP

Los Angeles, California
December 3, 2014

ADDITIONAL INDEPENDENT AUDITORS' REPORTS



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

**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, in accordance with the 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, the financial statements of the Los Angeles Community College District (the District), which comprise the statements of net position as of June 30, 2014, and the related statements of revenue, expenses and changes in net position and the cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control 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 a combination of deficiencies, in internal control, 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.



FS-14-001: 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 super user 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 2014 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the audit.

The District has continued to made progress in remediating the previously identified issues, however control weaknesses have not been fully 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 2014.

The District implemented the Security Weaver tool to control access to the SAP environment, and a formal process for change management and the Mercury Quality Center application to manage its change management process. The District's IT further limited access to super user accounts identified in the last review however, certain legacy control weaknesses, continue to exist. The sharing of user accounts in the database environment and operating system underlying SAP, extensive administrative access in SAP and weaknesses in the change management process were found during the 2014 audit.

Cause and Effect

During 2006–07, LACCD completed post implementation activities for a new Enterprise Resource Planning System (SAP). In addition, in September 2013, the District implemented an SAP wide update. During both the implementation and the update, certain access controls were not fully implemented and certain duties needed to be shared. While not ideal from a control standpoint, this also is not unusual for organizations that must continue to support business operations as complex systems implementations are being completed. However, weaknesses in the IT controls can significantly compromise both the security and accuracy of the data within a system and it is important that adequate controls are implemented.

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

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. Generally Accepting Accounting Principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiencies described above continue to represent a significant deficiency in internal controls.



Recommendation

We recommend that management continue to evaluate and define the IT internal controls starting with a baseline of appropriate users that should have administrative and other elevated levels of access within SAP, the underlying database and operating systems. Segregation of duties should be expanded to ensure that each user should be assigned a unique user ID, whenever possible. If Security Weaver is to be used, tighter controls over authorizing the use of administrative accounts should be in place. In the rare cases where user IDs must be shared, controls should be established to monitor their usage. Additionally, controls should be established to periodically review users and their access rights to validate the access rights assigned to users continue to be commensurate with their current job responsibilities. We recommend that the evaluation of the controls and baseline of users and their access rights be completed as soon as possible.

View of Responsible Officials

Last year the District reviewed SAP IT security access to ensure that IT user access is appropriate to their role. The District also reviewed the accounts to validate that privileged users were assigned unique IDs and moved shared IDs to Security Weaver a technology tool that the District used to control and monitor the usage of shared IDs. The District removed Root access from SAP Data base access for super users to address segregation of duties issues.

The District agrees with the recommendations and to help implement the recommendation the District has establish a baseline of appropriate IT users and their security levels. The District will continue to conduct periodic a reviews and evaluation of our SAP IT security and monitoring procedures. The District will also be reviewing the IT organizational structure to ensure segregation of duties and assignment of data security responsibilities and make appropriate recommendations as needed for improvement to implement the recommendations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from 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 Findings

The District’s response to the findings identified in our audit is described above. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
December 3, 2014

**Report of Independent Auditors on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Los Angeles Community College District's (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Los Angeles Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Other Matters

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-2014-01 through F-2014-05. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings F-2014-01 through F-2014-05, that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vargay + Company LLP

Los Angeles, California
December 3, 2014

Independent Auditors' Report on Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

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

Report on the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

We have audited the accompanying schedule of expenditures of federal awards and schedule of state financial awards of the Los Angeles Community College District (the District) for the year ended June 30, 2014.

Management's Responsibility for the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

Management is responsible for the preparation and fair presentation of the schedule of expenditures of federal awards and schedule of state financial awards in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule of expenditures of federal awards and the schedule of state financial awards that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these schedules 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 and schedule of state financial awards are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of expenditures of federal awards and schedule of state financial awards. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of expenditures of federal awards and schedule of state financial awards, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of expenditures of federal awards and the schedule of state financial awards in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the



overall presentation of the schedule of expenditures of federal awards and schedule of state financial awards. We believe that our audit provides a reasonable basis for our opinion.

Opinion on the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

In our opinion, the schedule of expenditures of federal awards and schedule of state financial awards referred to above presents fairly, in all material respects, the federal and state expenditures of the Los Angeles Community College District for the year ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was made for the purpose of forming an opinion on the schedule of expenditures of federal awards and the schedule of state financial awards of the District. The accompanying supplementary information listed below is presented for purposes of additional analysis and is not a required part of the schedule of expenditures of federal awards and the schedule of state financial awards.

- Reconciliation of the CCFS-311 data to audited financial statements.
- Reconciliation of the 50% Law Calculation to audited financial statements.
- Reconciliation of Education Protection Account expenditures to audited financial statements.
- Schedule of Workload Measure for State General Apportionment.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the schedule of expenditures of federal awards and the schedule of state financial awards. Such information has been subjected to the auditing procedures applied to the audit of the schedule of expenditures of federal awards and schedule of state financial awards and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the schedule of expenditures of federal awards and the schedule of state financial awards or to the schedule of expenditures of federal awards and the schedule of state financial awards themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying supplementary information is fairly stated, in all material respects, in relation to the schedule of expenditures of federal awards and the schedule of state financial awards as a whole.

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

Vargay + Company LLP

Los Angeles, California
December 3, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(1) Summary of Auditors' Results

Financial Statements

- (a) The type of report issued on the financial statements: **Unmodified**
- (b) Internal control over financial reporting:
 - Material weakness(es) identified: **None Noted**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See item FS-14-001 on page 82**
- (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-2014-01 to F-2014-05.**
- (e) The type of report issued on compliance for major programs:
 - Student Financial Assistance Cluster – **Unmodified**
 - Child and Adult Care Food Programs (CCFP) – **Unmodified**
 - Workforce Investment Act (WIA) Cluster – **Unmodified**
 - Temporary Assistance for Needy Families (TANF) – **Unmodified**
- (f) Any audit findings, which are required to be reported under Section 0.510(a) of Office of Management and Budget Circular A-133: **Yes**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$941,691**
- (h) Major programs:
 - U.S. Department of Education
 - Student Financial Assistance Cluster:
 - 84.007 Federal Supplemental Educational Opportunity Grant (FSEOG)
 - 84.033 Federal Work Study (FWS)
 - 84.038 Federal Perkins Loan (FPL)
 - 84.268 Federal Direct Student Loan (Direct Loan)
 - 84.063 Federal Pell Grant (PELL)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

U.S. Department of Agriculture

- Child and Adult Care Food Program (CACFP) – CFDA 10.558

U.S. Department of Labor

- Workforce Investment Act (WIA) Cluster:
 - 17.258 Biomedical Sector Initiative Program
 - 17.258 Compton WorkSource Center/Comm Career Development
 - 17.259 Boyle Heights Youth Opportunity
 - 17.258 Entertainment Industry Sector Grant
 - 17.259 Youth Worksource Center
 - 17.259 Teacher Pathways
 - 17.278 Biomedical Sector Initiative Program
 - 17.278 Compton WorkSource Center/Comm Career Development
 - 17.278 Entertainment Industry Sector Grant

U.S. Department of Health and Human Services

- Temporary Assistance for Needy Families (TANF) – CFDA 93.558

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

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

	Finding number
1. Student Financial Assistance Cluster- Special Tests and Provisions – Verification	F-2014-01
2. Child and Adult Care Food Program (CACFP) – Eligibility – Enrollment Records	F-2014-02
3. Temporary Assistance for Needy Families (TANF) – Procurement – Procurement Records	F-2014-03
4. Workforce Investment Act (WIA) Cluster – Eligibility – Participant Eligibility	F-2014-04
5. Workforce Investment Act (WIA) Cluster - Earmarking – 95% Requirement for Disadvantaged Low Income Youth	F-2014-05

Finding F-2014-01 – Special Tests and Provisions Verification

Federal Program Information

Federal Catalog Number: 84.063

Federal Program Name: Federal Pell Grant

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: Los Angeles Southwest College

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Federal Award Number and Award Year: OPE ID No. 00704700, July 1, 2013 to June 30, 2014

Federal Pell Grant ID: P063P135261

Criteria or Requirement

Title 34, Education, Chapter VI – Part 668 – Student Assistance General Provisions – Subpart E – Verification and Updating of Student Aid Application Information, Section 668.53 – Policies and Procedures for Free Application for Federal Student Aid (FAFSA) states the following:

- (a) An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information in accordance with the provisions of this subpart.

The District's verification policy states that if an application has been selected for verification, a verification worksheet must be completed and signed by the student.

Identified Condition

During our testing for compliance with special tests and provisions requirements for verification, we noted that for 1 out of 20 students sampled from Los Angeles Southwest College, the verification worksheet was incomplete and not signed by the student.

Questioned Costs

\$424

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure that verification of applicant's FAFSA is completed in accordance with the District's verification policy.

Recommendation

We recommend that the District implement stricter controls to ensure that verification of FAFSA selected by the DOE is completed in accordance with the federal guidelines and the District's verification policy.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

During the fiscal year 2013-2014 the College did not have the proper level of staffing for its Financial Aid office, which also included the position of the Financial Aid Supervisor. This position is very critical since it handles the internal quality control functions that determine the areas of additional training and review. Southwest College has now hired a Financial Aid Supervisor to oversee these functions.

Internal controls will be addressed prior to disbursement of any financial aid funds. The supervisor will be responsible to review all files that are to be disbursed funds on a weekly basis. In addition to the Financial Aid Supervisor review of student files prior to disbursement, staff will also be trained on the importance of the in-taking complete documents at each weekly staff meeting. This will be a permanent agenda item.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Finding F-2014-02 – Eligibility – Enrollment Records

Federal Program Information

Federal Catalog Number: 10.558
Federal Program Name: Child and Adult Care Food Programs (CACFP)
Federal Agency: U.S. Department of Agriculture
Pass-Through Entity: California Department of Education
Campus: Los Angeles Valley College
Los Angeles Mission College
Federal Award Number and Award Year: 04056-CACFP-19-CC-CS, October 1, 2012 to
September 30, 2013 and October 1, 2013 to
September 30, 2014

Criteria or Requirement

Title 7, Agriculture – Part 226 – Child and Adult Care Food Program – Subpart E – Operational Provisions, Section 226.15 – Institution Provisions states the following:

- (e) Recordkeeping. Each institution shall establish procedures to collect and maintain all program records required under this part, as well as any records required by the State agency. Failure to maintain such records shall be grounds for the denial of reimbursement for meals served during the period covered by the records in question and for the denial of reimbursement for costs associated with such records. At a minimum, the following records shall be collected and maintained:
 - (1) Copies of all applications and supporting documents submitted to the State agency;
 - (2) Documentation of the enrollment of each participant at centers (except for outside-school-hours care centers, emergency shelters, and at-risk afterschool care centers). All types of centers, except for emergency shelters and at-risk afterschool care centers, must maintain information used to determine eligibility for free or reduced-price meals in accordance with §226.23(e)(1). For child care centers, such documentation of enrollment must be updated annually, signed by a parent or legal guardian, and include information on each child’s normal days and hours of care and the meals normally received while in care.

Identified Condition

During our testing for compliance with eligibility requirements, we noted that 1 out of 15 participants sampled from Los Angeles Valley College and 1 out of 15 participants sampled from Los Angeles Mission College did not have an application documenting enrollment at the child care centers.

Questioned Costs

None

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure that enrollment documentation which is required for eligibility in the Child Care Food Program is properly retained by the child care centers.

Recommendation

We recommend that the District implement stricter controls to ensure that enrollment documents required for determining eligibility are retained by the child care centers.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Valley College

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

Implement the process of scanning all participant files as a “back-up” in case files get lost or misplaced. This will provide us with a duplicate copy of required participant program documentation for audit and program-related purposes.

Los Angeles Mission College

In response to the audit findings, we are setting up the system to maintain all the documents in the file. Two people will be checking the child’s file when a child is terminated from the program to make sure that all the documents are in place.

Finding F-2014-03 – Procurement – Procurement Records

Federal Program Information

<i>Federal Catalog Number:</i>	93.558
<i>Federal Program Name:</i>	Temporary Assistance for Needy Families (TANF)
<i>Federal Agency:</i>	U.S. Department of Health and Human Services
<i>Pass-Through Entity:</i>	State of California Department of Public Health
<i>Campus:</i>	Los Angeles Southwest College
<i>Federal Award Number and Award Year:</i>	4362501711014, July 1, 2013 to June 30, 2014

Criteria or Requirement

Title 2, Grants and Agreements – Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – Subpart D – Post Federal Award Requirements, Section 200.318 – General Procurement Standards states the following:

- (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Title 45, Public Welfare – Part 74 – Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations – Subpart C – Post-Award Requirements, Section 74.46 – Procurement Records states the following:

Procurement records and files for purchases in excess of the simplified acquisition threshold shall 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.

Identified Condition

During our testing for compliance with procurement requirements, we noted that 1 procurement transaction sampled at Los Angeles Southwest College did not document the rationale for its contract selection and the basis for not selecting the vendor with the lowest bid. The other procurement transactions at East Los Angeles College (1) and Los Angeles Trade Tech College (1) contained proper documentation.

Questioned Costs

\$4,873 of \$7,500 procurement transactions sampled.

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure that the basis or rationale for procurement actions is sufficiently documented.

Recommendation

We recommend that the District implement stricter controls to ensure that the basis or rationale for procurement actions is sufficiently documented.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The CalWORKs/TANF Program submitted all of the required paperwork and supporting documents to the college procurement specialist and the District including the required number of bids for the transaction. The vendor with the highest bid of the three was selected because they provided the best value for the quality of service, number of services included and the overall aesthetics of the venue, in comparison to the other two venues.

For future transactions of this scope, the CalWORKs/TANF Program will ensure that all procurement actions are properly documented as per the Federal guidelines. We will seek clarification from the District regarding where this documentation officially needs to occur at the initial phase of the transaction.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Finding F-2014-04 – Eligibility – Participant Eligibility

Federal Program Information

Federal Catalog Number: 17.259

Federal Program Name: Workforce Investment Act (WIA Cluster) – Youth Worksource Center

Federal Agency: U.S. Department of Labor

Pass-Through Entity: City of Los Angeles

Campus: Los Angeles Harbor College

Federal Award Number and Award Year: 123422, July 1, 2013 to June 30, 2014

Criteria or Requirement

Title 20, Employees' Benefits – Part 664 – Youth Activities under Title I of the Workforce Investment Act – Subpart B – Eligibility for Youth Services, Section 664.200 and the contract with the City of Los Angeles states that eligibility for services shall be limited to low-income residents of the City of Los Angeles between the ages of 17-21 and have one or more of the following barriers to employment:

- (i) Reading, writing or computing at or below eighth-grade level based on assessment;
- (ii) School dropout or at risk of dropping out;
- (iii) Homeless, runaway and foster youth or aging out of foster care;
- (iv) Offender and those at risk of court involvement;
- (v) Children of incarcerated parents;
- (vi) Pregnant or a parent;
- (vii) Requires additional assistance to complete an education program or to secure and hold employment, due to barriers such as emancipated youth, youth with a disability, limited English Proficiency, youth with a family history of chronic unemployment including long term public assistance; or
- (viii) Migrant and Native American youth.

Identified Condition

During our testing for compliance with eligibility requirements, we noted the following:

- 2 out of 60 participants sampled from Los Angeles Harbor College contained documentation showing residency outside the city limits of Los Angeles and therefore the participants were not eligible to participate in the program.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- 2 out of 60 participants sampled from Los Angeles Harbor College did not contain documentation to verify the age, residency, income and legal right to stay in the United States.

Questioned Costs

None

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure that documents for determining eligibility are carefully reviewed and properly retained by the Youth Worksource Center.

Recommendation

We recommend that the District implement stricter controls to ensure that documents for determining eligibility are carefully reviewed and properly retained by the Youth Worksource Center.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Harbor College

Los Angeles Harbor College will implement new controls that will allow for additional verifications to be made that will ensure that participant eligibility is determined correctly.

Los Angeles Harbor College will ensure that new program policies and procedures are implemented that will include stricter controls to ensure that documentation for determining eligibility is reviewed prudently and properly retained.

Finding F-2014-05 – Earmarking – 95% Requirement for Disadvantaged Low Income Youth

Federal Program Information

<i>Federal Catalog Number:</i>	17.259
<i>Federal Program Name:</i>	Workforce Investment Act (WIA Cluster) – Youth Worksource Center
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	City of Los Angeles
<i>Campus:</i>	Los Angeles Harbor College
<i>Federal Award Number and Award Year:</i>	123422, July 1, 2013 to June 30, 2104

Criteria or Requirement

Title 20, Employees' Benefits – Part 664 – Youth Activities under Title I of the Workforce Investment Act – Subpart B – Eligibility for Youth Services,

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Section 664.220 and the contract with the City of Los Angeles states that up to five percent (5%) of youth participants served may be individuals who do not meet the income criteria for eligible youth, provided that they are between the ages of 17-21, residents of the City of Los Angeles and have one or more of the following barriers listed below:

- (i) School dropout;
- (ii) Basic skills deficient;
- (iii) Are one or more grade levels below the grade level appropriate to the individual's age;
- (iv) Pregnant or parenting;
- (v) Possess one or more disabilities, including learning disabilities;
- (vi) Homeless or runaway;
- (vii) Offender; or
- (viii) Face serious barriers to employment.

Identified Condition

During our testing of compliance with earmarking requirements, we noted that Los Angeles Harbor College did not have monitoring procedures in place to ensure compliance with 95% earmarking requirements for disadvantaged low income youth. In addition, during our testing of eligibility requirements, we noted that 3 out of 60 participants sampled exceeded the low-income threshold.

Questioned Costs

None

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure compliance with earmarking requirements.

Recommendation

We recommend that the District implement stricter controls to ensure that procedures are in place to comply with earmarking requirements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Harbor College

Los Angeles Harbor College seeks to enroll the majority of its program participants as disadvantaged low income participants and has income scales provided by the City in order to comply with low income thresholds. Participant data is captured into a funder managed database. There may be a report that can be generated to confirm compliance with 95% earmarking requirements for disadvantaged low income youth; however this report is provided by external sources and was not available at the time of testing.

Los Angeles Harbor College will implement new controls that will allow for verifications to be made that will ensure that participant income eligibility is determined correctly and complies with earmarking requirements.

SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

(1) Summary of State Findings and Recommendations

	<u>Section</u>	<u>Finding number</u>
1. To Be Arranged Hours – Attendance Documentation	479	S-2014-01
2. To Be Arranged Hours – Course Outline of Record	479	S-2014-02
3. Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) – Eligibility	474	S-2014-03
4. Disabled Student Programs and Services (DSPS) – Eligibility	475	S-2014-04

S-2014-01 – To Be Arranged Hours (Section 479) – Attendance Documentation

State Criteria or Requirement

TBA Definition: Some courses with regularly scheduled hours of instruction have “hours to be arranged” (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to California Code of Regulations (CCR), title 5, sections 58003.1 (b) and (c), respectively.

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

References

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

Identified Condition

During the test work performed to ensure that apportionment claimed for TBA courses is adequately supported, we noted that 4 of the 75 TBA courses sampled did not have census rosters or similar attendance forms. The finding occurred at Los Angeles City College.

There appeared to be a lack of procedures in Los Angeles City College to ensure that the designation of a course as TBA is communicated to instructors, and that attendance rosters for TBA courses at these campuses are distributed to the instructors at the beginning of the class and returned to Admissions and Records when completed.

Full-Time Equivalent Students (FTES) Impact

3.22 FTES exceptions of the 37.93 FTES sampled, or 8.49% of the total sample at Los Angeles City College.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

Questioned Costs

\$14,699 (3.22 FTES exceptions x \$4,564.83 credit FTES reimbursement rate)

Extrapolated Finding

Based on the schedule of FY 2014 FTES claimed for the TBA portion of credit courses of those campuses where the samples were obtained, the following are the extrapolated FTES for the above finding:

10.91 FTES (8.49% x 128.45 total FTES claimed for the TBA business courses at Los Angeles City College.

These findings have not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2014.

Recommendation for Corrective Action

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

District Response:

Los Angeles City College

As a corrective measure, now that the District Office has online TBA rosters, the Admissions Office will train the department on its use. The department will be asked to use the online TBA roster instead of submitting a paper TBA roster. The Dean of Enrollment will conduct the training workshop with the Psychology Department during the Fall 2014 semester.

S-2014-02 – To Be Arranged Hours (Section 479) – Course Outline of Record

State Criteria or Requirement

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

Specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course are included in the official course outline. All enrolled students are informed of these instructional activities and expectations for completion. Failure of the District to comply with the course approval requirements, including having a course outline of record, could result in termination of course approval.

References

- To Be Arranged (TBA) Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- Courses with To Be Arranged (TBA) Hours, Memorandum from the California Community Colleges Chancellor’s Office dated March 8, 2013

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

- Education Code sections 84040 and 88240
- CCR, Title 5, Sections 58102 and 58104

Identified Condition

During the test work performed to ensure that the TBA courses are included in the official course outlines, we noted that 2 of 17 TBA courses sections sampled at Los Angeles Southwest College did not have an approved course outline.

There appeared to be a lack of procedures in Los Angeles Southwest College to ensure that there are official course outlines supporting the TBA portion of the courses offered in its campus.

Full-Time Equivalent Students (FTES) Impact

10.33 FTES exceptions of the 36.38 FTES sampled, or 28.39% of the total sample at Los Angeles Southwest College.

Questioned Costs

\$47,155 (10.33 FTES exceptions x \$4,564.83 credit FTES reimbursement rate).

Extrapolated Finding

38.06 FTES (28.39% x 134.06 total FTES claimed based on the schedule of FY 2014 FTES claimed for the TBA portion of credit courses at Los Angeles Southwest College).

This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2014.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that all TBA courses have an approved course outline that describes specific instructional activity in accordance with the State requirement.

District Response:

Los Angeles Southwest College

Each course outline contains the total number of hours that subject material will be taught. We will continue to make sure that we comply with all State mandated policies with regards to offering our classes at the appropriate number of hours and minutes.

S-2014-03 – Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Eligibility

State Criteria or Requirement

For the purpose of allocating CARE funds, conducting audits and evaluations, a student served by CARE is defined as a person who fulfills all EOPS/CARE eligibility criteria as specified in Title 5 regulations and CARE Program Guidelines and for whom, at minimum:

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

1. The EOPS program has the following documentation in the student's file:

- a) EOPS application
- b) Student education plan
- c) EOPS Mutual responsibility contract

The documents above are to be developed in accordance with local EOPS policies and procedures.

2. The EOPS program has reported the student as being served in district end-of-term MIS reports during the academic year.

Eligibility for CARE student participation shall be limited to individuals who meet all EOPS and CARE eligibility criteria as specified:

1. The CARE participant is currently receiving assistance from CalWORKs/TANF.

- a) CARE application (or combined EOPS/CARE application)
- b) EOPS Mutual Responsibility Contract (or combined EOPS/CARE contract)
- c) Students who currently receive CalWORKs cash aid for themselves and/or their child(ren) may be eligible for and receive assistance and services from CARE.
- d) Students receiving Medi-Cal, SSI or food stamps assistance only, but not CalWORKs/TANF cash aid for themselves, are eligible for CARE only if a dependent child in their family unit currently receives CalWORKs cash aid.
- e) Students not receiving CalWORKs/TANF cash aid due to a prior drug felony conviction, sanctions or time-limited status, are eligible for CARE only if a dependent child in their family unit currently receives CalWORKs cash aid.

2. The participant has at least one child under fourteen years of age at the time of admission into the CARE program.

3. The participant is at least 18 years old, a single head of household and has been determined to lack marketable employment skills.

Section 56220, (c) Eligibility for Programs and Services states that to receive programs and services, a student must not have completed more than 70 units of degree applicable credit course work in any combination of post secondary higher education institutions.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

Section 56236, Counseling and Advisement, states that Programs that receive funding for this area are required to provide at least three (3) counseling and/or advising contacts per semester (two per quarter) for each student.

References

- CCR, Title 5, Section 56220
- CARE Program Guidelines, revised August 1, 2010

Identified Condition

During our testing of 67 EOPS/CARE student files to determine compliance with eligibility requirements, we noted the following exceptions for 8 out of 20 student files tested at Los Angeles Southwest College:

Exceptions	Number of students					
	1	1	1	2	2	1
Participant exceeded the limit of 70 units of degree applicable coursework	X					
Student files did not show evidence of at least 3 counseling and/or advising contacts during the selected term	X	X	X	X	X	
No evidence that participant attended at least one class	X					
CARE application was not signed by the student or CARE Coordinator		X				
No evidence that the participant was single head of household		X				
Participant not receiving CalWORKs/TANF support		X	X			
No completed Student Educational Plan			X	X		
File could not be located						X

The remaining 47 student files sampled at Los Angeles Valley College (20 samples), Los Angeles City College (20 sample) and Los Angeles Pierce College (7 samples) contained documentation demonstrating that the students were eligible.

During our testing of 15 EOPS student files to determine compliance with eligibility requirements, we noted that 1 of 5 student files tested at Los Angeles Southwest College did not contain a completed Student Educational Plan.

The remaining 10 student files sampled at Los Angeles Valley College (5 samples) and Los Angeles City College (5 sample) contained completed Student Education Plans.

Questioned Costs

Amount of benefits received by the 9 students served cannot be quantified.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

Extrapolated Finding

Los Angeles Southwest College

CARE: 42 students served (8 exceptions / 20 samples x 106 students in the List of Students Served through CARE & EOPS for the fiscal year by the campus)

EOPS: 131 students served (1 exception / 5 samples x 657 students in the List of Students Served through EOPS for the fiscal year by the campus)

These findings have not been deducted from the List of Students Served reported by these campuses for FY 2014.

Recommendation for Corrective Action

We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of CCR Title 5, Section 56220 and the CARE Program Guidelines.

District Response

Los Angeles Southwest College

The District will strengthen controls and implement new processes and procedures to ensure that the Colleges maintain adequate documentation to support compliance with eligibility requirements. Examples of such as follows:

- All EOPS/CARE student files must have a Checklist form to ensure all required documentation for eligibility is verified by the appropriate Administrator.
- EOPS/CARE has developed an EOPS/CARE verification of Class Attendance Form to assure EOPS/CARE students are attending their first class each semester.
- The Dean of Student Services or Vice President of Student Services will review all EOPS/CARE participant files using the EOPS/CARE Eligibility Checklist form before students can be awarded a book voucher.
- A new CARE application was updated to reflect EOPS/CARE eligibility. The form will indicate if a participant is eligible for both EOPS and CARE or just one of the programs based on eligibility criteria.
- Files with missing documentation will be returned to EOPS/CARE staff who will attempt to retrieve missing documentation from student or counselor and files with missing eligibility forms will not be entered as EOPS/CARE participants.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

S-2014-04 – Disabled Student Programs and Services (DSPS) (475) – Eligibility

State Criteria or Requirement

A student with disability or a disabled student is a person enrolled at a community college who has a verified impairment which limits one or more major life activities as defined in 28 CFR 35.104, and which imposes an educational limitation as defined in Section 56004. For purposes of reporting to the Chancellor under Section 56030, students with disabilities shall be reported in the categories described in Sections 56032-44.

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

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

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

- 1) An outline of the specific instructional and educational goal(s) of the student with a description of the objectives and activities needed to achieve these goal(s);
- 2) A measurement of the student's progress in completing the objectives and activities leading to their goal(s); and
- 3) A list of the services to be provided to the students to accommodate their disability-related educational limitations.

Section 56062 outlines the criteria for which students must meet in order to be counted as students with disabilities who are receiving services or instructions funded through the DSPS program. According to these criteria a student with disability must be enrolled in either special class or a regular class at the college. If the student with disability is enrolled in a regular class, the student must receive four or more service contacts during the academic year. A service contract is defined as each time a service, as defined in Section 56026, is provided to the student.

References

- Education Code Section 67310-12, 70901 and 84850

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

- Title 5 Disabled Student Programs and Services (DSPS) Implementing Guidelines

Identified Condition

During our testing of 85 DSPS student files to determine compliance with eligibility requirements, we noted the following:

- 1 of 20 student files sampled at Los Angeles City College showed that the student was enrolled in a regular course only but received less than 4 contacts during the year.
- 1 of 20 student files sampled at Los Angeles City College showed that the student was not enrolled in the college during the year. Furthermore, the student did not have a Student Educational Contract and Student Educational Plan.
- 1 of 10 student files sampled at Los Angeles Pierce College showed that the student was not enrolled in the college during the year.

The remaining 55 student files sampled at Los Angeles Valley College (20 samples), Los Angeles Southwest College (20 samples), Los Angeles Mission College (9 samples), West Los Angeles College (6 samples) contained documentation demonstrating that the students were eligible.

Questioned Costs

Amount of benefits received by the 3 students served cannot be quantified.

Extrapolated Finding

Los Angeles City College – 71 students served (2 exceptions / 20 samples x 708 students the List of Students Served for the fiscal year by the campus)

Los Angeles Pierce College – 129 students served (1 exception / 10 samples x 1,293 students in the List of Students Served for the fiscal year by the campus)

These findings have not been deducted from the List of Students Served reported by these campuses for FY 2014.

Recommendation for Corrective Action

We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of Education Code Sections 67310-12, 70901 and 84850, and the Title 5 DSPS Implementing Guidelines.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2014

District Response

Los Angeles City College

1. We are implementing a new “paper” contact tracking system that will ensure that all allowable service contacts are inputted into the DEC. We are also exploring a technological solution to this issue.
2. All student OSS (DSPS) enrollments and student service contacts will be checked mid semester and at the end of each semester with college enrollment status. If the student is not enrolled in LACC, even though they may have been enrolled during the previous semester, and they have not received at least four service contacts they will not be submitted for DSPS funding.
3. All student OSS (DSPS) student service contact records (paper and DEC) will be reviewed mid-semester (with follow-up) and at the end of each semester. Students who are not enrolled in a special course or have fewer than four service contacts at the end of the academic year will not be submitted for DSPS funding.

Los Angeles Pierce College

Pierce College will inform the professional staff of the audit findings and requirements. Counselors who see students who are not currently enrolled in classes and plan on adding will be flagged so follow up can occur to determine if the student successfully added a course(s). If the student did not enroll in any courses during that current FY, regardless of service contacts, the student will not be included in the weighted count reported.

SCHEDULE OF PRIOR YEAR FEDERAL AND STATE FINDINGS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

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

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-13-01	Student Financial Assistance – Eligibility	We recommend that the District implement stricter controls to ensure that information used in the calculation of Federal Pell grant payments is accurate.	Implemented	Not applicable
F-13-02	Strengthening Minority – Serving Institutions – Passage Program – Allowable Costs/Cost Principles, Time, and Effort Documentation	We recommend that the District implement stricter controls to ensure that that payroll charged to the program is supported by signed and approved time and effort and effort documentation.	Implemented	Not applicable

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-13-01	State General Apportionment Funding (Section 424) and Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Board Approvals	We recommend the District work with its colleges to review the course approval dates and affect the necessary corrections in the current Protocol system so that the District can have an accurate and readily verifiable support for its credit course approvals. Moving forward, we recommend that the District strengthen its controls to ensure that records of Board agenda course approvals are properly maintained.	Implemented	Not applicable

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-13-02	To Be Arranged Hours (Section 479) – Attendance Documentation	We recommend that the District strengthen controls to ensure that TBA course designations are timely communicated to the instructors and attendance documentation supporting apportionment is distributed and collected for all courses in accordance with the State requirements.	Partially implemented. Implemented at Los Angeles Pierce College. See Finding S-2014-01	Los Angeles Southwest College in the process of implementing their corrective action plan by having: 1) Both the Admissions Office and the Office of Academic Affairs to communicate with faculty on a regular basis about TBA sections and requirements for collecting, maintaining, and reporting TBA hours and rosters; and 2) Currently the College does not have a written process and plans to develop one in the current fiscal year.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-13-03	To Be Arranged Hours (Section 479) – Course Outline of Record	We recommend that the District strengthen controls to ensure that all TBA courses have an approved course outline that describes specific instructional activity in accordance with the State requirement.	Not implemented at Los Angeles Southwest College See Finding S-2014-02.	The College is making sure that all of the courses, including those courses with TBA sessions, have updated course outlines; and that not only illustrate how many of the hours will be lab or lecture hours, but also what the instructional activity or course material will be taught. The College will continuously review the course outline update schedule; and review the list of courses that we generally offer a TBA session.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-13-04	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications	We recommend the District strengthen the controls to ensure that qualifications of instructors are carefully reviewed prior to issuing course assignments.	Implemented	Not applicable
S-13-05	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Eligibility	We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of CCR Title 5, Section 56220 and the CARE Program Guidelines.	Partially implemented. Implemented at Los Angeles Pierce College See Finding S-2014-03	Since the audit finding, the College has implemented the following: 1) Prior to new students orientation, students will receive a checklist of require documents for CARE; 2) during the mandatory new student orientation session for CARE, a two semester Educational Plan is completed for each student and recorder in DEC and file; 3) Follow-up is made to ensure that all continuing CARE students have a comprehensive Educational Plan;

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

<u>Finding reference</u>	<u>Finding description</u>	<u>Recommendation</u>	<u>Current status</u>	<u>Explanation if not fully implemented</u>
S-13-06	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Advisory Committee Meetings	We recommend that the District implement stricter controls to ensure that all colleges comply with the EOPS/CARE advisory meeting requirements. For practicality, we recommend that each college consider establishing or maintaining a joint advisory committee for both EOPS and CARE programs as permitted by the State.	Implemented	4) All information for the program is submitted prior to acceptance into CARE program; 5) CARE students who do not complete the educational plans will not be counted on MIS; and 6) Students are processed as a CARE participant after all the above has been turned in and documented in the file. Not applicable

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-13-07	Disabled Student Programs and Services (DSPS) (475) – Student Eligibility	We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of Education Code Sections 67310-12, 70901 and 84850, and the Title 5 DSPS Implementing Guidelines.	Partially Implemented. Implemented at West Los Angeles College, and Los Angeles Mission College. See Finding S-2014-04	Since, the audit finding, the DSPS has implemented the following at the end of each semester: DSPS reconciles MIS reporting date. A staff member updates the accommodation form to more readily identify the counselor's notations of educational limitations, and audits and updates all active student files to ensure educational limitations are noted from the disability verification and are readily visible on the form listing approved reasonable accommodations. Additionally, the DSPS staff ensures all new students sign the Student Educational Contract (SEC) and it is placed in file.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

<u>Finding reference</u>	<u>Finding description</u>	<u>Recommendation</u>	<u>Current status</u>	<u>Explanation if not fully implemented</u>
				Currently, the DSPS office is in the process of hiring a new DSPS Counselor/Coordinator to oversee the implementation and compliance of the DSPS office. The new position will be required to attend the state DSPS training to ensure our DSPS office is in compliance with the eligibility criteria.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2014

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
FS-13-001	Information Technology	During the view of the District's information technology controls a control weakness was identified in the areas of security and change management. These included the sharing of user accounts, extensive super user access and informal change management processes. These issues were determined to be significant deficiencies in the District's system of internal controls. Certain legacy control weaknesses continue to exist. The sharing of user accounts in the database environment and operating system underlying SAP, extensive administrative access in SAP and weaknesses in the change management process were found during the 2013 audit.	Partially Implemented See Finding FS-14-001	Management continues to limit access whenever appropriate and conducts a full review system of IT system access on quarterly basis. Security Weaver continues to be the tool to monitor and control high level access to SAP and has been updated to include security, operations and other personnel allowing management oversight of access and monitoring capability of such access. Additional restrictions and changes to security roles were implemented including the removal of access roles determined not required for the task at hand and escrowing of key passwords. Access to the root accounts were also restricted as much as possible given the current organization resource limitations.