



Los Angeles Community College District

Basic Financial Statements and Supplemental Information

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Basic Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

June 30, 2015 and 2014

Los Angeles County, California:

- 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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INTRODUCTION



LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

OFFICE OF THE CHANCELLOR

December 9, 2015

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, 2015. 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 to the basic financial statements. Supplementary information includes the combining and individual funds and account group financial statements and schedules, a description of the organization of the District, a schedule of full-time equivalent students and apprenticeship clock hours, and a reconciliation of the financial statements to the Annual Financial and Budget report submitted to the state of California. Also included in this section are the independent auditors' reports on the internal accounting and administrative controls of the District as well as the state and federal compliance required by the California State Department of Finance and the Single Audit Act of 1984. The final section provides the current year's audit findings and recommendations as well as the implementation status of the auditors' prior year recommendations.

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

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

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, employs approximately 3,712 full-time and 6,293 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, 2015 decreased by .89% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2014-15 fiscal years were as follows:

	<u>Fall</u>	<u>Spring</u>
Los Angeles City College	17,959	17,187
East Los Angeles College	27,213	27,688
Los Angeles Harbor College	10,059	9,532
Los Angeles Mission College	10,250	9,469
Los Angeles Pierce College	20,913	19,925
Los Angeles Southwest College	6,927	6,413
Los Angeles Trade–Technical College	13,495	13,773
Los Angeles Valley College	18,224	17,918
West Los Angeles College	10,032	9,511
Instructional Television	527	580
Total Districtwide	<u>135,599</u>	<u>131,996</u>

The Los Angeles Community College District's FTES (Full-time equivalent student) figures for the fiscal year ended June 30, 2015, the measure by which the state of California funds Community Colleges, increased by 3.56%. Fiscal year 2015 enrollment by campus are as follows:

	<u>Credit</u>	<u>Noncredit</u>
Los Angeles City College	12,619	911
East Los Angeles College	21,915	1,430
Los Angeles Harbor College	6,937	71
Los Angeles Mission College	6,199	304
Los Angeles Pierce College	14,977	31
Los Angeles Southwest College	4,878	550
Los Angeles Trade-Technical College	12,133	665
Los Angeles Valley College	12,565	773
West Los Angeles College	7,025	290
Instructional Television	422	—
Total Districtwide	<u>99,670</u>	<u>5,025</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 C. 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, 2015 and 2014, and the related statements of revenues, expenses, changes in net position and cash flows for the years 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, 2015 and 2014, and the changes in its financial position, and its 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, effective July 1, 2014, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 5-15, the schedule of other postemployment benefits funding progress and employer contributions on page 45, and the schedule of the District’s proportionate share of the net pension liability and schedule of District contributions on page 46, 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 2014 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplemental financial information on pages 47 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplemental financial information is 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 supplemental 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 9, 2015, 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 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 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, 2015. 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, 2015 by \$338.5 million (net position). Of this amount, (-\$443.3) million (unrestricted net position) may be used to meet the District's ongoing obligations and \$440.3 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 \$341.5 million of net amounts invested in capital assets.
- The District's total net position decreased \$405.0 million for the fiscal year ended June 30, 2015. The decrease is primarily the effect of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. In connection with the implementation of Statement No. 68, effective July 1, 2014, the District incurred a one-time charge of \$475.6 million to the District's beginning net position.
- The District's investment in capital assets (net of depreciation) increased by \$159.8 million during the year ended June 30, 2015 due to construction activity.
- The District's total noncurrent liabilities increased by \$717.7 million during the fiscal year ended June 30, 2015.

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, deferred outflows of resources, liabilities, deferred inflows of resources 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 non-operating, 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 2014

Statements of Net Position

The statement of net position presents the assets, liabilities, and net position of the District as of the end of the 2015 and 2014 fiscal years. The statement of net position is a point-in-time financial statement. The purpose is 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), deferred outflow of resources, liabilities (current and noncurrent), deferred inflow of resources, and net position. 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 statement of net position provides a picture of the net position 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 non-operating, and any other revenue, expenses, gains, and losses received or spent by the District.

Generally speaking, operating revenue is 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. Non-operating revenue is revenue received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the legislature directly receiving commensurate goods and services for those revenues.

Financial Analysis of the District as a Whole

As of June 30, 2015, the District's net position decreased by \$405.0 million from \$743.6 million at June 30, 2014 to \$338.5 million at June 30, 2015. Current and other assets increased by \$256.5 million and capital assets increased by \$159.8 million. Deferred outflow of resources increased by \$203.7 million, of which \$35.5 million was in connection with the implementation of GASB Statement No. 71 and the remaining increase due to the current year debt refundings. Current liabilities increased by \$195.4 million and noncurrent liabilities increased by

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 2014

\$717.7 million. Deferred inflow of resources is reported at \$111.9 million related to the implementation of GASB Statement No. 68.

**Summary Schedule of Net Position
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 1,161,426,770	904,928,656	256,498,114
Capital assets, net	<u>4,124,877,476</u>	<u>3,965,049,358</u>	<u>159,828,118</u>
Total assets	<u>5,286,304,246</u>	<u>4,869,978,014</u>	<u>416,326,232</u>
Deferred outflow of resources	<u>205,210,809</u>	<u>1,560,529</u>	<u>203,650,280</u>
Total assets and deferred outflow of resources	<u>5,491,515,055</u>	<u>4,871,538,543</u>	<u>619,976,512</u>
Liabilities:			
Current liabilities	517,051,135	321,683,736	195,367,399
Noncurrent liabilities	<u>4,524,016,327</u>	<u>3,806,289,239</u>	<u>717,727,088</u>
Total liabilities	<u>5,041,067,462</u>	<u>4,127,972,975</u>	<u>913,094,487</u>
Deferred inflow of resources	<u>111,924,595</u>	—	<u>111,924,595</u>
Total liabilities and deferred inflow of resources	<u>5,152,992,057</u>	<u>4,127,972,975</u>	<u>1,025,019,082</u>
Net position:			
Net investment in capital assets	341,506,171	413,313,474	(71,807,303)
Restricted – expendable	439,392,377	294,545,059	144,847,318
Restricted – Nonexpendable	1,000,000	1,000,000	—
Unrestricted	<u>(443,375,550)</u>	<u>34,707,034</u>	<u>(478,082,584)</u>
Total net position	<u>\$ 338,522,998</u>	<u>743,565,567</u>	<u>(405,042,569)</u>

In fiscal year 2015, the District added \$254.2 million of capital assets including capitalized interest of \$37.9 million, depreciated \$130.1 million of capital assets, and disposed of \$2.1 million of capital assets, net of accumulated depreciation. See further discussions in *Capital Assets and Debt Administration* at page 13 for additional detail.

The \$256.5 million increase in current and other assets is the result of increases in cash and investments from the \$350 million issuance of General Obligation (G.O.) Bond 2015 series G and H, as well as a decrease in the principal apportionment receivable of \$49.8 million.

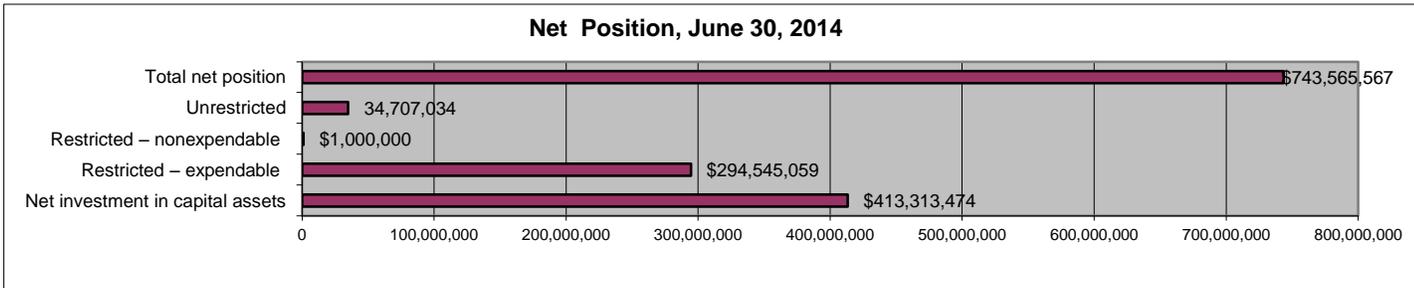
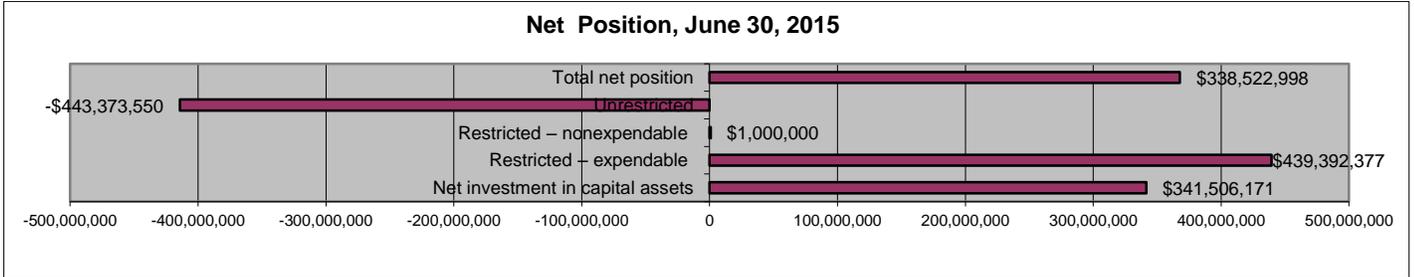
Current liabilities increased by \$195.4 million primarily due to increase in the current portion of long term debt by \$180.7 million. The current portion of the long term debt includes various categories of G.O Bonds that are due

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2015 and 2014

within one year. The \$717.7 million increase in noncurrent liabilities is primarily due to the non-current portion of G.O. Bonds in the amount of \$313 million and incurring \$398.4 million of pension obligations.



As noted earlier, net position may serve over time as a useful indicator of the District’s financial position. The District’s assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources as of June 30, 2015, by \$338.5 million (net position). A significant portion of the District’s net position represents

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 2014

\$41.0 million expendable financial resources restricted for capital projects, \$341.5 million of capital assets, net of related debt, \$365.5 million restricted for debt service, and a deficit of \$443.3 million in unrestricted net position.

Summary Schedule of Revenue, Expenses and Change in Net Position

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenue:			
Operating revenue:			
Net tuition and fees	\$ 57,550,458	49,223,477	8,326,981
Grants and contracts, noncapital	155,213,041	122,132,648	33,080,393
Other	26,002,205	25,016,953	985,252
Nonoperating revenue:			
State apportionments, noncapital	341,913,554	318,760,875	23,152,679
Property taxes	182,917,840	166,621,171	16,296,669
Investment income	4,706,117	5,076,869	(370,752)
Federal financial aid grants, noncapital	193,739,185	194,672,505	(933,320)
State financial aid grants, noncapital	11,424,649	9,993,411	1,431,238
Other	14,555,740	16,189,969	(1,634,229)
Other revenue:			
State apportionments, capital	10,843,720	6,328,750	4,514,970
Federal subsidy	19,590,429	27,622,066	(8,031,637)
Gifts and grants, capital	—	5,775,835	(5,775,835)
Local tax for G.O. Bonds	276,208,330	292,905,404	(16,697,074)
Local property taxes and revenue, capital	—	1,648,950	(1,648,950)
Total revenue	<u>1,294,665,268</u>	<u>1,241,968,883</u>	<u>52,696,385</u>
Expenses:			
Operating expenses:			
Salaries	436,716,840	401,817,816	34,899,024
Employee benefits	116,109,257	115,556,311	552,946
Pensions	34,731,663	31,968,110	2,763,553
Supplies, materials, and other operating expenses and services	129,378,004	107,903,742	21,474,262
Student grants	239,336,739	241,657,174	(2,320,435)
Other	145,036,149	138,640,967	6,395,182
Total Operating Expenses	<u>1,101,308,652</u>	<u>1,037,544,120</u>	<u>63,764,532</u>
Nonoperating expenses:			
Interest expense	115,587,032	160,289,710	(44,702,678)
Other	7,198,060	987,513	6,210,547
Total expenses	<u>1,224,093,744</u>	<u>1,198,821,343</u>	<u>25,272,401</u>
Change in net position	\$ <u>70,571,524</u>	<u>43,147,540</u>	<u>27,423,984</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 2014

The summary of revenue, expenses, and net position reflects an increase of \$27.4 million in net position at the end of the year as explained below.

Operating revenue increased \$42.4 million. The net increase is due in part to the following:

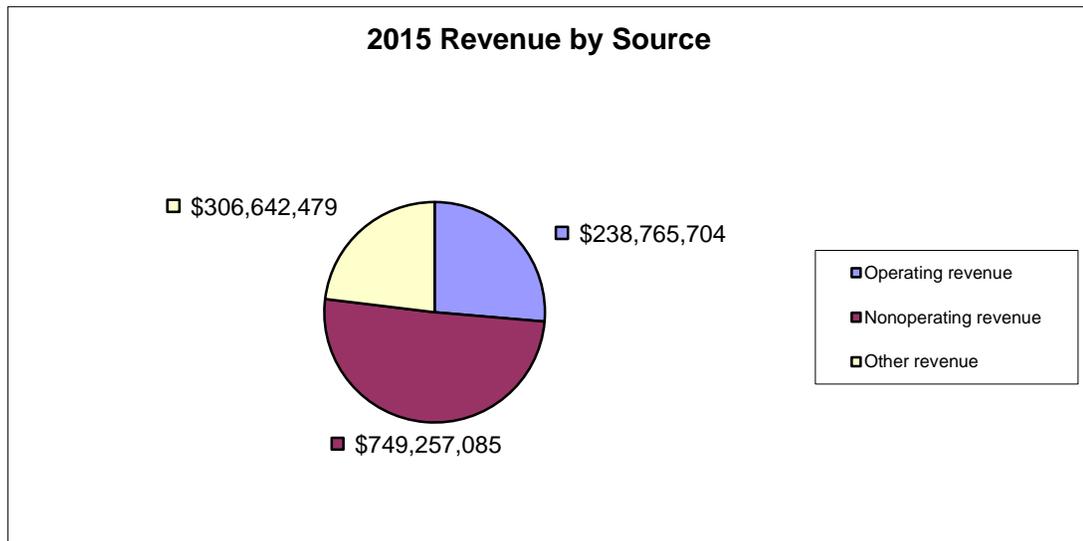
- (1) \$8.3 million increase in tuition and fees revenue is primarily due to 3.56% increase in the number of Full Time Equivalent Students (FTES) over the previous year as well as an increase in nonresident tuition of \$3 per unit.
- (2) \$33.1 million increase in non-capital State Grants and Contracts is primarily due to an \$18 million increase in Student Success & Equity Funds, \$2 million increase in Disabled Students Programs and Services funding and \$2.5 million increase in State Lottery funds. All other State grants saw an increase due to the growth in FTES.

Non-operating revenue increased \$37.9 million. The net increase is due in part to the following:

- (1) State apportionment revenue increased by \$23.2 million primarily as a result of FTES growth.
- (2) Increase in Local Property Tax revenue by \$16.3 million

Other revenue decreased \$27.6 million. The net decrease is due in part to the following:

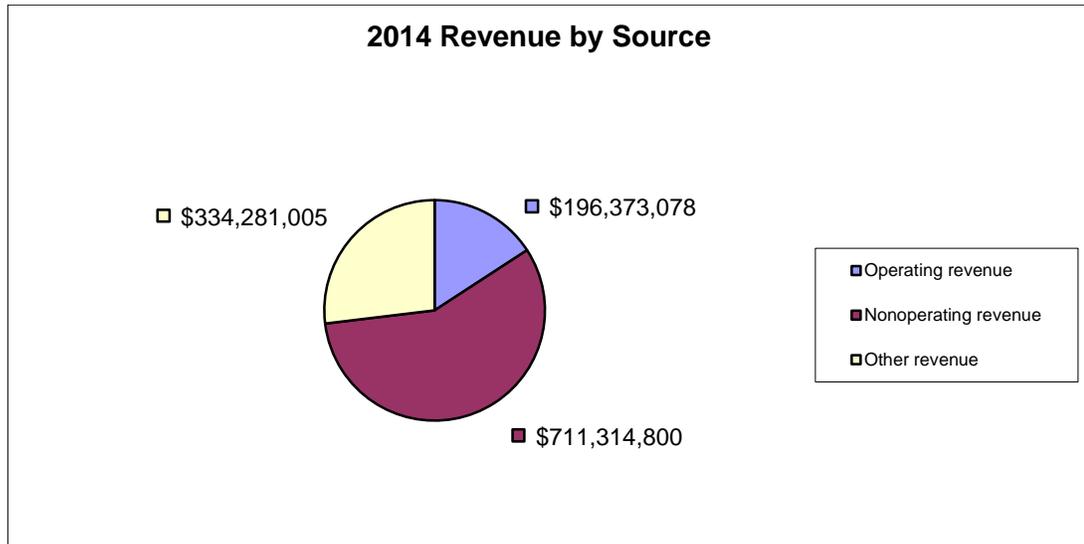
- (1) \$8.0 million decrease in federal subsidy from the Build America Bonds subsidy program.
- (2) \$16.7 million decrease in Local tax for G.O. Bonds related to property taxes levied for the District's debt issuances.
- (3) A \$5.0 million grant received from the City of Los Angeles for infrastructure improvements at Los Angeles Trade Tech College during FY 2013-2014 was not re-awarded during FY 2014-2015.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 2014



Operating expenses increased \$63.8 million. The net increase is due in part to the following:

- (1) \$34.9 million increase in salary expenses primarily caused by an increase of 35 full time and 535 part time personnel as well as a cost of living adjustment applied to all salaries.
- (2) \$21.5 increase in supplies, materials, and other operating expenses and services primarily as a result of \$10 million increase in Contract Services, \$5 million increase in scheduled maintenance and \$3 million increase in Books and Supplies expense required by the Bond construction program.
- (3) \$6.4 million increase in other operating expenses is primarily caused by a \$4.9 million increase in depreciation expense and \$1.4 million in utility expenses during fiscal 2015.

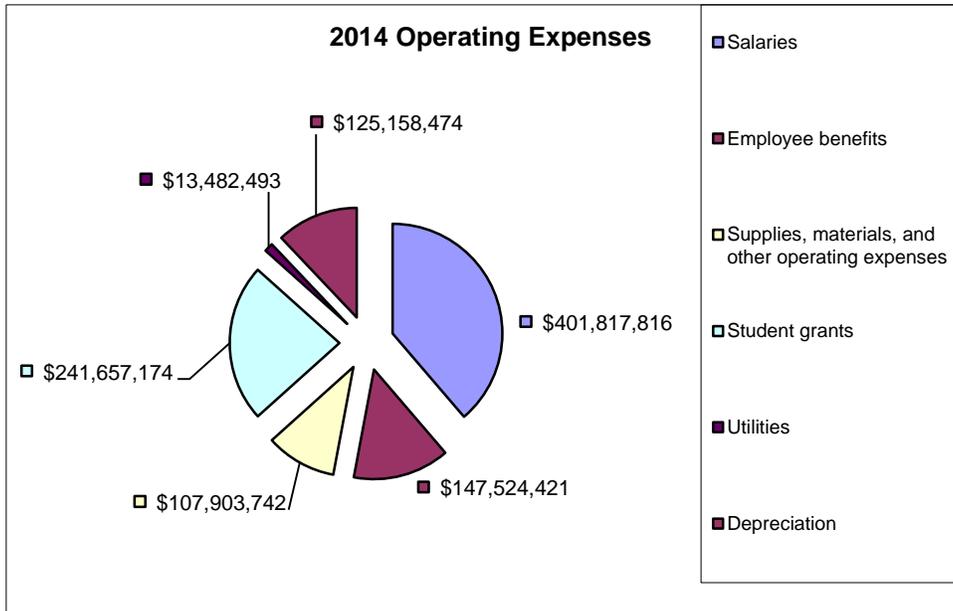
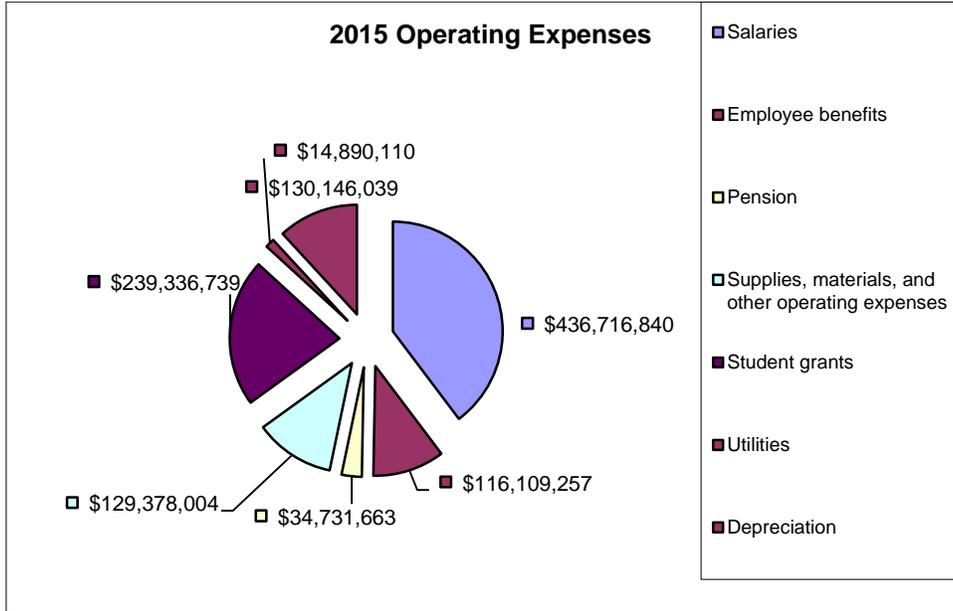
Non-operating expenses decreased \$38.5 million. The net increase is due in part to the following:

- (1) Reduction in interest expense on capital asset related debt by \$44.7 million

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2015 and 2014



Capital Assets and Debt Administration

Capital Assets

The District’s investment in capital assets as of June 30, 2015 and 2014, totaled \$4.12 billion and \$3.96 billion, respectively (net of accumulated depreciation). This investment comprises a broad range of capital assets including

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 2014

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, 2015 and 2014:

Capital Assets, Net

	Balance at June 30	
	2015	2014
Land	\$ 198,683,775	198,683,775
Land improvements	427,190,686	426,291,708
Buildings	3,535,360,374	3,271,719,896
Construction in progress	709,837,719	690,306,642
Works of art	518,000	518,000
Furniture and equipment	111,267,723	103,618,462
Infrastructure	7,129,426	9,421,875
Total	4,989,987,703	4,700,560,358
Less accumulated depreciation	<u>(865,110,227)</u>	<u>(735,511,000)</u>
Net capital assets	<u>\$ 4,124,877,476</u>	<u>3,965,049,358</u>

In fiscal year 2015, the District added \$254.2 million of capital assets, capitalized interest of \$37.9 million, depreciated \$130.1 million of capital assets, and disposed of \$2.1 million capital assets, net of accumulated depreciation. During the year ended June 30, 2015, 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 ongoing building projects 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.

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 fourteenth year of Proposition A, the twelfth year of Proposition AA, and the seventh year of the Measure J Bond construction programs. Approximately, \$4.4 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2015 and 2014

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 \$2.225 billion of the Measure J authorization amounts.

Long-Term Debt

At June 30, 2015 and 2014, the District had \$3.9 billion and \$3.6 billion in long-term debt, respectively. The District’s long-term debt increased during the year ended June 30, 2015, primarily as a result of newly issued G.O Bonds.

Summary of Outstanding Long-Term Debt (Related to G.O Bonds)

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
G.O. Bonds:		
G.O. Bonds Proposition AA, 2003 Series	\$ —	—
G.O. Bonds Proposition A and AA, 2004 Series	33,670,000	83,085,000
G.O. Bonds Proposition A, 2005 Series	18,140,000	403,320,000
G.O. Bonds Proposition AA, 2006 Series	20,360,000	266,185,000
G.O. Bonds Proposition A, 2007 Series	10,265,000	381,585,000
G.O. Bonds Proposition A and AA, 2008 Series	51,685,000	608,905,000
G.O. Bonds Measure J, 2009 Series	75,000,000	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	216,500,000	220,000,000
G.O. Bonds Measure J, 2013 Series Refunding Bond	51,575,000	54,480,000
G.O. Bonds 2015 Series G	300,000,000	—
G.O. Bonds 2015 Series H	50,000,000	—
G.O. Bonds 2015 Refunding Series A	1,495,575,000	—
G.O. Bonds 2015 Refunding Series B	47,075,000	—
G.O. Bonds 2015 Refunding Series C	312,420,000	—
	<u>\$ 3,882,265,000</u>	<u>3,642,560,000</u>

The District’s debt rating from Moody’s was Aa1 during FY 2013-2014 and FY 2014-2015. The District’s debt rating from Standard and Poor’s was AA in FY 2013-2014 and AA+ in FY 2014-2015.

Further information regarding the District’s capital assets and long-term debt can be found in notes 6 and 11 in the notes to the accompanying basic financial statements.

Economic Factors

On June 24, 2015, the Governor signed a balanced state budget (AB93/SB97) providing California Community Colleges with a significant increase in state funding. The 2015-2016 State Adopted Budget of \$7.4 billion for California Community Colleges represents a 7 percent year-over-year funding increase. The budget includes funding to increase access to college by 3%, larger increases for Student Success and Support Program and Student Equity Plans, a 1.02% COLA rate, equalization for Career Development and College Preparation Program (non-credit), and significant funding for a base allocation increase, mandate reimbursements and for deferred maintenance/instructional equipment. It fully eliminates year-over-year deferrals and provides funding for hiring

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2015 and 2014

more full-time faculty. This budget includes some new items such as funding to restore Extended Opportunity Programs and Services to pre-recession levels, \$39M in financial aid grants for full-time students who receive Cal Grant B awards and \$6M to fund startup costs for the BA degree pilot programs. Due to the continued Proposition 30 funding of which the District received \$94.5 million, and the improved State economy, the State continues to invest in community colleges with increased funding for student support. State funding of \$62.32 million was budgeted to pay for full-time faculty hiring of which the District will receive \$5.7 million. This will allow the hiring of approximately 242 full-time faculty for the District in fiscal 2015-16.

Student Enrollment and State Funding

The student enrollment fee remains at \$46 per unit in 2015-16. The State provided 3% or \$156.46 million enrollment growth for apportionments for California Community Colleges. The District will receive \$14.66 million in enrollment growth revenue for the 2015-16 fiscal year.

The District plans to achieve at least 4.54% enrollment growth in fiscal year 2015-16.

We are cautioned to keep in mind the scheduled increases in California Public Employees' Retirement System and California State Teachers' Retirement System contributions that will claim a growing share of local operating funds in the coming years, plus Proposition 30 revenues will begin to phase out at the end of the 2016 calendar year.

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, 2015 and 2014

Assets and Deferred Outflows of Resources	2015	2014
Current assets:		
Cash and cash equivalents (note 3)	\$ 221,922,184	138,582,232
Accounts receivable, net of allowance (note 4)	72,117,045	116,618,961
Student loans receivable, net-current portion (note 4)	211,252	217,165
Deposit with trustee - current portion (note 3)	319,114,870	149,257,126
Inventory	4,903,622	5,073,406
Prepaid expenses and other assets	47,149,906	44,877,533
Total current assets	<u>665,418,879</u>	<u>454,626,423</u>
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	5,160,358	6,450,145
Restricted investments (note 3)	354,360,351	261,462,525
Student loans receivable, net of allowance - noncurrent portion (note 4)	3,822,649	3,837,248
Deposit with trustee - noncurrent portion (note 3)	132,664,533	178,552,315
Capital assets (note 6):		
Land	198,683,775	198,683,775
Land improvements	427,190,686	426,291,708
Buildings	3,535,360,374	3,271,719,896
Construction in progress	709,837,719	690,306,642
Works of art	518,000	518,000
Furniture, fixtures, and equipment	111,267,723	103,618,462
Infrastructure	7,129,426	9,421,875
Accumulated depreciation	<u>(865,110,227)</u>	<u>(735,511,000)</u>
Capital assets, net	<u>4,124,877,476</u>	<u>3,965,049,358</u>
Total assets	<u>5,286,304,246</u>	<u>4,869,978,014</u>
Deferred outflow of resources - pensions (note 8)	35,553,578	—
Deferred outflow of resources - debt refunding (note 11)	169,657,231	1,560,529
Total assets and deferred outflow of resources	<u>\$ 5,491,515,055</u>	<u>4,871,538,543</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2015 and 2014

Liabilities, Deferred Inflows of Resources and Net Position	2015	2014
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 168,972,514	158,698,337
Unearned revenue	8,924,856	6,355,978
Compensated absences (note 11)	8,238,603	7,932,808
General liability (notes 11 and 12)	2,669,674	1,984,817
Workers' compensation (notes 11 and 12)	4,965,682	4,954,104
Accrued interest and other accrued liabilities	87,717,721	87,314,830
Amounts held in trust for others	744,318	532,144
Long-term debt – current (note 11)	234,341,227	53,651,405
Capital leases – current (note 11)	476,540	259,313
Total current liabilities	<u>517,051,135</u>	<u>321,683,736</u>
Noncurrent liabilities:		
Compensated absences (note 11)	8,089,690	7,770,666
General liability (notes 11 and 12)	3,525,326	4,068,183
Workers' compensation (notes 11 and 12)	28,082,318	28,176,896
Pension obligations (note 8)	398,421,160	—
Net OPEB obligation (note 9)	69,026,376	63,122,611
Long-term debt, net of current portion (note 11)	4,015,600,684	3,702,499,676
Capital leases, net of current portion (note 11)	1,270,773	651,207
Total noncurrent liabilities	<u>4,524,016,327</u>	<u>3,806,289,239</u>
Total liabilities	<u>5,041,067,462</u>	<u>4,127,972,975</u>
Deferred inflow of resources (note 8)	<u>111,924,595</u>	<u>—</u>
Total liabilities and deferred inflows	<u>5,152,992,057</u>	<u>4,127,972,975</u>
Net position:		
Net investment in capital assets	341,506,171	413,313,474
Restricted for:		
Expendable:		
Scholarships and loans	8,487,893	7,007,362
Capital projects	40,957,900	35,010,080
Debt service	365,483,490	235,873,400
Other special purposes	24,463,094	16,654,217
Nonexpendable:		
Scholarships	1,000,000	1,000,000
Unrestricted	(443,375,550)	34,707,034
Total net position	<u>\$ 338,522,998</u>	<u>\$ 743,565,567</u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Statements of Revenues, Expenditures, and Changes in Net Position
Years ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Tuition and fees	\$ 139,270,434	131,237,076
Less scholarship discounts and allowances	(81,719,976)	(82,013,599)
Net tuition and fees	57,550,458	49,223,477
Grants and contracts, noncapital:		
Federal	67,340,599	67,403,994
State	59,446,541	38,500,064
Local	28,425,901	16,228,590
Net grants and contracts, noncapital	155,213,041	122,132,648
Auxiliary enterprise sales and charges	26,002,205	25,016,953
Total operating revenue	238,765,704	196,373,078
Operating expenses:		
Salaries	436,716,840	401,817,816
Employee benefits	116,109,257	115,556,311
Pensions	34,731,663	31,968,110
Supplies, materials, and other operating expenses and services	129,378,004	107,903,742
Student grant	239,336,739	241,657,174
Utilities	14,890,110	13,482,493
Depreciation	130,146,039	125,158,474
Total operating expenses	1,101,308,652	1,037,544,120
Operating loss	(862,542,948)	(841,171,042)
Nonoperating revenues (expenses):		
State apportionments, noncapital	341,913,554	318,760,875
Local property taxes	182,917,840	166,621,171
State taxes and other revenue	3,846,293	3,022,385
Investment income – noncapital	739,495	551,508
Investment income – capital	3,966,622	4,525,361
Interest expense - noncapital	—	(89,394)
Interest expense on capital asset-related debt	(115,587,032)	(160,200,316)
Federal financial aid grants, noncapital	193,739,185	194,672,505
State financial aid grants, noncapital	11,424,649	9,993,411
Other nonoperating revenue	8,669,271	8,399,454
Other nonoperating expense	(7,198,060)	(987,513)
Investment gain	2,040,173	4,768,130
Total nonoperating revenues	626,471,990	550,037,577
Loss before other revenues, expenses, gains, or losses	(236,070,958)	(291,133,465)
State apportionments, capital	10,843,720	6,328,750
Gifts and grants, capital	—	5,775,835
Federal subsidy	19,590,429	27,622,066
Local tax for G.O. Bonds	276,208,333	292,905,404
Local property taxes and revenues, capital	—	1,648,950
Increase in net position	70,571,524	43,147,540
Net position:		
Beginning of year, as previously reported	743,565,567	700,418,027
Cumulative effect of a change in accounting (note 2)	(475,614,093)	—
Beginning of year, as restated	267,951,474	700,418,027
End of year	\$ 338,522,998	743,565,567

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Tuition and fees	\$ 53,697,382	49,393,150
Grants and contracts	156,760,487	121,354,802
Payments to suppliers	(132,971,020)	(100,518,440)
Payments for student grants	(239,787,468)	(239,043,794)
Payments for utilities	(14,890,110)	(13,482,493)
Payments to employees	(431,254,657)	(403,592,465)
Payments for benefits	(142,708,035)	(140,159,129)
Bookstore and cafeteria sales	26,514,727	24,023,582
Net cash used in operating activities	<u>(724,638,694)</u>	<u>(702,024,787)</u>
Cash flows from noncapital financing activities:		
State apportionments	399,299,450	335,683,759
Property taxes	182,917,840	166,621,171
State taxes and other revenues	3,846,293	3,022,385
Federal financial aid grants	193,739,185	194,672,505
State financial aid grants	11,424,649	9,993,411
Repayment of TRAN	—	(80,000,000)
Interest expense	—	(556,060)
Other receipts	1,726,252	7,290,136
Net cash provided by noncapital financing activities	<u>792,953,669</u>	<u>636,727,307</u>
Cash flows from capital financing activities:		
Proceeds from capital debt	350,000,000	—
Capital appropriations, local property tax, grant and gift, capital	17,617,810	8,753,535
Local tax for G.O. Bond	206,016,768	268,016,758
Purchases of capital assets	(264,847,615)	(260,983,266)
Principal paid on capital debt and leases	(47,175,000)	(69,995,000)
Interest paid on capital debt and leases	(161,262,735)	(198,646,551)
Other payments	(188,009)	—
Net cash provided by (used in) capital and related financing activities	<u>100,161,219</u>	<u>(252,854,524)</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	269,190,261	283,351,406
Interest on investments	6,471,797	9,376,896
Purchase of investments	(362,088,087)	(11,512,470)
Net cash provided by (used in) investing activities	<u>(86,426,029)</u>	<u>281,215,832</u>
Net increase (decrease) in cash and cash equivalents	82,050,165	(36,936,172)
Cash and cash equivalents – beginning of the year	<u>145,032,377</u>	<u>181,968,549</u>
Cash and cash equivalents – end of year	<u>\$ 227,082,542</u>	<u>145,032,377</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (862,542,948)	(841,171,042)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	130,146,039	125,158,474
Changes in assets and liabilities:		
Receivables, net	(14,152,525)	793,803
Inventories	169,784	(86,636)
Other assets	(711,844)	7,854,547
Accounts payable	12,475,750	2,881,726
Unearned revenue	2,568,878	(2,883)
Deposits held for others	212,174	(2,050)
General liability	142,000	(3,131,000)
Workers' compensation	(83,000)	(15,000)
Compensated absences	624,819	428,002
Net OPEB Obligation	5,903,765	5,671,339
Other liabilities	608,414	(404,067)
Net cash used by operating activities	\$ (724,638,694)	(702,024,787)
Noncash capital financing activity:		
Equipment acquired through new capital lease obligations	\$ 1,334,555	155,625
Additions to capital assets included in accounts payable	(11,561,896)	(17,609,871)
Amortization of accrued original interest premium	12,488,865	9,424,495
Amortization of prepaid interest	(4,952,365)	(1,084,088)

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

(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 No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, and Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, include a statement 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, 2015 and 2014

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, 2015 and 2014

(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.

Non-operating revenue includes 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.

(l) *New Accounting Standards*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District adopted the provisions of the statement effective as of July 1, 2014. Prior to the adoption of Statement No. 68, the District reported pensions under GASB 25, and reported the annual required contribution as a component of employee benefits expense. This statement established standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures related to pensions. Statement No. 68 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

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. Implementation of Statement No. 68 resulted in additional pension obligations as well as pension expense, and deferred inflows and outflows of resources. 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 District adopted the provisions of this statement effective July 1, 2014. As a result, the District has made the following adjustments to restate the net position as of July 1, 2014:

Net position, as previously reported	\$ 743,565,567
Effects of accounting for adoption of GASB Statements No. 68 and 71:	
Net pension obligation at beginning of year	(506,673,550)
Deferred outflows related to contributions made after the measurement date	<u>31,059,457</u>
Cumulative effect of change in accounting	<u>(475,614,093)</u>
Net position, as restated	<u><u>\$ 267,951,474</u></u>

(3) Cash and Investments

Cash and investments at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents in County Treasury	\$ 195,606,666	103,520,366
Cash in banks	31,475,876	41,512,011
Total cash and cash equivalents	<u>227,082,542</u>	<u>145,032,377</u>
Investments:		
Investments in County Treasury	350,390,623	260,319,901
Other	3,969,728	1,142,624
Total investments	<u>354,360,351</u>	<u>261,462,525</u>
Deposit with trustee:		
Investments in County Treasury	441,198,756	316,649,956
Other	10,580,647	11,159,485
	<u>451,779,403</u>	<u>327,809,441</u>
Total cash, and investments and deposit with trustee	<u><u>\$ 1,033,222,296</u></u>	<u><u>734,304,343</u></u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014, the District's cash and investments consist primarily of deposits and investments in the County Pool. The District reports amounts involuntarily invested in the County Pool as cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from the pool without notice or penalty. The District reports amounts voluntarily invested in the County Pool (such as unspent bond proceeds 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 agreements, and supranational.

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 non-County 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, 2015 and 2014, the District had \$987,196,045 and \$680,490,223 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 1.63 years and 2.03 years at June 30, 2015 and 2014, 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 45.11% and 50.7% of the total pool at June 30, 2015 and 2014, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Tax delinquencies	\$ 12,237,099	10,172,475
Federal and state programs	18,875,440	13,339,443
Local tax for G.O. Bonds	25,088,528	20,810,928
State lottery	8,985,293	7,447,791
Interest receivable	1,698,297	1,423,913
Accounts receivable – principal apportionment	-	49,786,481
Accounts receivable – campus students	11,074,006	127,986
Accounts receivable – student loan programs	4,033,901	4,105,074
Bookstore	2,729,581	1,547,004
State of California – capital outlay	3,448,987	2,804,603
Other	<u>7,206,352</u>	<u>19,996,270</u>
Subtotal	95,377,484	131,561,968
Less allowance for doubtful accounts	<u>(19,226,538)</u>	<u>(10,838,208)</u>
Accounts, notes and other receivables, net	\$ <u><u>76,150,946</u></u>	\$ <u><u>120,723,760</u></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 2014-2015 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, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Vendors payable	\$ 48,262,538	35,484,160
Capital outlay and program management	97,872,493	109,434,391
Payroll accrual	12,447,002	6,802,690
Grants	7,489,669	6,431,526
Financial aid payable	1,237,342	545,570
Election expense payable	<u>1,663,470</u>	—
Total	\$ <u><u>168,972,514</u></u>	\$ <u><u>158,698,337</u></u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

(6) Capital Assets

A summary of changes in capital assets is as follows:

	2015				Balance at June 30, 2015
	Balance at July 1, 2014	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 198,683,775	—	—	—	198,683,775
Construction in process	690,306,642	283,529,888	(1,751,804)	(262,247,007)	709,837,719
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>889,508,417</u>	<u>283,529,888</u>	<u>(1,751,804)</u>	<u>(262,247,007)</u>	<u>909,039,494</u>
Capital assets being depreciated:					
Land improvements	426,291,708	—	—	898,978	427,190,686
Buildings	3,271,719,896	—	—	263,640,478	3,535,360,374
Furniture, fixtures, and equipment	103,618,462	8,526,304	(877,043)	—	111,267,723
Infrastructure	9,421,875	—	—	(2,292,449)	7,129,426
Total capital assets being depreciated	<u>3,811,051,941</u>	<u>8,526,304</u>	<u>(877,043)</u>	<u>262,247,007</u>	<u>4,080,948,209</u>
Total capital assets	4,700,560,358	292,056,192	(2,628,847)	—	4,989,987,703
Less accumulated depreciation	<u>(735,511,000)</u>	<u>(130,146,039)</u>	<u>546,812</u>	—	<u>(865,110,227)</u>
Capital assets, net	<u>\$ 3,965,049,358</u>	<u>161,910,153</u>	<u>(2,082,035)</u>	—	<u>4,124,877,476</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

	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>	44,643	—	<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>3,965,049,358</u>

Capitalized Interest

Included in additions to capital assets is \$37,933,680 and \$33,320,523, of capitalized interest at June 30, 2015 and 2014, 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 \$6,280,890 and \$6,583,562 have been reported in the accompanying statements of revenue, expenses, and changes in net position for 2015 and 2014 respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

At June 30, 2015, minimum capital lease commitments under long-term lease contracts were as follows:

Year ending June 30:		
2016	\$	568,298
2017		533,791
2018		455,035
2019		375,143
2020		15,793
Total	\$	<u>1,948,060</u>

(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 California 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) California State Teachers' Retirement System (CalSTRS)

CalSTRS includes 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

In June 2014, the Legislature passed and the governor signed into law, assembly Bill 1469 which establishes a statutory solution to fully fund the CalSTRS Defined Benefit Program.

CalSTRS projected that, even if the investment portfolio could consistently earn its investment return assumption, the fund would still deplete its assets in about 30 years. Thus, assumed market gains in future years would not be sufficient to address such significant losses. A change in the program funding and contribution rates from all parties was required to reach adequate funding.

The initial increases in employee, employer and state contributions took effect July 1, 2014, and will continue to rise incrementally over the next several fiscal years. Member contribution increases will be phased in over the next three years and increase by an additional 2.25 percent of payroll for CalSTRS 2% at 60 members, and an additional 1.205 percent for CalSTRS 2% at 62 members.

Employer contributions will increase from 8.25 percent to a total of 19.1 percent of payroll, phased in over the next seven years. The state's total contribution to the Defined Benefit Program as a nonemployer contributing entity will increase incrementally from 3.041 percent in fiscal year 2013–14 to a total of 6.328 percent of payroll in fiscal year 2016–17.

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 website at <http://www.calstrs.com/comprehensive-annual-financial-report>.

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.

(b) *California Public Employees' Retirement System (CalPERS)*

CalPERS includes full-time classified employees and hourly employees who exceed 1,000 hours in a fiscal year participate in CalPERS, a cost-sharing and 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 participates in an agent and 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

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 (non-safety) 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 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 \$118,500 (2015 Social Security Contribution and Benefit Base) for employees that participate in Social Security or \$140,400 (120% of the 2014 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 initial increases in employee, employer and state contributions took effect July 1, 2014, and will continue to rise incrementally over the next several fiscal years. Member contribution increases will be phased in over the next three years and increase by an additional 2.25 percent of payroll for CalSTRS 2% at 60 members, and an additional 1.205 percent for CalSTRS 2% at 62 members.
- Employer contributions will increase from 8.25 percent to a total of 19.1 percent of payroll, phased in over the next seven years. The state's total contribution to the DB Program as a nonemployer contributing entity will increase incrementally from 3.041 percent in fiscal year 2013–14 to a total of 6.328 percent of payroll in fiscal year 2016–17.

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 CalPERS website at <https://www.calpers.ca.gov/page/forms-publications>.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

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.

(c) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2015, the District reported an aggregate liability of \$398,421,160 for its proportionate share of the CalPERS and CalSTRS net pension liabilities. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined based on actuarial valuations as of June 30, 2013. The District’s proportion of the CalPERS and CalSTRS net pension liability was calculated based on its proportionate share of total employer contributions to CalPERS and CalSTRS of 1.2498% and 0.4390%, respectively.

For the year ended June 30, 2015, the District recognized an aggregate pension expense of \$34,731,663, which was reported as pension expense. At June 30, 2015, the District reported aggregate deferred outflows of and deferred inflows of resources related to pensions from the following sources:

	CalPERS deferred outflows of resources	CalSTRS deferred outflows of resources	Total deferred outflows of resources- pensions
District retirement contribution subsequent to the measurement date	\$ 16,386,804	19,166,774	35,553,578

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

	<u>CalPERS deferred inflows of resources</u>	<u>CalSTRS deferred inflows of resources</u>	<u>Total deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 48,752,495	63,172,100	111,924,595

The deferred outflows of resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments will be recognized in pension expense during the next four years and thereafter as follows:

	<u>Deferred inflows of resources</u>
Year ending June 30:	
2016	\$ 27,981,149
2017	27,981,149
2018	27,981,149
2019	27,981,148
Thereafter	-

(d) Contributions Required and Contributions Made

For fiscal year 2014-15, the District was required by statute to contribute 8.88%, 11.771%, 4.00%, 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, 2015. 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 2014-15. As of June 30, 2015, 76.21% and 83.38% of the District's net pension liabilities for CalSTRS and CalPERS are funded, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

The District's contributions for the years ended June 30, 2015, 2014, and 2013 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
STRS:		
2015	\$ 19,166,774	100%
2014	16,622,648	100
2013	16,089,500	100
PERS:		
2015	\$ 16,386,804	100%
2014	15,345,462	100
2013	15,109,137	100
Cash Balance STRS:		
2015	\$ 1,848,860	100%
2014	1,505,478	100
2013	1,305,749	100
PARS-ARS:		
2015	\$ 569,881	100%
2014	507,388	100
2013	488,395	100

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

(e) Actuarial Methods and Assumptions

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

The total pension liability was determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Measurement date	June 30, 2014	June 30, 2014
Valuation date	June 30, 2013	June 30, 2013
Actuarial assumptions:		
Discount Rate	7.50%	7.50%
Inflation	3.00%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	7.50%	7.50%

Mortality Assumptions

CalSTRS

The mortality assumptions are based on custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information, available on the CalSTRS website.

CalPERS

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2013 valuation. For purposes of the post-retirement mortality rates, the revised rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries. Further details of the Experience Study can be found on the CalPERS website.

(f) Discount Rate

CalSTRS

An analysis of future cash flows including contributions, investment returns, administrative expenses, and benefit payments was performed by a CalSTRS external actuary. The actuary determined that CalSTRS assets will be sufficient to pay all future benefit payments. Therefore, a blended discount rate was not used to calculate the NPL at June 30, 2014 and the assumed investment rate of return, gross of administrative expenses, 7.5%, was used to discount all future benefits.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 10 basis points. An investment return excluding administrative expenses would have been 7.60 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CalPERS

The discount rate used to measure the total pension liability was 7.5%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District for each Plan, calculated using the discount rate for each Plan, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% decrease	6.5%	6.5%
Net pension liability	399,876,000	248,894,697
Current discount rate	7.5%	7.5%
Net pension liability	256,538,429	141,882,731
1% increase	8.5%	8.5%
Net pension liability	137,020,000	52,463,444

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

(g) Rate of Return

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

	<u>New strategic allocations</u>	<u>Long-term rate of return</u>
CalSTRS – Asset class:		
Global equity	47%	4.50%
Fixed income	20	0.20
Private equity	12	6.20
Real estate	15	4.35
Inflation sensitive	5	3.20
Cash	1	—
	<hr/>	
Total	100%	
	<hr/> <hr/>	

	<u>New strategic allocations</u>	<u>Long-term rate of return</u>
CalPERS – Asset class:		
Global equity	47%	5.71%
Global fixed income	19	2.43
Inflation sensitive	6	3.36
Private equity	12	6.95
Real estate	11	5.13
Infrastructure and forestland	3	5.09
Liquidity	2	(1.05)
	<hr/>	
Total	100%	
	<hr/> <hr/>	

(9) 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, 2015 and 2014

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.

Annual OPEB Costs and Net OPEB Obligation

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. A liability is generally reported as the difference between the ARC and the amounts contributed by the District. 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

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>2015</u>	<u>2014</u>
Annual required contribution	\$ 34,604,000	34,419,000
Interest on net OPEB obligation	4,343,000	3,953,000
Adjustment to annual required contribution	<u>(3,439,000)</u>	<u>(3,130,000)</u>
Annual OPEB cost	35,508,000	35,242,000
Contributions made	<u>(29,604,235)</u>	<u>(29,570,661)</u>
Increase in net OPEB obligation	5,903,765	5,671,339
Net OPEB obligation, beginning of year	<u>63,122,611</u>	<u>57,451,272</u>
Net OPEB obligation, end of year	<u>\$ 69,026,376</u>	<u>63,122,611</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, 2015	\$ 35,508,000	83.40%	\$ 69,026,376
June 30, 2014	35,242,000	83.90%	63,122,611

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

The fair value of the trust fund as of June 30, 2015 and 2014 was approximately \$76.8 million and \$69.6 million, respectively. Refer to schedule of other postemployment benefit funding progress in Required Supplemental Information on page 45.

In the July 1, 2013 actuarial valuation of Other Post-employment Benefits, 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

3.25% wage inflation assumption was used as well as an annual medical and dental/vision trend rate of 6.5% and 4.00%, respectively, initially, reduced by decrements to an ultimate rate of less than 5.25% 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.

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 \$6.0 million and \$5.9 million for the fiscal years ended June 30, 2015 and 2014, respectively. This benefit was approved by the Board of Trustees on November 19, 2014 for a two year extension.

(10) 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, 2015. 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, 2015, the total value of these outstanding commitments is \$478,717,461.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

(11) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2015 and 2014:

	2015				
	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>	<u>Due within one year</u>
G.O. Bonds 2004 Series A and B	83,085,000	—	(49,415,000)	33,670,000	—
G.O. Bonds 2005 Series A	403,320,000	—	(385,180,000)	18,140,000	18,140,000
G.O. Bonds 2006 Series E	266,185,000	—	(245,825,000)	20,360,000	9,940,000
G.O. Bonds 2007 Series A	381,585,000	—	(371,320,000)	10,265,000	820,000
G.O. Bonds 2008 Series E1 and F1	608,905,000	—	(557,220,000)	51,685,000	10,795,000
G.O. Bonds 2009 Series A and B	425,000,000	—	(350,000,000)	75,000,000	—
G.O. Bonds 2010 Series C, D, and E	1,200,000,000	—	—	1,200,000,000	—
G.O. Bonds 2013 Series F	220,000,000	—	(3,500,000)	216,500,000	3,500,000
G.O. Bonds 2013 Refunding Bond	54,480,000	—	(2,905,000)	51,575,000	2,990,000
G.O. Bonds 2015 Series G	—	300,000,000	—	300,000,000	70,000,000
G.O. Bonds 2015 Series H	—	50,000,000	—	50,000,000	50,000,000
G.O. Bonds 2015 Refunding Series A	—	1,495,575,000	—	1,495,575,000	33,490,000
G.O. Bonds 2015 Refunding Series B	—	47,075,000	—	47,075,000	5,075,000
G.O. Bonds 2015 Refunding Series C	—	312,420,000	—	312,420,000	6,515,000
Unamortized bond premiums	113,591,079	333,395,187	(79,309,354)	367,676,912	23,076,227
Workers' compensation claims	33,131,000	4,882,682	(4,965,682)	33,048,000	4,965,682
General liability	6,053,000	2,811,674	(2,669,674)	6,195,000	2,669,674
Compensated absences	15,703,474	624,819	—	16,328,293	8,238,603
Capital lease obligations	910,520	1,334,555	(497,762)	1,747,313	476,540
Total	\$ 3,811,949,073	2,548,118,917	(2,052,807,472)	4,307,260,518	250,691,726

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

	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

(a) General Obligation Bonds

The voters has passed three General Obligation (G.O.) Bond measures which were designed to finance construction, building and equipment acquisition, capital improvement programs for each of the nine colleges and the Educational Service Center and refinance other outstanding debts. On April 10, 2001, the voters of the County passed Proposition A, a \$1.2 billion G.O. Bond measure. On May 20, 2003, the voters of the County passed Proposition AA, a \$980 million G.O. Bond measure. On November 4, 2008, the voters of the County passed Measure J, a \$3.5 billion G.O. Bond measure.

During FY 2015, the District issued new Measure J G.O. Bond Series G and Series H for a total of \$350,000,000. The District also issued 2015 G.O. Refunding Bonds Series A, B and C for a total of \$1,855,070,000 to partially refund \$45,925,000 of the 2004 Series A and B Bonds, \$368,990,000 of 2005 Series A Bonds, \$234,930,000 for the 2006 Series E Bonds, \$370,615,000 for the 2007 Series A, \$547,730,000 for the 2008 Series E1 and F1 Bonds, and \$350,000,000 for the 2009 Series A bonds. The refunding resulted in a difference between the reacquisition price and net carrying amount on the refunded debt of \$168,318,315, which has been recorded as a deferred outflow in the accompanying basic financial statements and will be recognized over the life of the refunded bonds. The aggregate debt service decreased by \$294,755,742 thereby resulting in an economic gain of \$232,947,485.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

The District has issued to date all the authorized amounts of Proposition A and Proposition AA, and \$2.225 billion of Measure J. The G.O. Bond measures were issued with interest ranging from 2% to 7.53%. The effective interest rate at the financial statement date is 5.38%.

Total debt service requirements to maturity of the G.O. Bonds at June 30, 2015 are as follows:

	Total GO Bond Debt Service		
	Principal	Interest	Total
Year(s) ending June 30:			
2016	\$ 211,265,000	198,181,880	409,446,880
2017	63,115,000	193,556,459	256,671,459
2018	66,530,000	190,825,580	257,355,580
2019	69,255,000	187,797,190	257,052,190
2020	73,785,000	184,515,700	258,300,700
2021–2025	481,270,000	859,709,472	1,340,979,472
2026-2030	750,015,000	706,973,131	1,456,988,131
2031-2035	864,550,000	489,450,449	1,354,000,449
2036-2040	445,400,000	344,059,777	789,459,777
2041-2045	381,520,000	226,728,068	608,248,068
2046-2050	475,560,000	83,068,200	558,628,200
Total	<u>\$ 3,882,265,000</u>	<u>3,664,865,906</u>	<u>7,547,130,906</u>

(b) Lease Purchase Financing

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2015 are as follows:

	Lease purchase financing		
	Principal	Interest	Total
Year(s) ending June 30:			
2016	\$ 476,540	91,758	568,298
2017	471,522	62,269	533,791
2018	420,111	34,924	455,035
2019	363,526	11,617	375,143
2020	15,614	179	15,793
Total	<u>\$ 1,747,313</u>	<u>200,747</u>	<u>1,948,060</u>

(12) 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2015 and 2014

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 2015. The amount of the outstanding liability at June 30, 2015 and 2014 includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases, which occurred through that date.

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

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2015 and 2014 were as follows:

	2015			
	Balance at July 1, 2014	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2015
Workers' compensation	\$ 33,131,000	4,882,682	(4,965,682)	33,048,000
General liability	6,053,000	2,811,674	(2,669,674)	6,195,000

	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

During the years ended June 30, 2015 and 2014, the District made total premium payments of approximately \$3,467,274 and \$2,954,694, respectively, for general liability and property claims.

(13) Subsequent Events

The District evaluated events or transactions that occurred subsequent to the statements of net position dated through December 9, 2015, 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, 2015

(Unaudited)

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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District Contributions
Year ended June 30, 2015
(Unaudited)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

CalSTRS and CalPERS Pension Plans

Last 10 Fiscal Years*

	2015	
	CalPERS	CalSTRS
District's proportion of the collective net pension liability	1.25%	0.44%
District's proportionate share of the collective net pension liability	141,882,731	256,538,429
District's covered-employee payroll	126,834,679	211,421,078
District's proportionate share of the collective net pension liability as a % of covered payroll	111.86%	121.34%
Pension plan's fiduciary net position as a percentage of total pension liability	83.38%	76.21%

* The District implemented GASB Statement No. 68 effective July 1, 2014, therefore, data is not available prior to July 1, 2014

SCHEDULE OF DISTRICT CONTRIBUTIONS

CalSTRS Pension Plan

Last 10 Fiscal Years *

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contributions as a percentage of covered-employee payroll	12.92%	11.68%	11.87%	11.05%	10.76%	9.76%	9.46%	9.27%	6.16%	9.32%
Contractually required contribution	21,015,634	17,728,126	17,395,249	17,279,949	17,216,865	16,842,446	18,482,827	18,396,581	18,238,184	16,177,676
Contributions in relation to the contractually required contributions	21,015,634	17,728,126	17,395,249	17,279,949	17,216,865	16,842,446	18,482,827	18,396,581	18,238,184	16,177,676
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered-employee payroll	211,421,078	197,516,930	185,551,123	191,864,244	192,583,183	192,692,842	207,975,718	205,287,280	199,987,904	178,281,445
Contributions as a percentage of covered-employee payroll	9.94%	8.98%	9.37%	9.01%	8.94%	8.74%	8.89%	8.96%	9.12%	9.07%

* The District implemented GASB Statement No. 68 effective July 1, 2014. Contributions included in this schedule prior to fiscal year 2015 are reported under GASB Statement No. 25.

CaPERS Pension Plan

Last 10 Fiscal Years *

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	16,386,804	15,345,462	15,109,137	14,360,463	14,039,142	12,702,976	12,216,963	11,997,904	10,612,625	9,536,500
Contributions in relation to the contractually required contributions	16,386,804	15,345,462	15,109,137	14,360,463	14,039,142	12,702,976	12,216,963	11,997,904	10,612,625	9,536,500
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered-employee payroll	126,834,679	131,436,970	127,244,130	129,918,547	130,436,025	130,146,925	129,129,741	129,412,341	172,306,918	102,344,717

* The District implemented GASB Statement No. 68 effective July 1, 2014. Contributions included in this schedule prior to fiscal year 2015 are reported under GASB Statement No. 25.

SUPPLEMENTAL FINANCIAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Balance Sheet Accounts

June 30, 2015

Assets

Cash in county treasury	\$ 117,221,914
Cash in banks	12,793,926
Cash in revolving fund	162,756
Accounts, notes, interest and loans receivable, net	35,945,301
Cash Held with Trustee	65,402
Due from other funds	5,018,608
Prepaid expenses and other assets	6,757,049
Total assets	<u>\$ 177,964,956</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 63,490,715
Due to other funds	4,900,696
Amounts held in trusts	527,214
Unearned revenue	7,020,623
Total liabilities	<u>75,939,248</u>

Fund balance

Restricted	23,831,829
Unrestricted	78,193,879
Total fund balance	<u>102,025,708</u>
Total liabilities and fund balance	<u>\$ 177,964,956</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

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

Year ended June 30, 2015

Revenues:

Federal revenues:

Higher Education Acts	\$ 13,798,690
Job Training Partnership Act	3,552,090
Temporary Assistance for Needy Families (TANF)	1,151,963
Vocational Education Act	4,796,273
Veterans Education	22,104
College Work Study	2,505,289
Supplemental educational opportunity grants	117,440
Pell (Basic educational opportunity grants)	283,730
Other	10,320,913

Total federal revenues	<u>36,548,492</u>
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State revenues:

State apportionments	333,141,821
Tax relief subvention	3,846,293
State lottery	17,485,483
CA Works Opportunity and Responsibility to Kids	5,161,939
Extended opportunity program	6,111,909
Matriculation program	26,449,876
Disabled Students Programs and Services	7,221,414

Total state revenues	<u>399,418,735</u>
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Local revenues:

Local property taxes	182,917,840
Enrollment fees	27,212,625
Tuition and fees, net of scholarship discounts and allowance	14,642,569
Community service fees	5,727,849
Parking fees	3,053,892
Health service fees	5,119,705
Student fees and charges	1,353,783
Interest	713,305
Other	15,665,780

Total local revenues	<u>256,407,348</u>
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Total revenues	<u>692,374,575</u>
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Expenditures:

Current:

Academic salaries	272,545,410
Classified salaries	152,387,990
Employee benefits	136,367,134
Books and supplies	12,377,522
Contract services, student grants, and other operating expenditures	80,351,522
Capital outlay and equipment replacement:	12,143,333
Other	1,160,543

Total expenditures	<u>667,333,454</u>
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Excess of revenues over expenditures:	25,041,121
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Other financing uses:

Operating transfers in (out)	<u>(14,182,182)</u>
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Net increase in fund balance	10,858,939
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Fund balances at July 1, 2014	<u>91,166,769</u>
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Fund balances at June 30, 2015	<u>\$ 102,025,708</u>
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See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2015

Assets	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Cash in county treasury	\$ 77,537,955	—	226,570	—	77,764,525
Cash in banks	—	197,869	468,333	1,691,409	2,357,611
Cash in revolving fund	—	2,889	(426)	113,866	116,329
Accounts, notes, interest and loans receivable, net of allowance for doubtful accounts	3,637,227	113,334	1,605,253	2,729,581	8,085,395
Due from other funds	3,728,529	351,679	472,087	220,631	4,772,926
Prepaid expenses	—	—	4,253	—	4,253
Inventory	—	96,779	—	4,762,960	4,859,739
Total assets	<u>\$ 84,903,711</u>	<u>762,550</u>	<u>2,776,070</u>	<u>9,518,447</u>	<u>97,960,778</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 1,104,185	51,437	395,250	466,035	2,016,907
Due to other funds	2,202,808	214,155	1,749,555	1,031,541	5,198,059
Unearned revenue	—	—	—	257,259	257,259
Total liabilities	<u>3,306,993</u>	<u>265,592</u>	<u>2,144,805</u>	<u>1,754,835</u>	<u>7,472,225</u>
Fund balance:					
Capital Projects	81,596,718	—	—	—	81,596,718
Unrestricted	—	496,958	—	5,223,056	5,720,014
Reserve for facility improvements and inventory	—	—	—	2,540,556	2,540,556
Reserve for program and capital expenditures	—	—	631,265	—	631,265
Total fund balance	<u>81,596,718</u>	<u>496,958</u>	<u>631,265</u>	<u>7,763,612</u>	<u>90,488,553</u>
Total liabilities and fund balance	<u>\$ 84,903,711</u>	<u>762,550</u>	<u>2,776,070</u>	<u>9,518,447</u>	<u>97,960,778</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

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

Year ended June 30, 2015

	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Revenues:					
Federal revenues:					
Tuition and fees	\$ —	—	440,033	—	440,033
Other	—	63,134	2,310,562	—	2,373,696
Total federal revenues	—	63,134	2,750,595	—	2,813,729
State revenues:					
State apportionment	10,843,720	—	—	—	10,843,720
Other	—	—	4,954,794	—	4,954,794
Total state revenues	10,843,720	—	4,954,794	—	15,798,514
Local revenues:					
Food service sales	—	1,880,530	—	—	1,880,530
Bookstore sales	—	—	—	23,838,618	23,838,618
Interest	437,165	—	5,076	—	442,241
Other	9,499,390	329,826	—	130	9,829,346
Total local revenues	9,936,555	2,210,356	5,076	23,838,748	35,990,735
Total revenues	20,780,275	2,210,356	4,959,870	23,838,748	51,789,249
Expenditures:					
Current:					
Academic salaries	—	30,525	3,565,086	3,862,512	7,458,123
Classified salaries	—	434,464	2,451,209	1,439,634	4,325,307
Employee benefits	—	60,389	1,309,256	—	1,369,645
Books and supplies	—	1,806,050	623,028	16,964,146	19,393,224
Contract services, student grant, and other operating expenditures	5,329,647	74,666	421,361	592,327	6,418,001
Utilities	—	—	—	234,348	234,348
Capital outlay	9,567,933	—	26,499	48,253	9,642,685
Total expenditures	14,897,580	2,406,094	8,396,439	23,141,220	48,841,333
Excess (deficit) of revenues over (under) expenditures	5,882,695	(132,604)	(685,974)	697,528	5,761,645
Other financing sources – operating transfers in (out)	5,630,663	361,560	907,202	(99,216)	6,800,209
Net increase (decrease) in fund balances	11,513,358	228,956	221,228	598,312	12,561,854
Fund balances at July 1, 2014	70,083,360	268,002	410,037	7,165,300	77,926,699
Fund balances at June 30, 2015	\$ 81,596,718	496,958	631,265	7,763,612	90,488,553

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2015

Assets

Cash held with trustee	\$ 415,866,842
Accounts, notes, interest and loans receivable, net	<u>25,088,528</u>
Total assets	<u><u>\$ 440,955,370</u></u>

Liabilities and Fund Balance

Liabilities:

Unearned revenue	25,088,528
Other liabilities	<u>84,299,650</u>
Total liabilities	<u>109,388,178</u>

Fund balance:

Restricted	<u>331,567,192</u>
Total fund balance	<u>331,567,192</u>
Total liabilities and fund balance	<u><u>\$ 440,955,370</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

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

Year ended June 30, 2015

Revenue:

Total local revenues \$ —

Expenditures:

Current:

Debt service 47,175,000

Contract services, student grant, and other operating expenditures 2,155

Interest expense on capital asset-related debt 161,055,057

Total expenditures 208,232,212

Deficit of expenditures over revenues (208,232,212)

Other financing sources

Local tax for G.O. Bonds 331,619,122

Total other financing sources 331,619,122

Net increase in fund balance 123,386,910

Fund balances at July 1, 2014 208,180,282

Fund balances at June 30, 2015 \$ 331,567,192

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Post Retirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2015

Assets

Total assets

\$ —

Liabilities and Fund Balance

Liabilities:

Unfunded OPEB payable

69,026,376

Total liabilities

69,026,376

Fund balance:

Restricted

(69,026,376)

Total fund balance

(69,026,376)

Total liabilities and fund balance

\$ —

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Post Retirement Health Insurance Fund
 Schedule of Revenues, Expenditures, and Change in Fund Balance Accounts
 Year ended June 30, 2015

Revenue:		
Interest	\$	6,489
Other non-operating revenue		(568)
Total local revenues		<u>(568)</u>
Expenditures:		
Current:		
Employee benefits		13,301,237
Total expenditures		<u>13,301,237</u>
Deficit of expenditures over revenues		<u>(13,294,180)</u>
Other financing sources		
Operating transfers in (out)		<u>7,390,416</u>
Total other financing sources		<u>7,390,416</u>
Net decrease in fund balance		(5,903,764)
Fund balances at July 1, 2014		<u>(63,122,612)</u>
Fund balances at June 30, 2015	\$	<u><u>(69,026,376)</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

Schedule of Balance Sheet Accounts

June 30, 2015

Assets

Cash held with trustee	\$	1,007,089
Accounts, notes, interest and loans receivable, net		<u>3,016</u>
Total assets	\$	<u><u>1,010,105</u></u>

Liabilities and Fund Balance

Liabilities:

Due to other funds		6,000
Other liabilities		<u>107</u>
Total liabilities		<u>6,107</u>

Fund balance:

Reserve for expendable fund balance		3,998
Reserve for nonexpendable fund balance		<u>1,000,000</u>
Total fund balance		<u>1,003,998</u>
Total liabilities and fund balance	\$	<u><u>1,010,105</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Scholarship and Loan Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts
Year ended June 30, 2015

Revenue:	
Investment income - noncapital	\$ 8,371
Total revenues	<u>8,371</u>
Expenditures:	
Total expenditures	<u>6,000</u>
Excess of revenues over expenditures	<u>2,371</u>
Other financing sources	
Other financing sources (uses)	<u>(8,443)</u>
Total other financing sources	<u>(8,443)</u>
Net decrease in fund balance	(6,072)
Fund balances at July 1, 2014	<u>1,010,070</u>
Fund balances at June 30, 2015	<u><u>\$ 1,003,998</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2015

Assets

Cash in county treasury	\$ 350,756,398
Cash in banks	7,440,744
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	2,397,725
Due from other funds	2,202,808
Prepaid expenses and other assets	40,388,604
Deposit with trustee	35,094,560
Total assets	<u>\$ 438,280,839</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 97,872,493
Due to other funds	327,528
Total liabilities	<u>98,200,021</u>

Fund balance:

Reserved for capital expenditures	<u>340,080,818</u>
Total fund balance	<u>340,080,818</u>
Total liabilities and fund balance	<u>\$ 438,280,839</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

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

Year ended June 30, 2015

Local revenues:		
Interest	\$	3,309,435
Other		<u>4,971,795</u>
Total revenue		8,281,230
Expenditures:		
Other operating expenses and services		9,399,159
Capital outlay		<u>250,440,188</u>
Total expenditures		<u>259,839,347</u>
Deficit of expenditures over revenues		(251,558,117)
Other financing sources		
Proceeds from issuance of debt		350,000,000
Total other financing sources		<u>350,000,000</u>
Net increase in fund balance		98,441,883
Fund balances at July 1, 2014		<u>241,638,935</u>
Fund balances at June 30, 2015	\$	<u><u>340,080,818</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Balance Sheet

June 30, 2015

Assets

Cash in county treasury	\$	850,371
Cash in banks		3,444,382
Accounts, notes, interest and loans receivable, net		5,251,343
Due from other funds		482,314
Total assets	\$	<u>10,028,410</u>

Liabilities and Fund Balance

Liabilities:		
Accounts payable	\$	5,427,284
Due to other funds		2,044,379
Total liabilities		<u>7,471,663</u>
Fund balance:		
Restricted		2,556,747
Total fund balance		<u>2,556,747</u>
Total liabilities and fund balance	\$	<u>10,028,410</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2015

Revenues:

Federal revenues:

Supplemental educational opportunity grants	\$ 2,546,548
Pell (Basic educational opportunity grants)	188,286,177
Direct Loan	31,237,128
Other	364,141

Total federal revenues 222,433,994

State revenues:

Extended opportunity program	4,312,642
Cal Grant	11,424,649
Other	35,250

Total state revenues 15,772,541

Local revenues:

Interest	4,519
Other	171,282

Total local revenues 175,801

Total revenues 238,382,336

Expenditures:

Student Grant	238,176,196
---------------	-------------

Total expenditures 238,176,196

Excess of revenues over expenditures 206,140

Net increase in fund balance 206,140

Fund balances at July 1, 2014 2,350,607

Fund balances at June 30, 2015 \$ 2,556,747

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 ASG Trust Fund - Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts
 Year ended June 30, 2015

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Revenues:										
Other	\$ 64,180	33,179	16,962	18,214	46,947	16,110	31,270	30,716	19,745	277,323
Total revenues	<u>64,180</u>	<u>33,179</u>	<u>16,962</u>	<u>18,214</u>	<u>46,947</u>	<u>16,110</u>	<u>31,270</u>	<u>30,716</u>	<u>19,745</u>	<u>277,323</u>
Expenditures:										
Contract services and other operating expenditures	69,631	43,780	13,278	12,070	19,370	13,881	21,375	6,168	33,648	233,201
Total expenditures	<u>69,631</u>	<u>43,780</u>	<u>13,278</u>	<u>12,070</u>	<u>19,370</u>	<u>13,881</u>	<u>21,375</u>	<u>6,168</u>	<u>33,648</u>	<u>233,201</u>
Net increase (decrease) in fund balance	(5,451)	(10,601)	3,684	6,144	27,577	2,229	9,895	24,548	(13,903)	44,122
Fund balances at July 1, 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>11,350</u>	<u>99,319</u>	<u>35,309</u>	<u>673,748</u>
Fund balances at June 30, 2015	<u>\$ 34,286</u>	<u>139,352</u>	<u>66,387</u>	<u>42,620</u>	<u>258,438</u>	<u>10,269</u>	<u>21,245</u>	<u>123,867</u>	<u>21,406</u>	<u>717,870</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 ASG Trust Fund - Combined Schedule of Balance Sheet Accounts
 June 30, 2015

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	\$ 34,286	139,352	66,387	42,620	258,438	10,269	21,245	72,659	21,406	666,662
Investments	—	—	—	—	—	—	—	51,208	—	51,208
Total assets	<u>34,286</u>	<u>139,352</u>	<u>66,387</u>	<u>42,620</u>	<u>258,438</u>	<u>10,269</u>	<u>21,245</u>	<u>123,867</u>	<u>21,406</u>	<u>717,870</u>
Fund Balance										
Fund balance:										
Fund balances – designated for future expenditures	34,286	139,352	66,387	42,620	258,438	10,269	21,245	123,867	21,406	717,870
Total fund balance	<u>34,286</u>	<u>139,352</u>	<u>66,387</u>	<u>42,620</u>	<u>258,438</u>	<u>10,269</u>	<u>21,245</u>	<u>123,867</u>	<u>21,406</u>	<u>717,870</u>
Total liabilities and fund balance	\$ <u>34,286</u>	<u>139,352</u>	<u>66,387</u>	<u>42,620</u>	<u>258,438</u>	<u>10,269</u>	<u>21,245</u>	<u>123,867</u>	<u>21,406</u>	<u>717,870</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, 2015

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	\$ 301,644	235,513	233,689	361,279	777,262	193,918	1,347,468	944,319	98,605	4,493,697
Investments	1,212,898	165,012	100,000	72,125	610,451	20,281	1,735,995	1,758		3,918,520
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	11,650		1,909	—	15,098	8,988	7,717	—	45,362
Inventory	—	—	—	—	35,932	—	6,607	—	1,344	43,883
Capital Assets	55,744	—	—	—	—	—	162,987	280,915	54,685	554,331
Total assets	<u>\$ 1,570,286</u>	<u>412,175</u>	<u>333,689</u>	<u>435,313</u>	<u>1,423,645</u>	<u>229,297</u>	<u>3,262,045</u>	<u>1,234,709</u>	<u>154,634</u>	<u>9,055,793</u>
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	—	4,358	—	116,058	4,871	6,140	5,452	9,054	19,202	165,135
Unearned revenue	11,295	—	—	—	—	—	3,290	—	—	14,585
Other liabilities	1,038,129	8,227	140,736	—	722,582	116,675	1,086,114	—	—	3,112,463
Total liabilities	<u>1,049,424</u>	<u>12,585</u>	<u>140,736</u>	<u>116,058</u>	<u>727,453</u>	<u>122,815</u>	<u>1,094,856</u>	<u>9,054</u>	<u>19,202</u>	<u>3,292,183</u>
Fund balance:										
Investment in fixed assets	55,744						162,987	280,915	54,685	554,331
Fund balances – designated for future expenditures	465,118	399,590	192,953	319,255	696,192	106,482	2,004,202	944,720	80,747	5,209,279
Total fund balance	<u>520,862</u>	<u>399,590</u>	<u>192,953</u>	<u>319,255</u>	<u>696,192</u>	<u>106,482</u>	<u>2,167,189</u>	<u>1,225,635</u>	<u>135,432</u>	<u>5,763,610</u>
Total liabilities and fund balance	<u>\$ 1,570,286</u>	<u>412,175</u>	<u>333,689</u>	<u>435,313</u>	<u>1,423,645</u>	<u>229,297</u>	<u>3,262,045</u>	<u>1,234,689</u>	<u>154,634</u>	<u>9,055,793</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 Revenues, Expenditures, and Changes in Fund Balance Accounts
 Year ended June 30, 2015

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Revenues:										
Other	\$ 222,257	87,887	22,809	298,807	136,921	55,308	1,215,966	38,102	45,414	2,123,471
Total revenues	<u>222,257</u>	<u>87,887</u>	<u>22,809</u>	<u>298,807</u>	<u>136,921</u>	<u>55,308</u>	<u>1,215,966</u>	<u>38,102</u>	<u>45,414</u>	<u>2,123,471</u>
Expenditures:										
Contract services and other operating expenditures	210,744	80,653	25,650	307,010	72,752	19,211	51,204	101,839	21,313	890,376
Total expenditures	<u>210,744</u>	<u>80,653</u>	<u>25,650</u>	<u>307,010</u>	<u>72,752</u>	<u>19,211</u>	<u>51,204</u>	<u>101,839</u>	<u>21,313</u>	<u>890,376</u>
Net increase (decrease) in fund balance	11,513	7,234	(2,841)	(8,203)	64,169	36,097	1,164,762	(63,737)	24,101	1,233,095
Fund balances at July 1, 2014	509,349	392,356	195,794	327,458	632,023	70,385	1,002,427	1,289,392	111,331	4,530,515
Fund balances at June 30, 2015	<u>\$ 520,862</u>	<u>399,590</u>	<u>192,953</u>	<u>319,255</u>	<u>696,192</u>	<u>106,482</u>	<u>2,167,189</u>	<u>1,225,655</u>	<u>135,432</u>	<u>5,763,610</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2015

(Unaudited)

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, 2015 comprised the following members:

Scott Svonkin
Mike Eng
Mike Fong
Andra Hoffman
Sydney Kamlager
Ernest Moreno
Nancy Pearlman

Administration

Dr. Francisco C. 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, 2015

(Unaudited)

College Presidents

Marvin R. Martinez	East Los Angeles College
Renee D. Martinez	Los Angeles City College
Dr. Otto W. K. Lee	Los Angeles Harbor College
Dr. Monte E. Perez	Los Angeles Mission College
Dr. Kathleen Burke	Los Angeles Pierce College
Dr. Linda Rose	Los Angeles Southwest College
Laurence B. Frank	Los Angeles Trade–Technical College
Dr. Erika A. Endrijonas	Los Angeles Valley College
Dr. Nabil Abu-Ghazaleh	West Los Angeles College

**Los Angeles Community College District
Schedule of Workload Measures for State General Apportionment
Annual 2014-15 Apportionment Attendance Report**

Categories	Reported Data
A. Summer Intersession (Summer Seg 2 Only)	
1. Noncredit	\$ 830.47
2. Credit	5,099.94
B. Summer Intersession (Summer Seg 1 Only)	
1. Noncredit	114.80
2. Credit	3,180.74
C. Primary Terms (Exclusive Of Summer Intersessions)	
1. Census Procedure Courses	
a. Weekly Census Contact Hours	71,228.69
b. Daily Census Contact Hours	7,650.27
2. Actual Hours Of Attendance Procedure Courses	
a. Noncredit	4,380.19
b. Credit	3,938.50
3. Independent Study/Work Experience Education Courses	
a. Weekly Census Procedure Crs	6,022.48
b. Daily Census Procedure Crs	2,549.38
c. Noncredit Independent Study	0.00
D. Total FTES	<u><u>104,995.46</u></u>

SUPPLEMENTAL INFORMATION

E. In-Service Training Courses	\$ 2,218.76
F. FOR FUTURE USE	
G. FOR FUTURE USE	
H. BASIC SKILLS COURSES	
1. Noncredit	4,205.53
2. Credit	5,609.77
I. CCFS-320 Addendum	
CDCP Noncredit FTES	3,175.81
J. Centers FTES	
a. Noncredit	-
b. Credit	-

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Annual Financial and Budget Report (CCFS 311) with Audited Financial Statements
 Year ended June 30, 2015

	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, 2015 total fund balances per annual financial budget report	\$ 100,128,415	88,008,254	—	(69,026,376)	330,144,529	2,556,747	6,481,479	1,003,998	—	—	459,297,046
Audit adjustments to fund balance:											
Adjustments to cash with bond trustee	—	—	208,180,282	—	—	—	—	—	—	—	208,180,282
Adjustments to accrued interest expense	—	—	(161,055,057)	—	—	—	—	—	—	—	(161,055,057)
Adjustments to accrued interest income	—	—	—	—	—	—	—	—	—	—	—
Adjustments to investment income	—	—	—	—	—	—	—	—	—	—	—
Adjustments to payables	—	—	(47,175,000)	—	—	—	—	—	—	—	(47,175,000)
Adjustments to revenues	3,039,694	(60,257)	331,619,122	—	(13,970,772)	—	—	—	—	—	320,627,787
Adjustments to expenditures	(3,042,401)	—	(2,155)	—	23,907,061	—	—	—	—	—	20,862,505
Adjustments to bookstore's reserve for inventory and facility improvements	—	2,540,556	—	—	—	—	—	—	—	—	2,540,556
Adjustments to worker's compensation payable reserve	1,900,000	—	—	—	—	—	—	—	—	—	1,900,000
Adjustments and reclass	1,897,293	2,480,299	331,567,192	—	9,936,289	—	—	—	—	—	345,881,073
June 30, 2015 unaudited ending fund balance	102,025,708	90,488,553	331,567,192	(69,026,376)	340,080,818	2,556,747	6,481,479	1,003,998	—	—	805,178,119
Current assets:											
1 Adjustment to receivables	(665,967)	—	—	—	—	—	—	—	—	—	(665,967)
2 Adjustment to payables	(9,803,139)	—	8,170,755	—	25,088,515	—	—	—	—	—	23,456,131
3 Adjustment to cash and deposit with trustee	(1,067,724)	—	—	—	—	—	—	—	—	—	(1,067,724)
4 Prepaid assets	—	—	169,657,231	—	—	—	—	—	—	—	169,657,231
Capital assets are not financial resources and therefore are not reported as assets											
5 in government funds	—	—	—	—	—	—	—	—	4,124,323,146	—	4,124,323,146
Other assets are not financial resources and therefore not reported as assets											
6 in government funds	—	—	—	—	—	—	—	—	—	—	—
7 Deferred Outflows	35,553,578	—	—	—	—	—	—	—	—	—	35,553,578
Long-term liabilities are not booked as part of fund balances:											
8 G.O. Bonds	—	—	—	—	—	—	—	—	—	(3,905,646,728)	(3,905,646,728)
9 Unamortized premiums bond	—	—	—	—	—	—	—	—	—	(344,600,684)	(344,600,684)
10 Pension Obligation	—	—	—	—	—	—	—	—	—	(398,421,160)	(398,421,160)
11 Workers' compensation claims payable	—	—	—	—	—	—	—	—	—	(33,048,000)	(33,048,000)
12 General liability	—	—	—	—	—	—	—	—	—	(16,328,293)	(16,328,293)
13 Vacation benefits payable	—	—	—	—	—	—	—	—	—	(6,194,743)	(6,194,743)
14 Capital lease payable	—	—	—	—	—	—	—	—	—	(1,747,313)	(1,747,313)
15 Deferred Inflows	—	—	—	—	—	—	—	—	—	(111,924,595)	(111,924,595)
June 30, 2015 net position	\$ 126,042,456	90,488,553	509,395,178	(69,026,376)	365,169,333	2,556,747	6,481,479	1,003,998	4,124,323,146	(4,817,911,516)	338,522,998

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

See accompanying Vasquez and Company, LLP's independent auditors' report

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of ECS 84362 (50 Percent Law) Calculation

Year ended June 30, 2015

	Object/TOP Code	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 102,866,558	\$ (2,618,517)	\$ 100,248,041	\$ 103,455,743	\$ (2,618,517)	\$ 100,837,226
Other	1300	91,378,470	-	91,378,470	93,859,871	-	93,859,871
Total Instructional Salaries		194,245,028	(2,618,517)	191,626,511	197,315,614	(2,618,517)	194,697,097
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	41,026,519	2,618,517	43,645,036
Other	1400	-	-	-	3,992,678	-	3,992,678
Total Non-Instructional Salaries		-	-	-	45,019,197	2,618,517	47,637,714
Total Academic Salaries		194,245,028	(2,618,517)	191,626,511	242,334,811	-	242,334,811
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	94,486,440	-	94,486,440
Other	2300	-	-	-	4,381,061	-	4,381,061
Total Non-Instructional Salaries		-	-	-	98,867,501	-	98,867,501
Instructional Aides							
Regular Status	2200	9,566,907	-	9,566,907	10,669,114	-	10,669,114
Other	2400	1,063,015	-	1,063,015	1,332,665	-	1,332,665
Total Instructional Aides		10,629,922	-	10,629,922	12,001,779	-	12,001,779
Total Classified Salaries		10,629,922	-	10,629,922	110,869,280	-	110,869,280
Employee Benefits	3000	51,457,228	(427,119)	51,030,109	121,199,501	-	121,199,501
Supplies and Materials	4000	-	-	-	4,042,901	-	4,042,901
Other Operating Expenses	5000	2,174,546	-	2,174,546	65,585,348	-	65,585,348
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		\$ 258,506,724	\$ (3,045,636)	\$ 255,461,088	\$ 544,031,841	\$ -	\$ 544,031,841

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of the ECS 84362 (50 Percent Law) Calculation
 Year ended June 30, 2015

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	114,887	-	114,887
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	22,206,763	-	22,206,763
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,628,570	-	1,628,570
Lottery Expenditures							
Academic Salaries	1000	-	-	-	10,869,310	-	10,869,310
Classified Salaries	2000	-	-	-	594,815	-	594,815
Employee Benefits	3000	-	-	-	2,332,716	-	2,332,716
Supplies and Materials							
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services							
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay							
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	37,747,061	-	37,747,061
Total for ECS 84362, 50% Law		\$ 258,506,724	\$ (3,045,636)	\$ 255,461,088	\$ 506,284,780	\$ -	\$ 506,284,780
Percent of CEE (Instructional Salary Cost / Total CEE)		51.06%	-0.60%	50.46%	100.00%	-	100.00%
50% of Current Expense of Education					\$ 253,142,390	-	\$ 253,142,390

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Proposition 30 Education Protection Account (EPA) Report

Year ended June 30, 2015

	Activity Code	Amount
EPA Proceeds Received	8630	94,506,345

Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(1000-3000)	(4000-5000)	(6000)	
Instructional Activities Total Instructional Activities	0100-5900	\$ 94,196,122	\$ -	\$ -	\$ 94,196,122
Other Support Activities Total Other Support Activities	6XXX	486,643	10,901	-	497,544
Total Expenditures for EPA		\$ 94,682,765	\$ -	\$ -	\$ 94,693,666
Revenues less Expenditures					\$ (187,321)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<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	\$ 1,208
Subtotal direct programs			<u>1,208</u>
Pass-through California Department of Education:			
Child Care Food Programs	10.558	04056-CACFP-19-CC-CS	675,762
Summer Food Service	10.559		63,134
Subtotal pass-through programs			<u>738,896</u>
Total U.S. Department of Agriculture			<u>740,104</u>
U.S. Department of Labor:			
Direct programs:			
H-1B Technical Skills Training Grants	17.268	HG-22731-12-60-A-6	1,401,575
H-1B Technical Skills Training Grants	17.268	HG-22706-12-60-A-6	1,075,346
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23756-12-60-A-6	868,586
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-083-13-60-A-6	1,652,168
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-084-13-60-A-6	95,783
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-085-13-60-A-6	328,576
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-086-13-60-A-6	244,910
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-087-13-60-A-6	172,786
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-088-13-60-A-6	130,939
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-089-13-60-A-6	182,807
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-090-13-60-A-6	10,063
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-091-13-60-A-6	436,036
Subtotal direct programs			<u>6,599,575</u>
Pass-through City of Long Beach:			
H-1B Health Sector Training Grant	17.268	32781	36,353
Pass-through City of Los Angeles:			
Boyle Heights Youth Opportunity	17.283	124496	114,150
Youth Worksource Center	17.259	124901	559,743
Pass-through Community Career Development, Inc/			
Wilshire-Metro WorkSource Center:			
Biomedical Sector Initiative Program	17.258	C-122789-1	45,900
Biomedical Sector Initiative Program	17.278	C-122789-1	6,172
Compton WorkSource Center/Community Career Development	17.258	K391995	58,750
Compton WorkSource Center/Community Career Development	17.278	K391995	17,500
Compton WorkSource Center/Community Career Development	17.802	K391995	11,750
Pass-through Employment Development Department:			
Urban Teacher Fellowship Program	17.261	K182086	6,186
Pass-through Forsyth Technical Community College:			
Consortium for Bioscience Credentials	17.282	FTCC-LAVC	663,596
Pass-through Coalition for Responsible Community Development:			
YouthBuild Program	17.274	YB-24556-13-60-A-6	22,706
Pass-through South Bay Workforce Investment Board:			
South Bay-Workforce Investment Board 1Tr	17.245	13-W107	4,050
Pass-through Northern Virginia Community College:			
Credential Career Program	17.282	NW#TC-23776-12-60-A-51	191,911
Subtotal pass-through programs			<u>1,738,767</u>
Total U.S. Department of Labor			<u>8,338,342</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or project number	Award or pass-through identification number	Expenditures
National Science Foundation:			
Direct programs:			
Academic and Student Support to Improve STEM Transfers	47.076	1068483	\$ 381,596
Riding the Road Map to Transfer Program	47.076	1154552	119,556
Consortium for Undergraduate Research Experiences	47.049	AST-1156756	100,579
Total National Science Foundation			<u>601,731</u>
U.S. Department of Energy:			
Pass-through Stanford Transportation Group LLC:			
DOE Stanford Transportation Group Grant	81.106	16-May-17	1,800
Total U.S. Department of Energy			<u>1,800</u>
U.S. Department of Education:			
Direct programs:			
Higher Education Act :			
Higher Education Institutional Aid	84.031		6,764,707
Going Global: Middle East Initiative	84.016		27,284
Student Support Services	84.042		2,118,809
Talent Search	84.044		482,428
Upward Bound	84.047		2,406,908
Educational Opportunity Centers	84.066		263,726
Strengthening Minority-Serving Institutions-Flying into the Future	84.382		1,223,710
Student financial assistance :			
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007		2,668,275
Federal Work Study Program	84.033		2,606,423
Federal Perkins Loan Program	84.038		214,820
Federal Pell Grant Program	84.063		188,408,451
Federal Direct Student Loans	84.268		31,237,128
Subtotal direct programs			<u>238,422,669</u>
Pass-through California Community College's Chancellors Office:			
Perkins Title IC	84.048	14-C01-027	4,430,661
Tech Prep Education	84.048	14-112-027	365,612
Pass-through California Department of Education:			
Adult Education and Family Literacy & English Literacy	84.002	14-6474-00	2,128,670
Pass-through San Mateo County Community College District/Canada College:			
California Alliance for the Long-term Strengthening of Transfer Engineering Programs	84.031	P031C110159	67,062
Pass-through Los Angeles Unified School District:			
GEAR UP	84.334	1200250	20,418
GEAR UP	84.334	1200251	8,578
GEAR UP	84.334	4400002613	67,057
GEAR UP	84.334	4400003423	26,680
Pass-through Marymount College/Project GRAD Los Angeles:			
GEAR UP	84.334	PGLA 2011-18	91,865
Pass-through University of Southern California:			
USC TRIO Upward Bound Program	84.047	10283185	12,991
Pass-through California State University Dominguez Hills:			
Title V Hispanic-Serving Institution Cooperative	84.031	P031S110042	431,067
Subtotal pass-through programs			<u>7,650,661</u>
Total U.S. Department of Education			<u>246,073,330</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<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 Health and Human Services:			
Pass-through State of California Department of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	\$ 1,151,963
Pass-through California Department of Education:			
Family Child Care Homes	93.575	CFCC-4011	98,146
Family Child Care Homes	93.596	CFCC-4011	178,391
California State Preschool	93.575	CSPP-4198	260,968
California State Preschool	93.596	CSPP-4198	547,049
General Child Care and Development Program	93.575	CCTR-4098	195,289
General Child Care and Development Program	93.596	CCTR-4098	354,958
Pass-through University of California, Los Angeles:			
UCLA Bridges to the Baccalaureate Program	93.859	0519 G PA140	52,058
UCLA Bridges to the Baccalaureate Program	93.859	0519 G PA082	103,078
Total U.S. Department of Health and Human Services			<u>2,941,900</u>
U.S. Department of Homeland Security:			
Direct programs:			
Homeland Security-Computer Bridge Project	97.062	2011-ST-062-000044	39,910
Total U.S. Department of Homeland Security			<u>39,910</u>
U.S. Department of Transportation:			
Federal Highway Administration:			
Dwight David Eisenhower Transportation Fellowship Program	20.215	DTS-TP-20	10,000
Total U.S. Department of Transportation			<u>10,000</u>
Corporation for National and Community Service:			
American Recovery and Reinvestment Act (ARRA):			
Americorps	94.006	N/A	316,895
Total Corporation for National and Community Service			<u>316,895</u>
Total Expenditures of Federal Awards			\$ <u><u>259,064,012</u></u>

See accompanying Vasquez and Company, LLP's independent auditors' report

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Financial Awards

Year ended June 30, 2015

<u>Program name</u>	<u>Cash received</u>	<u>Account receivable</u>	<u>Deferred income</u>	<u>Total program revenues</u>	<u>Total program expenditures</u>
Basic Skills	\$ 1,352,601	—	—	1,352,601	2,228,355
CAL Grants	11,471,224	—	46,575	11,424,649	11,424,649
California Career Pathways Trust (CCPT)	—	722,626	—	722,626	722,626
California State Preschool Program	2,245,974	617,076	—	2,863,050	2,863,050
CalWORKS	5,180,834	—	18,895	5,161,939	5,159,924
Career Technical Education	522,936	—	—	522,936	522,936
Cooperative Agencies Resource for Education (CARE)	831,633	—	23,173	808,460	808,457
CTE Enhancement	875,327	88,128	555,271	408,184	408,184
Disabled Students Program and Services (DSPS)	7,221,414	—	—	7,221,414	8,371,923
Economic and Workforce Development	2,880,604	901,222	947,813	2,834,013	2,834,013
Equal Employment Opportunity	30,800	—	—	30,800	26,198
ESL/Basic Skills Professional Development	387,600	581,400	—	969,000	969,000
Extended Opportunity Program and Services (EOPS)	9,637,497	—	21,488	9,616,009	9,616,009
Family Childcare Home Education Networks	218,289	109,378	—	327,667	327,667
Foster and Kinship Care Education (FKCE)	733,823	415,107	—	1,148,930	1,148,930
General Childcare and Development Program	506,528	336,155	—	842,683	842,683
Math, Engineering, Science Achievement (MESA)	56,735	—	19,740	36,995	36,995
Middle College High School (MCHS)	39,600	59,400	—	99,000	99,000
Nursing Education	1,591,869	—	40,991	1,550,878	1,550,878
Osher Scholar	35,250	—	—	35,250	28,000
Student Equity	8,055,797	—	—	8,055,797	4,058,512
Student Financial Aid Administration	5,137,578	—	—	5,137,578	5,104,808
Student Success and Support (Credit)	17,596,692	—	—	17,596,692	13,525,250
Student Success and Support (Noncredit)	797,387	—	—	797,387	1,015,658
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	5,592,288	—	—	5,592,288	5,770,651
Other State Assistance Programs	724,245	1,118,334	77,342	1,765,237	1,770,837
Total state programs	\$ <u>83,724,525</u>	<u>4,948,826</u>	<u>1,751,288</u>	<u>86,922,063</u>	<u>81,235,193</u>

See accompanying Vasquez and Company LLP's report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2015

A. Schedule of Expenditures of Federal Awards And State Financial Awards

(1) Basis of Presentation

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.

The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

The information in the schedule of state financial awards is presented to comply with reporting requirements of the California Community College Chancellor's Office.

(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	\$ 399,418,735
Special Revenue Funds	10,843,720
Child Development Fund	4,954,794
Student Financial Aid Fund	<u>15,772,541</u>
Total state revenue in fund financial statements	<u>\$ 430,989,790</u>
Total state revenue in accompanying schedule	\$ 86,922,063
Add:	
General Fund:	
Basic and equalization aid	310,093,111
State lottery	17,485,483
Tax relief subvention	3,846,293
Other state funds	<u>7,615,036</u>
Total other General Fund revenue	<u>339,039,923</u>
Special Revenue Fund:	
Community College Construction Act	3,027,804
Total other Special Revenue Fund revenues	3,027,804
Total state revenue in fund financial statements	<u>\$ 428,989,790</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2015

(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, 2015. Loan balances outstanding are included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Cluster name/program title</u>	<u>CFDA number</u>	<u>Loan advances made</u>	<u>Loan balances outstanding</u>
Student financial aid cluster:			
Federal Perkins Loans (FPL)	84.038	\$ 214,820	4,000,681
Federal Direct Student Loans	84.268	31,237,128	—
Nursing Student Loans	93.364	—	70,218

(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	\$ 120,729
Federal Work-Study Program	<u>102,773</u>
	<u>\$ 223,502</u>

(6) Federal Clusters of Programs

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

	<u>CFDA number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 2,668,275
Federal Work Study (FWS)	84.033	2,606,423
Federal Perkins Loan Program (FPL)	84.038	214,820
Federal Pell Grant Program (PELL)	84.063	188,408,451
Federal Direct Student Loans (Direct Loan)	84.268	<u>31,237,128</u>
		<u>\$ 225,135,097</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2015

	<u>number</u>	<u>Expenditures</u>
Child Care Development Fund Cluster:		
Family Child Care Homes	93.575	\$ 98,146
Family Child Care Homes	93.596	178,391
California State Preschool	93.575	260,968
California State Preschool	93.596	547,049
General Child Care and Development Program	93.575	195,289
General Child Care and Development Program	93.596	354,958
		<u>\$ 1,634,801</u>
TRIO Cluster:		
Student Support Services	84.042	\$ 2,118,809
Talent Search	84.044	482,428
Upward Bound	84.047	2,406,908
Educational Opportunity Centers	84.066	263,726
USC TRIO Upward Bound Program	84.047	12,991
		<u>\$ 5,284,862</u>
TANF Cluster:		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 1,151,963
Workforce investment Act (WIA) Cluster:		
Youth Worksource Center	17.259	\$ 559,743
Biomedical Sector Initiative Program	17.258	45,900
Biomedical Sector Initiative Program	17.278	6,172
Compton WorkSource Center/Community Career Development	17.258	58,750
Compton WorkSource Center/Community Career Development	17.278	17,500
		<u>\$ 688,065</u>

B. Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods accumulating attendance data.

C. Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited fund financial statements.

D. Reconciliation of ECS 843632 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited financial statements.

E. Proposition 30 Education Protection Account (EPA) Report

This schedule reports the District's EPA proceeds and summarizes how the EPA proceeds were spent.

**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:

Report on State Compliance

We have audited the Los Angeles Community College District's (the District) compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2015.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the 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 the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the state programs noted below. 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 with the requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.



Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

- Section 421 - Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 430 - Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 - Proposition 39 Clean Energy
- Section 440 - Intersession Extension Program
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491 - Proposition 30 Education Protection Account Funds

Opinion on State Compliance

In our opinion, Los Angeles Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table above for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office, and which are described in the accompanying schedule of findings and questioned costs as findings S-2015.001 through S-2015.006. Our opinion on each state 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 Other Supplemental Information

We have audited the District's compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2015.

Our audit was conducted 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 the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office 2014-15. The other supplementary information on pages 67 through 78 is presented for purposes of additional analysis as required by the *Contracted District Manual* published by the California Community Colleges Chancellor's Office.

The other supplemental information is the responsibility of management. Such information has been subjected to the auditing procedures applied to the audit of the District's compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15, issued by the California Community Colleges Chancellor's Office, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records, financial statements as of and for the year ended June 30, 2015 audited by other auditors, whose report is included herein on pages 1 through 3, and other records, in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying other supplemental information is fairly stated, in all material respects, in relation to financial statements taken as a whole, audited by other auditors whose report was dated December 9, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2014-15. Accordingly, this report is not suitable for any other purpose.

Vasquez + Company LLP

Los Angeles, California
December 9, 2015

ADDITIONAL REPORTS OF INDEPENDENT AUDITORS



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:

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 statement of net position as of June 30, 2015 and 2014, and the related statements of revenues, 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 9, 2015.

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 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-15-001: Information Technology

Condition and Context

During our review of the District's information technology controls during the fiscal 2007 audit, we identified control weaknesses in the areas of security and change management. These included the sharing of user accounts, extensive 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 2015 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 2015.

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 2015 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 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. GAAP 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

The District agreed with the recommendation and took the following steps:

- Improved IT internal security controls and Application Life Cycle Management Business Processes to manage Application Changes to SAP
- Refine the list of users with administrative and other elevated (Super User) access within SAP.
- Implemented processes and procedures to segregate duties as appropriate.



- Limited the use of shared user IDs to ensure that access is appropriate to the user's job responsibilities.
- As of November 2015 we believe that the LACCD has implemented all the steps to fully address the audit finding.

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 previously. 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 9, 2015

**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) 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, 2015. 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, 2015.



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-2015.001 through F-2015.005. 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-2015.002 through F-2015.005, 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.



Purpose of this Report

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.

Vasquez + Company LLP

Los Angeles, California
December 9, 2015

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, 2015.

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 present fairly, in all material respects, the federal and state expenditures of the Los Angeles Community College District for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

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

Vasquez + Company LLP

Los Angeles, California
December 9, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(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**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See FS-2015-001**
- (c) Noncompliance which is material to the basic financial statements: **None**

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 findings F-2015.002 to F-2015.005.**
- (e) The type of report issued on compliance for major programs:
 - Student Financial Assistance Cluster – **Unmodified.**
 - Higher Education Institutional Aid – **Unmodified.**
 - Career and Technical Education (CTE) Basic Grants to States (Perkins IV) – **Unmodified.**
 - TRIO Cluster – **Unmodified**
 - Education and Human Resources – **Unmodified.**
- (f) Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,017,867.**
- (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 Loans (Direct Loan)
 - 84.063 Federal Pell Grant (PELL)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- Higher Education Institutional Aid
 - 84.031 Higher Education Institutional Aid
 - 84.031 California Alliance for the Long-term Strengthening of Transfer Engineering Programs
 - 84.031 Title V Hispanic Serving-Institution Cooperative
- CTE Basic Grants to States (Perkins IV) – CFDA 84.048
- TRIO Cluster
 - 84.042 Student Support Services
 - 84.044 Talent Search
 - 84.047 Upward Bound
 - 84.066 Educational Opportunity Centers
 - 84.047 USC TRIO Upward Bound Program
- Education and Human Resources
 - 47.076 Academic and Student Support to Improve STEM Transfers
 - 47.076 Riding the Road Map to Transfer Program

(i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **Yes.**

State Awards

- (j) Internal control over state programs:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See findings S-2015.002 and S-2015.004.**
- (e) The type of auditor' report issued on compliance for state programs - **Unmodified**

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

	<u>Finding number</u>
1. Student Financial Assistance Cluster- Special Tests and Provisions - Enrollment Reporting - Inaccurate Reporting of Enrollment Status to National Student Loan Database System	F-2015.001
2. Career and Technical Education - Basic Grants to State (Perkins IV) - Allowable Costs/Cost Principles - Payroll Documentation	F-2015.002
3. Career and Technical Education - Basic Grants to State (Perkins IV) - Equipment Management - Policies and Procedures	F-2015.003
4. Higher Education - Institutional Aid - Allowable Costs/Cost Principles - Payroll Documentation	F-2015.004
5. Higher Education - Institutional Aid - Equipment Management - Policies and Procedures	F-2015.005

Finding F-2015.001 – Special Tests and Provisions – Enrollment Reporting – Inaccurate Reporting of Enrollment Status to National Student Loan Database System (NSLDS)

Federal Program Information

Federal Catalog Number: 84.268

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

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: Los Angeles Valley College

Federal Award Number and Award Year: OPE ID No. 00122800, July 1, 2014 to June 30, 2015

Federal Direct Student Loan ID: G01228

Criteria or Requirement

Title 34, Education, Subtitle B, Chapter VI – Part 685 – William D. Ford Federal Direct Loan Program – Subpart C – Requirements, Standards, and Payments for Direct Loan Program Schools, Section 685.309 Administrative and Fiscal Control and Fund Accounting Requirements for Schools Participating in the Direct Loan Program. b) Enrollment reporting process.

- (1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report and return the report to the Secretary—
- (i) In the manner and format prescribed by the Secretary; and
 - (ii) Within the timeframe prescribed by the Secretary.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that—
- (i) A loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Identified Condition

During our testing of compliance with special tests and provisions requirements for enrollment reporting, we noted that the enrollment status for 1 out of 38 students sampled with changes in enrollment status that occurred during the fiscal year was not accurately reported to NSLDS. The student graduated in Fall 2014 at Los Angeles Valley College but was reported to NSLDS as withdrawn. The District Information Technology Department is responsible for transmitting degree information to the National Clearinghouse. However, further review of Degree Transmission History to the National Clearinghouse indicates that there were no reporting made in January and February 2015.

Total Direct Loan expenditures for the fiscal year ended June 30, 2015 amounted to \$31,237,128.

Questioned Costs

\$2,250 out of \$139,488 sampled.

Possible Asserted Cause and Effect

The District utilizes the National Clearing House to report enrollment data and status changes to NSLDS. Adequate monitoring controls do not appear to be in place to ensure that student enrollment status changes are accurately reported to NSLDS.

Recommendation

We recommend that the District implement stricter controls to ensure that enrollment status changes are accurately reported to the NSLDS.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Valley College

The District Information Technology Department will ensure that the enrollment status changes (degrees) are accurately reported to NSLDS through the Clearinghouse by examining the current methodology and implementing stricter controls in the generation, retention, and transmission of files. Appropriate personnel will be notified when the files are generated, transmitted, and received by the Clearinghouse.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding F-2015.002 –Allowable Costs/Cost Principles – Payroll Documentation

Federal Program Information

Federal Catalog Number: 84.048
Federal Program Name: Career and Technical Education – Basic Grants to State (Perkins IV)
Federal Agency: U.S. Department of Education
Pass-Through Entity: N/A
Campus: East Los Angeles College
Federal Award Number and Award Year: 14-C01-027, July 1, 2014 to June 30, 2015

Criteria or Requirement

Title 2, Grants and Agreements, Subtitle A, Chapter II – Part 685 – Appendix B to Part 225 – Selected Items of Cost, 8 – Compensation for Personal Services

- a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a governmental unit’s laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
 - (3) Is determined and supported as provided in subsection h.

h. Support of salaries and wages

These standards regarding time distribution are in addition to the standards for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after-the-fact distribution of the actual activity of each employee;

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- (b) They must account for the total activity for which each employee is compensated;
- (c) They must be prepared at least monthly and must coincide with one or more pay periods; and
- (d) They must be signed by the employee.

Identified Condition

During our review of payroll charged to the Career and Technical Education – Basic Grants to State (Perkins IV) (CTE) program at East Los Angeles College, we noted that 1 out of 8 employees sampled did not have documentation of the actual time and effort the employee expended on the program. The timesheets that were provided did not reflect that the employee worked on the CTE program during the period tested. The other 11 payroll samples (7 from East Los Angeles College and 4 from Los Angeles Trade-Technical College) have adequate documentation to support salaries and benefits charged to the program.

Questioned Costs

\$7,986 out of \$24,861 sampled

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure proper documentation of employees' actual time and effort to support salaries and related benefits charged to the program. Without proper documentation, these expenditures may be considered unallowable.

Recommendation

We recommend that the District implement stricter controls to ensure compliance with the federal program requirements of allowable/unallowable expenditures. Actual time and effort that employees spend on grant-funded activities should be properly documented to support salaries charged to the program.

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

It is an isolated incident due to the transition of supervisory staff. The employee time and effort was specifically for the federal program. The employee was mistakenly assigned to an incorrect fund/program and subsequently corrected via a charge back.

To remedy the situation, formalized communication of supervisory changes and the subsequent supervisory coverage of the former areas will remove any ambiguity of the individual currently responsible for staff and any associated accounts. When a transition occurs a review of the staff with particular attention to the positions funding source will be done. This will prevent any misunderstanding in what program an individual is being funded from. In this case, the individual was performing work for the program but it was not discovered until the year end close out that they had been in fact charged to another account. The individual has times sheets which confirm labor effort.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding F-2015.003 – Equipment Management – Policies and Procedures

Federal Program Information

Federal Catalog Number: 84.048

Federal Program Name: Career and Technical Education – Basic Grants to State (Perkins IV)

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: East Los Angeles College
Los Angeles Trade-Technical College

Federal Award Number and Award Year: 14-C01-027, July 1, 2014 to June 30, 2015

Criteria or Requirement

Title 2, Grants and Agreements,– Part 215 – Uniform administrative requirements for grants and agreements with institutions of higher education, hospitals, and other non-profit organizations (OMB Circular A-110), Subpart C – Post-Award Requirements – Financial and Program Management, Section 215.34 Equipment

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

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

Identified Condition

During control procedures performed over equipment management, we noted that controls over equipment management were inadequate at East Los Angeles College and Los Angeles Trade-Technical College. The following control deficiencies were noted:

- 3 out of 17 samples selected for equipment inspection cannot be located;
- 2 out of 17 samples selected for equipment inspection have no LACCD and CTE Perkins tags;
- 2 out of 17 samples selected for equipment inspection have no CTE Perkins tag;
- 2 out of 17 samples selected for equipment inspection were moved to another location but the move was not documented;
- Management at East Los Angeles College stated that there had been no physical inventory taken during the last two years;
- At Los Angeles Trade-Technical College, there was no evidence that the results of the physical inventory were reconciled with the District's accounting records (SAP);
- At East Los Angeles College the condition of the equipment was missing from the equipment records. This information is required by the federal regulations.

Questioned Costs

\$72,195 out of the \$473,559 of equipment sampled for physical inspection

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Possible Asserted Cause and Effect

Procedures and controls were not properly designed to comply with federal requirements over updating inventory records and safeguarding of capital assets, which include physical inventory counts, reconciling results of physical inventory with inventory records, and safeguarding assets to prevent loss. The lack of controls to verify the existence of equipment and failure to reconcile inventoried equipment to the District's accounting records increase the risk that theft or misappropriation of program equipment may occur and not be detected on a timely basis.

Recommendation

We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include appropriate identification and tracking of capital assets and physical inventories and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets.

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

Hard copy records indicate a physical inventory existed but incomplete in 2012. During the year 2012, the computer housing the digital files experienced a hard drive failure resulting in a complete data loss. During the 2014-2015 year new inventory items were added based on invoices and not on actual physical receipt. This was identified as an issue and process change was initiated. However, due to a recent staff departure during summer 2015, the inventory files that were supposed to be transferred to the Dean were not transferred and the flash drive with the previous files were also lost. Prior to the most recent audit, the Dean initiated the reconstruction of records of missing years.

Files from 2010 were found and the reconstruction of the missing years is progressing. The new equipment record is nearing completion and complies fully with the required information. Training has been provided to the Administration, Faculty, and Staff specific to the equipment record. Upon completion of new equipment record a comprehensive inventory will be performed. Additionally, efforts are underway to centralize the release of the invoice payments by allowing limited staff to authorize such payment to allow for physical inspection, tagging, and inventory of newly received items.

Los Angeles Trade-Technical College

The District and the College will work to strengthen policies and procedures in order to ensure that federal equipment management regulations are followed. The District will transmit annually to the College its inventory records to be reconciled with the physical inventory counts and the College inventory records. These steps should safeguard the capital assets.

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Schedule of Findings and Questioned Costs

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Finding F-2015.004 –Allowable Costs/Cost Principles – Payroll Documentation

Federal Program Information

Federal Catalog Number: 84.031

Federal Program Name: Higher Education – Institutional Aid (Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College)

Higher Education – Institutional Aid (Title V – Accelerating Success at Harbor College and STEM Passport Academy at Los Angeles Harbor College)

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: Los Angeles Mission College
Los Angeles Harbor College

Federal Award Number and Award Year: P031C110097-13-14, October 1, 2013 to September 30, 2015 (Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College)

P031S090008-13-14, October 1, 2013 to September 30, 2014 (Title V – Accelerating Success at Harbor College)

P031C110096-13-14, October 1, 2013 to September 30, 2015 (STEM Passport Academy at Los Angeles Harbor College)

Criteria or Requirement

Title 2, Grants and Agreements, Subtitle A, Chapter II – Part 685 – Appendix B to Part 225 – Selected Items of Cost, 8 – Compensation for personal services-

a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;

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- (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
- (3) Is determined and supported as provided in subsection h.

h. Support of salaries and wages

These standards regarding time distribution are in addition to the standards for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity, for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

Identified Condition

During our review of payroll charged to the Higher Education Institutional Aid Program, we noted the following:

- 1 (STEM) out of 9 employees sampled at Los Angeles Mission College did not have documentation of the actual time and effort the employees expended on the program.
- 3 (STEM) out of 8 employees sampled at Los Angeles Harbor College did not have documentation of the actual time and effort the employees expended on the program; and
- 1 (Title V) out of 8 employees sampled at Los Angeles Harbor College charged salary to the program more than the actual time and effort the employee expended on the program.

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Questioned Costs

\$26,608 (including \$5,998 charged in excess of documentation of actual time and effort of the employee) out of \$66,204 sampled

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure proper documentation of employees' actual time and effort to support salaries and related benefits charged to the program. Without proper documentation, these expenditures may be considered unallowable.

Recommendation

We recommend that the District implement stricter controls to ensure compliance with the federal program requirements on allowable/unallowable expenditures. Actual time and effort that employees spend on grant-funded activities should be properly documented to support salaries charged to the program.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Mission College

Monitoring will be strengthened by monthly checking of the specific "actual time and effort" documentation.

Los Angeles Harbor College

- i) Los Angeles Harbor College attests that all employees noted provided services rendered during the period of performance under federal awards to the programs.
- i) Los Angeles Harbor College will initiate procedures that include stricter controls that will ensure that salaries and related benefits charged to the program are based on actual time and effort.
- ii) Los Angeles Harbor College will monitor implemented procedures ensuring that actual time and effort that employees spend on grant-funded activities is properly documented and support salaries and benefits charged to the program. In addition, any documents substantiating time and effort will be accurate and will be retained by the program to justify actions taken.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding F-2015.005 – Equipment Management – Policies and Procedures

Federal Program Information

Federal Catalog Number: 84.031

Federal Program Name: Higher Education – Institutional Aid (Title V - Hispanic Serving Institutions Program and Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College)

Higher Education – Institutional Aid (Title V – Accelerating Success at Harbor College and STEM Passport Academy at Los Angeles Harbor College)

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: Los Angeles Mission College
Los Angeles Harbor College

Federal Award Number and Award Year: P031S090061-13, October 1, 2013 to September 30, 2014 (Title V – Hispanic Serving Institutions Program at Los Angeles Mission College)

P031C110097-13-14, October 1, 2013 to September 30, 2015 (Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College)

P031S090008-13-14, October 1, 2013 to September 30, 2014 (Title V – Accelerating Success at Harbor College)

P031C110096-13-14, October 1, 2013 to September 30, 2015 (STEM Passport Academy at Los Angeles Harbor College)

Criteria or Requirement

Title 2, Grants and Agreements, – Part 215 – Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations (OMB Circular A-110), Subpart C – Post-Award Requirements – Financial and Program Management, Section 215.34 Equipment

- (f) The recipient’s property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:
 - (1) Equipment records shall be maintained accurately and shall include the following information:

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- (i) A description of the equipment;
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number;
 - (iii) Source of the equipment, including the award number;
 - (iv) Whether title vests in the recipient or the Federal Government;
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost;
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government);
 - (vii) Location and condition of the equipment and the date the information was reported;
 - (viii) Unit acquisition cost ; and
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
 - (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
 - (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.
 - (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

Identified Condition

During control procedures performed over equipment management, we noted that controls over equipment management were inadequate at Los Angeles Mission College and Los Angeles Harbor College. The following control deficiencies were noted:

- At Los Angeles Mission College and Los Angeles Harbor College, there was limited evidence that the results of the physical inventory were reconciled with the District's accounting records (SAP);

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- At Los Angeles Mission College, the condition of the equipment was missing from the equipment records as required by the federal regulations
- The equipment listing by Los Angeles Mission College is not updated. Location information for 3 out of 6 units of sampled equipment were inaccurate.

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Procedures and controls were not properly designed to comply with federal requirements over updating inventory records and safeguarding of capital assets, which include physical inventory counts and reconciling results of physical inventory with District's inventory records. The lack of physical inventories to verify the existence of capital assets and failure to reconcile physically inventoried equipment to the District's accounting records increase the risk that theft or misappropriation of program equipment may occur and not be detected on a timely basis.

Recommendation

We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include physical inventories and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Mission College

Discussions between Los Angeles Mission College and the District will lead to an appropriate physical inventory reconciliation between Los Angeles Mission College and the District.

Los Angeles Mission College STEM will add the condition of equipment to the inventory list.

Los Angeles Harbor College

- a. Although Los Angeles Harbor College has inventory and equipment management procedures in place to manage Federal Government grant inventory, the college will implement additional control systems that will include the reconciliation of results of physical inventory with LACCD's accounting records.
- b. Los Angeles Harbor College will conduct physical inventory at least once every two years of program equipment and the results of this inventory will be reconciled with equipment records found in SAP.

SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2015

(3) Summary of State Findings and Recommendations

	<u>Section</u>	<u>Finding number</u>
1. Salaries of Classroom Instructors (50 Percent Law) - Salaries of Instructors with Non-Instructional Assignments	421	S-2015.001
2. Residency Determination for Credit Courses - Commission of Athletic Form 1	425	S-2015.002
3. Concurrent Enrollment of K-12 Students in Community College Credit Courses - Approvals of Students to Attend Courses	427	S-2015.003
4. To Be Arranged Hours – Attendance Documentation and TBA Course Classification	479	S-2015.004
5. Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) - Advisory Committee	474	S-2015.005
6. Disabled Student Programs and Services (DSPS) – Advisory Committee	475	S-2015.006

S-2015.001 – Salaries of Classroom Instructors (50 Percent Law) (421) – Salaries of Instructors with Non-Instructional Assignments

State Criteria or Requirement

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the district’s Current Expense of Education (CEE) be expended during each fiscal year for “Salaries of Classroom Instructors.”

Salaries of classroom instructors, as prescribed in CCR, title 5, section 59204, means (1) “that portion of salaries paid for purposes of instruction of students by full-time and part-time instructors employed by a district; and (2) all salaries paid to classified district employees who are (a) assigned the basic title of “Instructional Aide” or other appropriate title designated by the governing board that denotes that the employees’ duties include instructional tasks, and (b) employed to assist instructors in the performance of their duties, in the supervision of students, and in the performance of instructional tasks.” An employee shall be deemed to be under the supervision of an instructor for the purpose of Education Code Section 84362 if the employee performs duties under the general direction of an instructor.

The Code defines, in relevant part, “salaries of classroom instructors” to mean:

- (1) The salary paid to each instructor employed by the district whose duties require that the full time for which the instructor is employed be devoted to the instruction of students of the district.
- (2) The portion of the salary of each instructor whose duties require that a part, but not all, of the full time for which the instructor is employed be devoted to the instruction of students of the district, which is equal to the portion of the full time actually devoted by the instructor to teaching students of the district.

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Schedule of State Findings and Recommendations

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References

- [Education Code](#) Section 84362
- [CCR, title 5](#), section 59204 and 59206
- Chancellor's Office [Legal Opinion O 00-14](#), "Salaries of Classroom Instructors" Contained in Education code Sections 84362, the "Fifty Percent Law", dated June 12, 2000

Identified Condition

To ensure that the District excluded non-instructional salaries and benefits for instructors that have non-instructional assignments or that are on reassigned time for administrative purposes from "Salaries of Classroom Instructors (SCI)," we selected a sample of 40 instructors with non-instructional/reassigned assignments. We then verified that salaries and benefits allocated for non-instructional or administrative assignments for these individuals are appropriately excluded from SCI.

In our sample of 40 instructors with non-instructional/reassigned assignments, we noted that non-instructional salaries for 5 instructors were included in "Salaries of Classroom Instructors." The instructors were Department Chairs whose duties were non-instructional.

Questioned Costs

The non-instructional salaries charged to instructional salaries amounted to \$30,450 for the specific period tested.

Total Audit Impact of Finding

To ascertain the total impact to the 50 Percent Law Calculation, we determined that total non-instructional salaries and benefits for all instructors with the same Job Code that were charged to "Salaries of Classroom Instructors" during the fiscal year 2015 amounted to \$3,045,636. This, however, did not cause a violation of the 50 Percent Law.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that salaries and benefits are appropriately allocated for instructional and non-instructional assignments and non-instructional salaries and benefits are excluded from the "Salaries of Classroom Instructors" in the 50 Percent Law Calculation.

District Response

Effective July 1, 2015, two distinct job codes were created for Department Chair assignments; one for the component of the assignment related to department chair duties and one for the component of the assignment related to the teaching. Each job code corresponds to the appropriate GL. See table below.

A0711	Department Chair	123100
A0798	Department Chair, Teaching	113100

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Schedule of State Findings and Recommendations

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S-2015.002 – Residency Determination for Credit Courses (425) – Commission of Athletics Form 1

State Criteria or Requirement

State apportionment for credit courses may be claimed only for student attendance allowed by statute and regulation. Student residence at the time of registration is a major factor in the determination of allowability for claiming state apportionment for credit courses.

The residency of student-athletes in credit courses shall be properly classified. A student-athlete is a participant in an organized competitive sport sponsored by the district/college in which he or she is enrolled. Information in the student's application and residence questionnaire should be consistent to the athlete's Commission of Athletics Form 1.

References

- Education Code Section 68000-68044, 68050-68080, 68082, 68100, 68130, 76140, 76140.5, and 76143 (note section 68075.5 is amended in 2012, 76140 has an addition and amendment in 2012)
- CCR, Title 5, sections 54000-54072, 59114, and 59116
- California Community College, Student Attendance Accounting Manual (SAAM)

Identified Condition

To ensure that the District only claims apportionment for the attendance of California residents in credit courses, we selected a sample of 120 students (60 regular students and 60 student-athletes) enrolled in credit courses offered by the District. We then tested supporting residency documentation for the students sampled to determine whether each student has been properly classified as either a "resident" or a "nonresident" by inspecting the application for admission (hardcopy and/or electronic) used by the District. In addition, for student-athletes selected for testing, we compared the student's admission application and residence questionnaire to the athlete's Commission of Athletics Form 1 for applicable information and to confirm consistency.

In our sample of 60 student-athletes, the Commission of Athletics Form 1 for 8 out of 20 samples selected for testing at Los Angeles Trade-Technical College could not be located. The remaining 12 samples did not participate in a sports competition during FY 14-15. The 40 student athletes sampled at Los Angeles Harbor College (20) and West Los Angeles College (20) have their Commission of Athletics Form 1s on file.

There appeared to be a lack of monitoring by the District to ensure that each campus retains copies of Commission of Athletics Form 1 for student-athletes. Consequently, there was no sufficient evidence to support the assertion that the student-athletes who were claimed for state support were eligible.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2015

Questioned Costs

Due to the absence of Commission Athletic Form 1's for all sampled student-athletes who participated in sports competition, no extrapolation was performed. We determined the FTES claimed for apportionment for all 55 student-athletes who participated in sports competition and were enrolled in FY 2014-15 at Los Angeles Trade-Technical College as follows:

	Reimbursement		
	FTES	Rate	Amount
Credit	81.28	\$ 4,636.49	\$ 376,853.91
Non-credit	0.14	2,788.05	390.33
Non-credit CDCP	0.46	3,282.81	1,510.09
Total	81.88		\$ 378,754.33

This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2015.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that the Commission of Athletics Form 1s are retained by the campus in accordance with District policy. Controls should also be implemented to ensure that student-athletes who were claimed for state support are eligible.

District Response

Los Angeles Trade-Technical College

To ensure all Form 1's are maintained according to District policies the following measures have been put in place:

1. All Form 1's will be scanned and emailed to Dean of Student Services once form is complete.
2. Copies of the Form 1's will be kept in the Athletics Office with the Athletic Director.
3. Copies of the Form 1's will be kept in the Office of Dean of Student Services.
4. Copies of the Form 1's will be kept in the Office of the Vice President.
5. Copies of the forms will also be given and maintained by the Admissions and Records Office.

S-2015.003 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (427) – Approvals of Students to Attend Courses

State Criteria or Requirement

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

LOS ANGELS COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

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References

California Education Code, Section 48800.

Identified Condition

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

During our audit we noted the following:

- 1 out of 18 K-12 students sampled from West Los Angeles College was enrolled in a course that was not included in the courses that were recommended and approved by the school principal to be taken by the student in the K-12 supplemental application for admission forms.

There appeared to be inadequate monitoring by the District to ensure that K-12 students are enrolled only in courses that the school principal recommended and approved to be taken by the student.

Full-Time Equivalent Student (FTES) Impact

0.06 credit FTES exceptions of the 2.08 credit FTES sampled, or 2.88% of the total samples at West Los Angeles College. There were no noncredit FTES and noncredit CDCP FTES associated with this finding.

Questioned Costs

\$278.19 (0.06 credit FTES exceptions x \$4,636.49 credit FTES reimbursement rate)

Extrapolated Finding

5.37 credit FTES (2.88% x 186.09 total credit FTES of K-12 students from West Los Angeles College).

This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2015.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that K-12 students who were currently enrolled in community college courses have the proper approval to attend the class in accordance with District policy.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

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District Response

West Los Angeles College

The K-12 student listed Anatomy 001 on the K-12 Supplemental Application. However, the student had not met the prerequisite. The student presented an Add Permit for enrollment for KIN 245 (Body Dynamics Skills). When the K-12 Supplemental Application is received and the hold is lifted for the application semester, the system (DEC) does not provide a prompt to restrict enrollment to that subject only.

Peoplesoft does have this feature to enter the subject that the student is permitted to enroll in, and to restrict enrollment for other courses not listed. When this system is operational it will prevent this type of occurrence.

S-2015.004 – To Be Arranged Hours (Section 479) – Attendance Documentation and TBA Course Classification

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.

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
- Second TBA Hours Follow-up Memorandum, June 10, 2009
- TBA Hours Follow-up Memorandum, January 26, 2009
- Education Code sections 84040 and 88240
- Courses with To Be Arranged (TBA) Hours, Memorandum from the California Community Colleges Chancellor’s Office dated March 8, 2013
- CCR, Title 5, Sections 58102 and 58104

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Schedule of State Findings and Recommendations

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Identified Condition

During the audit testing performed to ensure that apportionment claimed for TBA courses is adequately supported, we noted the following:

- 21 TBA courses (5 from Los Angeles City College, 16 from Los Angeles Harbor College) of 46 TBA courses sampled did not have census rosters or similar attendance forms; and
- The attendance rosters provided for 3 TBA courses from Los Angeles City College did not adequately support the number of students claimed by the District.

There appeared to be inadequate procedures 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.

The remaining 22 TBA courses sampled at Los Angeles City College (2), Los Angeles Harbor College (2), Los Angeles Trade-Technical College (5), West Los Angeles College (3) and Los Angeles Southwest College (10) have attendance rosters that adequately support the number of students claimed by the District.

We also noted that 1 TBA course from Los Angeles Harbor College was deemed invalid TBA course. The History 58 course from Los Angeles Harbor College was an online course that used "TBA" in the schedule to indicate online format. There appeared to be inadequate procedures at Los Angeles Harbor College to ensure that the courses are properly classified. Course classification errors will result in FTES per type, weekly, daily and or positive attendance, being inaccurately calculated and reported for funding.

Full-Time Equivalent Students (FTES) Impact

Los Angeles City College: 7.03 FTES exceptions of the 13.94 credit FTES sampled, or 50.43% of the total sample at the campus.

Los Angeles Harbor College: 39.81 FTES exceptions of the 41.10 credit FTES sampled, or 96.86% of the total sample at the campus.

There were no noncredit FTES and noncredit CDCP FTES associated with this finding.

Questioned Costs

\$217,173 credit (46.84 credit FTES exceptions x \$4,636.49 credit FTES reimbursement rate)

Extrapolated Finding

Based on the schedule of FY 2015 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:

Los Angeles City College: 79.13 FTES (50.43% x 156.91 total credit FTES claimed for the TBA courses at the campus)

Los Angeles Harbor College: 261.29 FTES (96.86% x 269.76 total credit FTES claimed for the TBA courses at the campus)

These findings have not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2015.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

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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.

In addition, the District should strengthen controls to ensure that TBA courses are properly classified. The District should review courses classified as requiring TBA hours and determine TBA hours that do not meet the definition of Weekly or Daily Census procedure courses. Such courses should be reported as positive attendance courses. Furthermore, the District should review all courses labeled as TBA and revise the course designation as appropriate.

District Response:

Los Angeles City College

The Admissions Office will conduct a workshop for TBA instructors to go over the TBA process by December 2015. A standard procedure for submission of TBA rosters will be established. Instructors will no longer have the option of customizing their attendance rosters and will be required to submit attendance rosters to the Admissions Office. Establishment of this procedure will help to strengthen our control and achieve full compliance for TBA classes.

Los Angeles Harbor College

The campus will be more detailed in assuring that correct Method of Instruction (MOI) is coded for courses. Faculty will also go through training to assure that contact hours for students are recorded correctly using the online system.

In addition, we will review course outlines of record to ensure that the course descriptions indicate if they are approved for DE and if so, the hours required. We will ensure that such courses have the proper coding in the Protocol and ESC systems. We will first look at courses in our spring schedule and then all courses with DE addendums.

S-2015.005 – Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Advisory Committee

State Criteria or Requirement

Section 56208, Advisory Committee states that each EOPS program shall have an Advisory Committee appointed by the president of the college upon recommendation of the EOPS Director. The purpose of the advisory committee is to assist the college in developing and maintaining effective extended opportunity programs and services. The term of each committee member shall be for two years, July of the year of appointment to June 30 of the second succeeding year. Members may serve more than one term. The committee shall consist of no fewer members than the members of the local Board of Trustees. Members shall serve without compensation. Members may be reimbursed for necessary expenses incurred in performing their duties. The Advisory Committee should include representation from college personnel, EOPS students, local or feeder high schools, community and business sector, and four-year colleges where possible. The Advisory Committee shall meet at least once during each academic year.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2015

CARE program requirements stated that:

- a) Each CARE program shall have an advisory committee and/or interagency group meetings.
- b) The committee shall include representative from the local county welfare department, Tribal TANF programs community, business sector, CARE student population, and other individuals as determined by the college CARE coordinator.
- c) The advisory committee and/or interagency group meetings shall meet at least twice during each academic year.
- d) To meet this requirement, programs may establish one or the following:
 1. a CARE advisory committee
 2. a joint EOPS/CARE advisory committee
 3. a CARE subcommittee of the EOPS advisory committee
 4. an interagency group

References

- Education Code Sections 69648, 69648.7 and 71020
- CCR, Title 5, Section 56208
- EOPS Implementing Guideline, March 2008 (revised)
- CARE Program Guidelines, revised August 1, 2010

Identified Condition

For EOPS, we noted 1 (West Los Angeles College) of 3 colleges sampled did not have evidence of the required annual meeting.

For CARE, we noted that 1 (West Los Angeles College) of 3 colleges sampled did not meet the required semi-annual meetings. There were no meetings held during the academic year.

Questioned Costs

Not applicable.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that all colleges comply with the EOPS/CARE advisory meeting requirements.

District Response

West Los Angeles College

For EOPS, the Program Director commits to providing the Vice President of Student Services with the agenda and minutes from held Advisory Board Meetings. It is anticipated that the annual Advisory Board meeting will be held mid-December.

For CARE, the EOPS annual Advisory Board Meeting will be held jointly to satisfy one of CARE required semi-annual meetings. Additionally, CARE will hold the second Advisory Meeting towards the end of the academic year to satisfy the two required meetings. Minutes and agenda will be provided to Vice President of Student Services.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2015

S-2015.006 – Disabled Student Programs and Services (Section 475) – Advisory Committee

State Criteria or Requirement

Section 56050, Advisory Committee, states that each district receiving funds pursuant to this subchapter shall establish, at each college in the district, an advisory committee which shall meet not less than once per year.

The advisory committee shall, at a minimum, include students with disabilities and representatives of the disability community and agencies or organizations serving persons with disabilities.

References

- Education Code Sections 67312, 70901, and 84850
- CCR, Title 5, Section 56050
- DSPTS Implementing Guideline

Identified Condition

We noted that Los Angeles Trade-Technical College did not have evidence of the required annual meeting of the Advisory Committee.

Questioned Costs

Not applicable.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that all colleges comply with the DSPTS advisory meeting requirements.

District Response

Los Angeles Trade-Technical College

To ensure that the DSPTS Advisory meeting is held each year, the DSPTS office will schedule the advisory meeting during their summer retreat each year. This academic year's advisory meeting will be held early Spring 2016. The advisory meeting will comply with Section 56050 of State Criteria. An agenda and minutes will be prepared for each meeting. Those documents will be scanned and stored electronically in the DSPTS hard drive. The documents will also be emailed to the Dean and Vice President of Student Services. Hard copies will also be maintained in the DSPTS Office and with both the Dean and Vice President of Student Services.

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, 2015

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-2014-01	Student Financial Assistance Cluster - Special Tests and Provisions - Verification	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.	Implemented.	Not applicable.
F-2014-02	Child and Adult Care Food Program (CACFP) - Eligibility - Enrollment Records	We recommend that the District implement stricter controls to ensure that enrollment documents required for determining eligibility are retained by the child care centers.	Implemented.	Not applicable.
F-2014-03	Temporary Assistance for Needy Families - Procurement - Procurement Records	We recommend that the District implement stricter controls to ensure that the basis or rationale for procurement actions is sufficiently documented	Implemented.	Not applicable.
F-2014-04	Workforce Investment Act (WIA) - Eligibility - Participant Eligibility	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.	Implemented.	Not applicable.
F-2014-05	Workforce Investment Act (WIA) - Earmarking - 95% Requirement for Disadvantaged Low Income Youth	We recommend that the District implement stricter controls to ensure that procedures are in place to comply with earmarking requirements.	Implemented.	Not applicable.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2015

Finding reference	Finding description	Recommendation	Current Status	Explanation if not fully implemented
S-2014-01	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 TBA courses in accordance with the State requirements.	Not implemented at Los Angeles City College. See Finding S-2015.004.	The corrective measure for last year’s audit finding was to hold a TBA faculty training session during the annual faculty FLEX Day. However, not all instructors attended the workshop. TBA workshops will now be mandatory for all instructors teaching TBA classes at Los Angeles City College. The Vice President of Academic Affairs and the Dean of Enrollment have agreed to require that all instructors teaching WSCH with TBA classes must submit their census rosters to the Admissions Office by the end of the semester. The College has asserted that those rosters will be verified by the Senior Admissions and Records Supervisor to ensure that they are completed in accordance with the attendance accounting requirements for WSCH with TBA hours classes.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2015

Finding reference	Finding description	Recommendation	Current Status	Explanation if not fully implemented
S-2014-02	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.	Implemented.	Not applicable.
S-2014-03	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.	Implemented.	Not applicable.
S-2014-04	Disabled Student Programs and Services (DSPS) (Section 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.	Implemented	Not applicable.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2015

Finding reference	Finding description	Recommendation	Current Status	Explanation if not fully implemented
FS-14-001	Information Technology	<p>We recommend that management continue to evaluate and define the IT internal controls stating 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. IT 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 users and their access rights to be completed as soon as possible.</p>	Partially implemented.	<p>During this last year the District IT team evaluated and defined IT internal controls to refine and establish the list of users who should have administrative and other elevated (Super User) access within SAP. This included reviews of roles and the implementation of processes and procedures to segregate duties. Additionally, we established new processes to heavily limit the use of shared user IDs to ensure that access is appropriate to the user's job responsibilities. The LACCD believes that we have implemented all the steps to fully address the audit findings.</p>