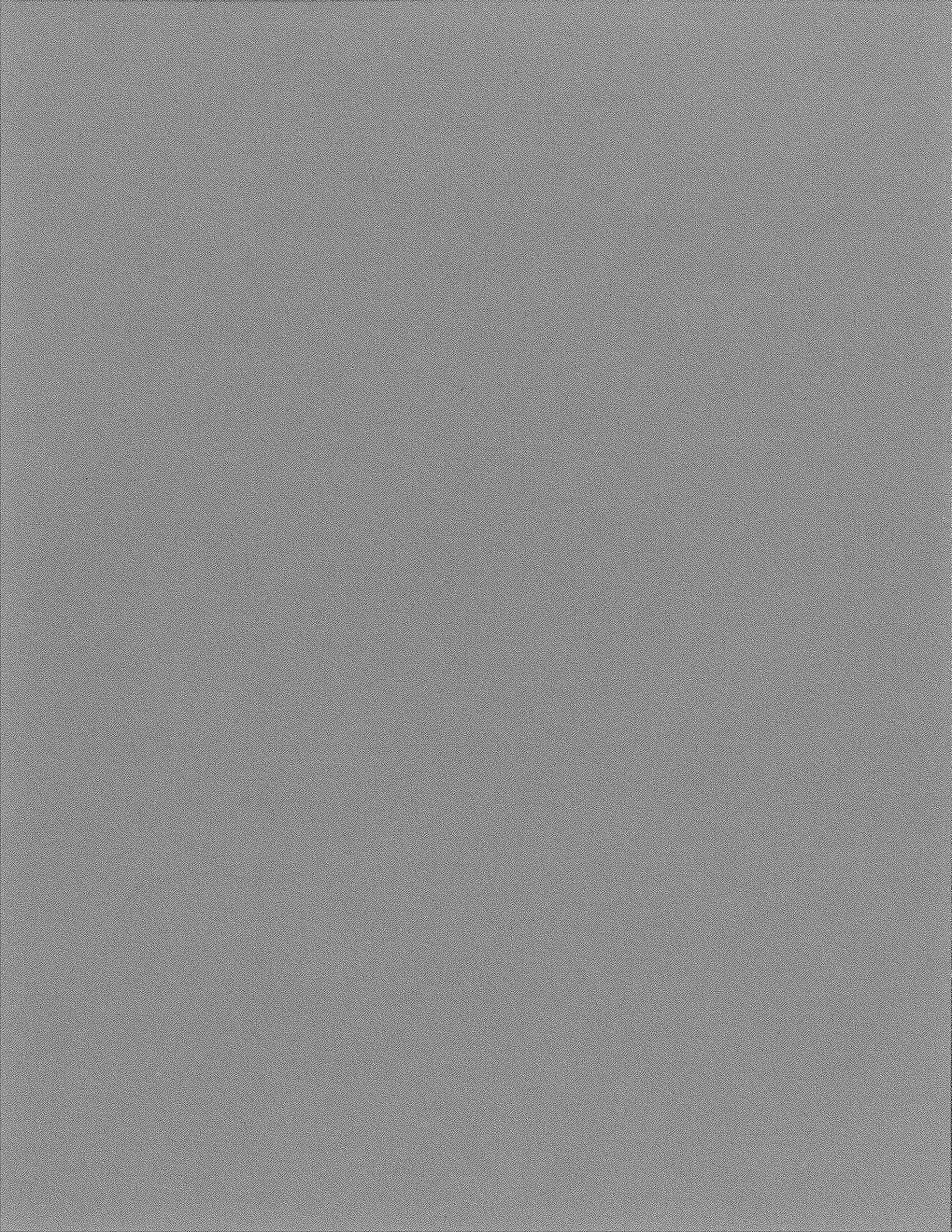


Los Angeles Community College District

Report on Audited Basic Financial Statements

June 30, 2009



LOS ANGELES COMMUNITY COLLEGE DISTRICT

June 30, 2009

Los Angeles County, California:

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

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

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INTRODUCTION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

OFFICE OF THE CHANCELLOR
Dr. Tyree Wieder, Interim Chancellor

January 27, 2010

Members, Board of Trustees
Los Angeles Community College District

I have received and reviewed and am pleased to submit the Annual Financial Report of the Los Angeles Community College District (District) for the fiscal year ended June 30, 2009. This report is presented in six sections, which include an Introduction, the Management's Discussion and Analysis, the Independent Auditors' Report, the Basic Financial Statements, the Supplemental Financial Information, and Other Supplemental Information as noted in the table of contents. The report also includes all Funds of the Los Angeles Community College District as well as those of student organizations.

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

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

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

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

The Los Angeles Community College District serves approximately 136,757 students, employs approximately 3,560 full-time and 8,513 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, 2009 increased by 12.5% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2008-09 fiscal years were as follows:

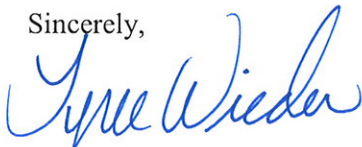
	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	24,892	26,049
Los Angeles City College	17,478	18,714
Los Angeles Harbor College	8,739	9,055
Los Angeles Mission College	10,239	9,779
Pierce College	22,164	22,566
Los Angeles Southwest College	7,284	7,091
Los Angeles Trade-Technical College	14,503	14,755
Los Angeles Valley College	18,436	19,229
West Los Angeles College	10,780	10,685
Instructional Television	588	487
Total districtwide	<u>135,103</u>	<u>138,410</u>

The Los Angeles Community College District's FTES (Full time equivalent student) figures for the fiscal year ended June 30, 2009 the measure by which the State of California funds Community Colleges, increased by 5.1% from the previous year as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	21,330	1,828
Los Angeles City College	13,183	2,001
Los Angeles Harbor College	7,273	193
Los Angeles Mission College	6,395	315
Pierce College	15,730	349
Los Angeles Southwest College	5,288	435
Los Angeles Trade-Technical College	12,398	779
Los Angeles Valley College	13,033	766
West Los Angeles College	7,875	334
Instructional Television	425	—
Total districtwide	<u>102,930</u>	<u>7,000</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,



Tyree Wieder
Interim Chancellor

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

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the Los Angeles Community College District (the District) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Los Angeles Community College District as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 3 through 13 and schedule of other postemployment benefits funding progress and employer contribution on page 43 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. The management's discussion and analysis does not include 2008 information that U.S. generally accepted accounting principles require to supplement, although not required to be a part of, the basic financial statements. We have applied certain limited procedures to the 2009 information, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial information and other supplemental information are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplemental financial information on pages 44 through 63 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplemental information on pages 39 through 42 (note 13 to the basic financial statements), 64 through 68, and 72 through 75 have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

This section presents Management's Discussion and Analysis (MD&A) of the Los Angeles Community College District's (the District) financial activities during the fiscal year ended June 30, 2009. 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, 2009 by \$687.4 million (net assets). Of this amount, \$50.2 million (unrestricted net assets) may be used to meet the District's ongoing obligations and \$109.2 million (restricted net assets) may be used for the District's ongoing obligations related to programs with external restrictions. The remaining component of the District's net assets represents \$528.0 million of amounts invested in capital assets, net of related debt.
- The District's total net assets increased \$169.8 million during the fiscal year ended June 30, 2009. A significant portion of the increase in the District's net assets was a result of increases in state capital apportionments, local property taxes, and grants and contracts, and local tax for G.O. Bonds during the fiscal year ended June 30, 2009.
- The District's investment in capital assets (net of depreciation) increased by \$668.9 million or 45.2% during the year ended June 30, 2009. Capital construction projects related primarily to the Proposition A, Proposition AA, and Measure J Bonds accounted for \$1,767.5 million in capital assets (net of depreciation) at June 30, 2009. During fiscal 2009, the District acquired three properties valued at \$5.3 million for Los Angeles Trade-Technical College and added \$10.4 million to capital assets as result of a settlement agreement for a previous purchase for West Los Angeles College.
- The District's total long-term liabilities increased by \$1,091.1 million or 76.3% during the fiscal year ended June 30, 2009. The addition is primarily due to a net \$1,072.3 million increase in long-term debt, a \$0.4 million decrease in revenue bond payable, a \$0.4 million increase in capital lease obligations, a \$14.9 million increase in net OPEB obligation, and a \$3.9 million increase in accrued vacation benefits and workers' compensation.

Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These statements require the District to report its basic financial statements at an entitywide level under the business-type activity reporting model. This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses, and Changes in Net Assets; (3) Statement of Cash Flows; and (4) Notes to the Basic Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The Balance Sheet represents the entire District's combined assets, liabilities, and net assets, including Associated Student Organization's financial information. Changes in total net assets as presented on the Balance Sheet are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets represents the revenues received, operating

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the District. The Statement of Cash Flows presents detailed information about the cash activities of the District during the year. The purpose of these basic financial statements is to summarize the financial information of the District, as a whole, and to present a long-term view of the District's finances.

Balance Sheet

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

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

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Balance Sheet are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the District, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the District.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

Financial Analysis of the District as a Whole

As of June 30, 2009, the District's net assets have increased by \$80.1 million or 15.5% from \$517.6 million at June 30, 2008 to \$597.7 million at June 30, 2009. Current and other assets increased by \$577.2 million and capital assets increased by \$668.9 million. Current liabilities increased by \$74.9 million and noncurrent liabilities increased by \$1,091.1 million.

Summary Schedule of Net Assets

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 1,340,034,278	673,147,742	666,886,536
Capital assets, net	<u>2,148,968,191</u>	<u>1,480,066,480</u>	<u>668,901,711</u>
Total assets	<u>3,489,002,469</u>	<u>2,153,214,222</u>	<u>1,335,788,247</u>
Liabilities:			
Current liabilities	281,398,324	206,540,737	74,857,587
Noncurrent liabilities	<u>2,520,247,470</u>	<u>1,429,104,998</u>	<u>1,091,142,472</u>
Total liabilities	<u>2,801,645,794</u>	<u>1,635,645,735</u>	<u>1,166,000,059</u>
Net assets:			
Invested in capital assets, net of debt	527,959,876	408,304,119	119,655,757
Restricted – expendable	109,240,315	28,004,195	81,236,120
Unrestricted	<u>50,156,484</u>	<u>81,260,173</u>	<u>(31,103,689)</u>
Total net assets	<u>\$ 687,356,675</u>	<u>517,568,487</u>	<u>169,788,188</u>

The \$667.0 million increase in current and other assets is due in part to the \$12.5 million decrease in cash and cash equivalents, the \$457.0 million increase in restricted investments, the \$94.0 million increase in accounts receivables, the \$120.5 million increase in deposit with trustee, the \$7.8 million increase in bond issuance costs, net, and the \$0.2 million increase in the rest of the current and other assets. The increase in accounts receivables related primarily to the increased spending of State funded capital outlay projects and an increase in the local tax for General Obligation (G.O.) Bond receivables. The remaining net increase in current and other assets is primarily due to issuance of 2008 and 2009 series G.O. Bonds.

In fiscal 2009, the District added \$676.4 million of capital assets, capitalized interest of \$44.4 million, depreciated \$41.0 million of capital assets, and canceled \$11.0 million of capital projects.

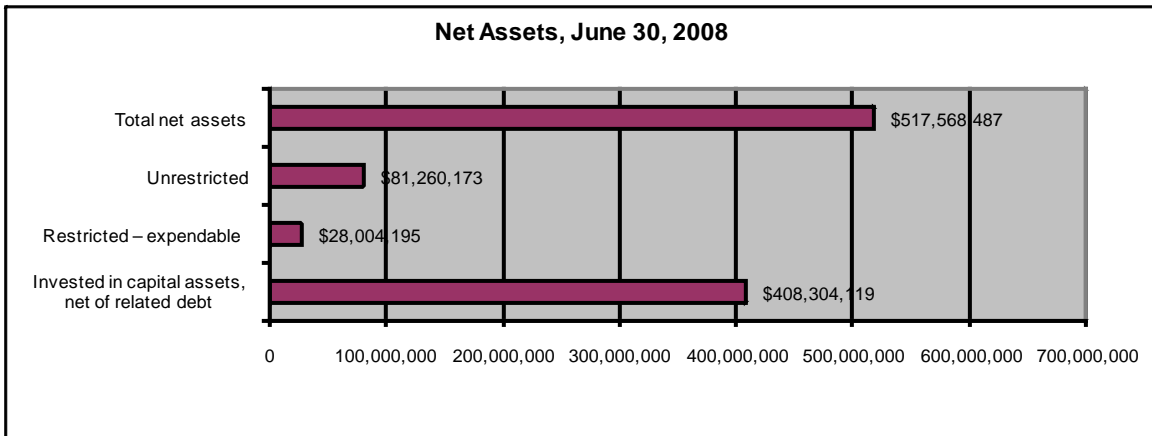
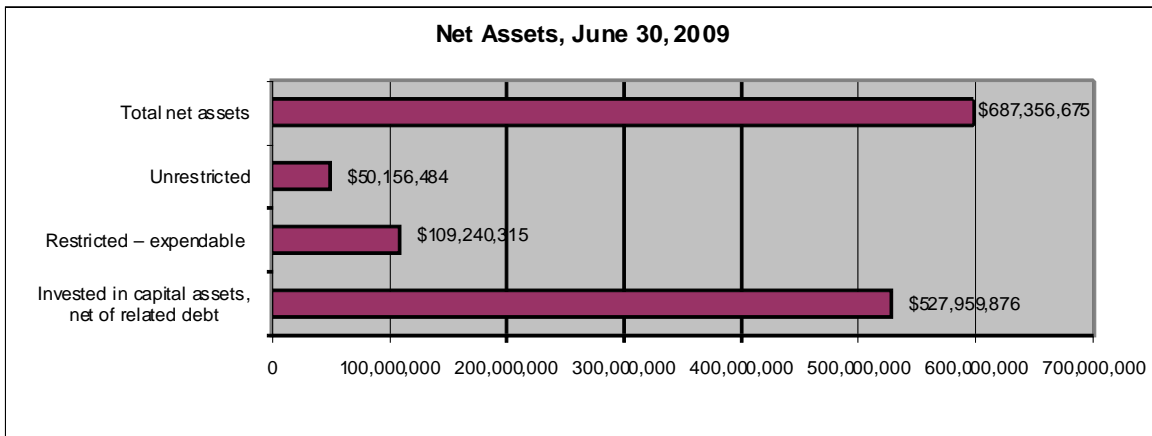
The \$74.9 million increase in current liabilities is primarily due to a \$27.1 million increase in accounts payable of which \$22.8 million was result of increased construction-related costs, the \$46.7 million increase in accrued interest, the \$0.9 million increase in current portion of long-term debt, and the \$0.2 million increase in the rest of the current liabilities.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

The \$1,091.1 million increase in non-current liabilities is primarily due to a net \$1,072.3 million increase in G.O. Bonds, a \$0.4 million decrease in revenue bond payable, a \$0.4 million increase in capital lease, and a \$3.9 million increase in accrued vacation benefits and workers' compensation. The \$1,072.3 million increase in long-term debt liabilities is due to new bond issuances in the year of \$1,081.4 million, additional original issue premium and deferred interest on advance refunding of \$35.4 million (net of annual amortization), \$0.9 million additional current portion of long-term debt, and the annual debt services payments of \$43.6 million for the G.O. Bonds. The District deposited all bond proceeds in the County of Los Angeles Treasury cash and investment pool. The majority of the District's long-term debt is used to fund the construction and acquisition of capital assets.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$687.4 million at June 30, 2009. A significant portion of the District's net assets represents \$885.4 million of restricted cash, cash equivalents, and investments for capital projects, \$88.0 million of cash with trustee, noncurrent, and \$2,409.4 million debt of revenue bonds and G.O. Bonds.

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

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenues:			
Operating revenues:			
Net tuition and fees	\$ 42,468,410	40,283,964	2,184,446
Grants and contracts, noncapital	107,941,895	94,273,064	13,668,831
Other	35,328,500	34,931,206	397,294
Nonoperating revenues:			
State apportionments, noncapital	364,725,739	379,276,954	(14,551,215)
Property taxes	148,281,559	131,197,171	17,084,388
Investment income	24,950,262	39,385,219	(14,434,957)
Federal financial aid grants, noncapital	91,529,890	69,051,339	22,478,551
State financial aid grants, noncapital	6,165,619	7,091,316	(925,697)
Other	5,895,129	5,617,863	277,266
Other revenues:			
State apportionments, capital	89,132,724	39,981,534	49,151,190
Local tax for G.O. Bonds	230,264,870	77,487,453	152,777,417
Local property taxes, gifts and grants, capital	2,422,972	2,189,990	232,982
Total revenues	<u>1,149,107,569</u>	<u>920,767,073</u>	<u>228,340,496</u>
Expenses:			
Operating expenses:			
Salaries	423,530,566	414,414,666	9,115,900
Employee benefits	146,287,752	140,298,549	5,989,203
Supplies, materials, and other operating expenses and services	271,421,618	204,717,198	66,704,420
Other	50,823,655	37,512,733	13,310,922
Total operating expenses	892,063,591	796,943,146	95,120,445
Nonoperating expenses:			
Interest expense	85,575,090	25,371,257	60,203,833
Other	1,680,700	3,082,821	(1,402,121)
Total expenses	<u>979,319,381</u>	<u>825,397,224</u>	<u>153,922,157</u>
Change in net assets	\$ <u>169,788,188</u>	<u>95,369,849</u>	<u>74,418,339</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

The summary of revenues, expenses, and changes in net assets reflects an increase of \$170.0 million in the net assets at the end of the year as explained below.

Operating revenue for tuition and fees, grants, and contracts – noncapital resulted in a net increase of \$16.3 million, which includes a \$2.2 million increase in tuition and fees, a \$11.2 million increase in federal-funded programs, a \$0.2 million decrease in state-funded categorical programs, a \$2.7 million increase in local revenue, and a \$0.4 million increase in auxiliary enterprise sales and charges.

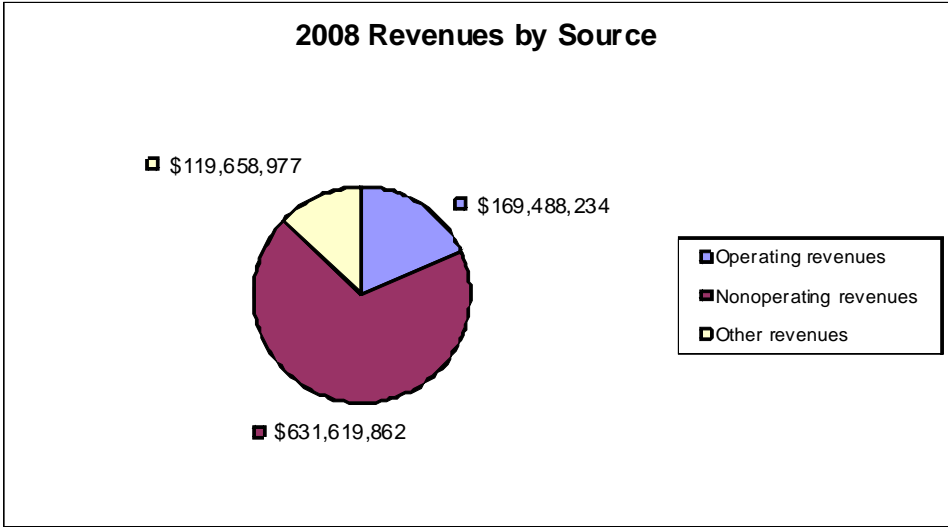
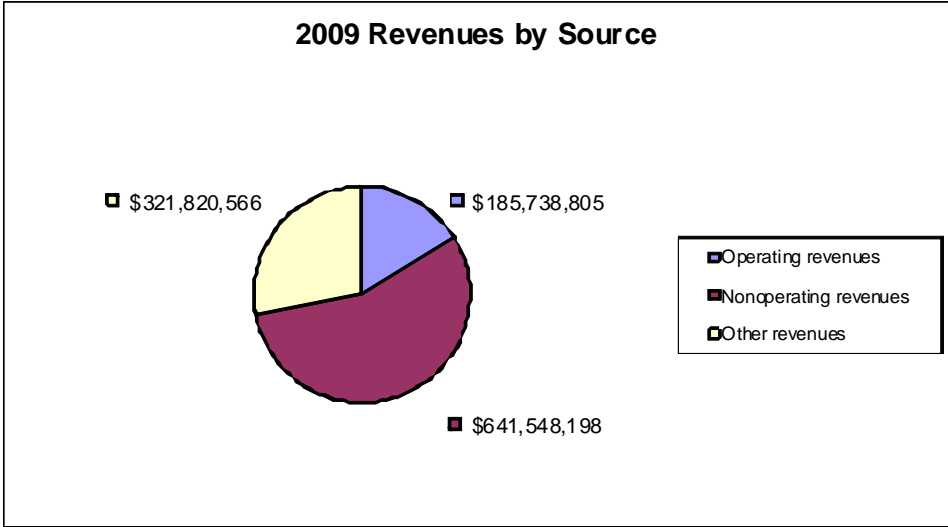
Nonoperating revenues increased \$10.0 million and other revenue increased to \$202.2 million. The increase is due in part to the following:

- (1) State apportionment is made up of state general revenue less local property tax and 98% of the enrollment fees. The \$14.6 million decrease in state apportionments is principally due to \$17.1 million increase in local property taxes, non capital, \$2.6 million decrease in lottery revenue, and \$1.3 million increase in enrollment fee collections.
- (2) \$17.1 million increase in local property tax due to an increase in secured property taxes.
- (3) \$14.4 million decrease in investment income is primarily due to a drop in interest rates.
- (4) \$152.8 million increase in local taxes for G.O. Bonds primarily due to fund principal and interest payments and taxes associated with the G.O. Bonds held at the County of Los Angeles.
- (5) \$22.5 million increase in federal financial aid grants, noncapital primarily due to increased recipients of Pell grants and increased annual award amounts per student.
- (6) \$0.9 million decrease in state financial aid grants, noncapital due to decreases in Cal grants awarded to students.
- (7) \$0.3 million increase in other nonoperating revenue is due to the increase in Medicare drug subsidy.
- (8) \$49.1 million increase in state apportionment, capital is primarily related to increased spending of state funded capital outlay projects.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

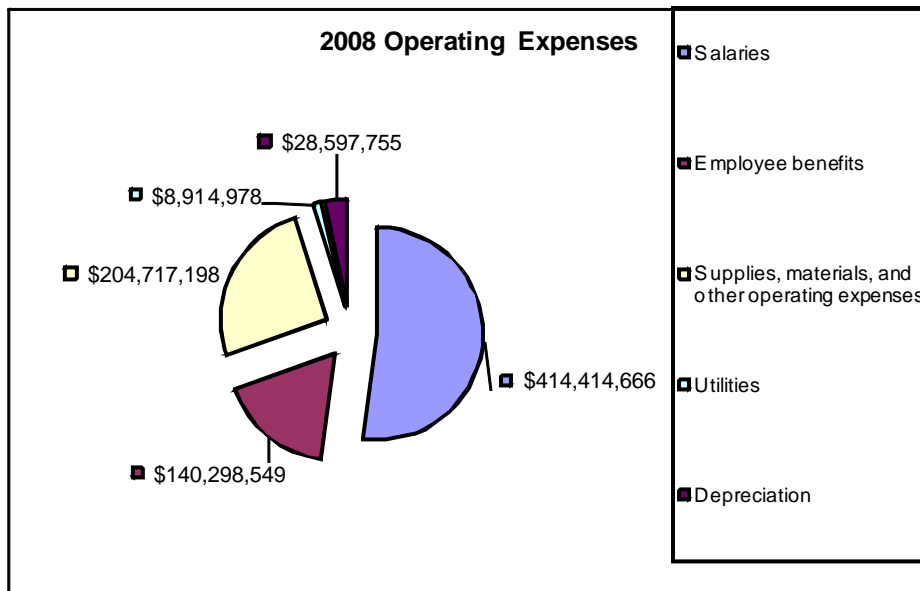
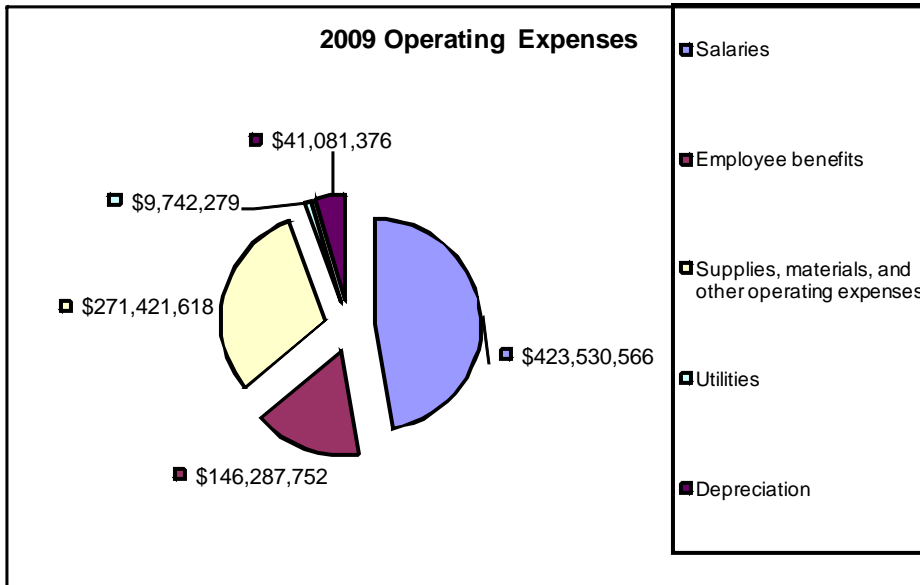


LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

Operating expenses increased \$95.1 million, primarily due to a \$9.1 million increase in salaries, \$6.0 million increase in employee benefits, \$66.7 million increase in supplies, materials, and other operating expenses and services (majority of the increase is attributable to Board of Trustees' runoff and Measure J election costs by \$6.0 million, increase in student insurance by \$0.9 million, increase in advertising expenses by \$1.0 million, increase in direct student loans passed through the colleges by \$4.0 million, increase in student grants by \$23.0 million, increase in building fund's operating expenses by \$13.0 million, and increase in building fund's canceled projects by \$11.0 million), \$0.8 million increase in utilities, and \$12.5 million increase in depreciation expense.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2009 and 2008 totaled \$2,149.0 million and \$1,480.1 million, respectively (net of accumulated depreciation). This investment comprises a broad range of capital assets including land, buildings, construction in progress, works of art, infrastructure and land improvement, and furniture and equipment. The following schedules summarize the District's capital assets as of June 30, 2009 and 2008:

Capital Assets, Net

	Balance at June 30, 2009	Balance at June 30, 2008
Land	\$ 137,603,848	120,802,800
Land improvements	390,470,057	112,607,807
Buildings	867,615,346	480,102,768
Construction in progress	948,105,962	935,570,343
Works of art	518,000	518,000
Furniture and equipment	89,335,845	74,064,253
Infrastructure	<u>3,599,474</u>	<u>3,599,474</u>
Total	2,437,248,532	1,727,265,445
Less accumulated depreciation	<u>(288,280,341)</u>	<u>(247,198,965)</u>
Net capital assets	<u>\$ 2,148,968,191</u>	<u>1,480,066,480</u>

For the year ended June 30, 2009, the District recorded an additional \$676.5 million in capital assets, \$44.4 million in capitalized interest, \$41.0 million in depreciation, and \$11.0 million in canceled capital projects. During the year ended June 30, 2009, the District's investments in facility master plans, construction, and building improvements increased due to funding from Proposition A, Proposition AA, and Measure J Bonds. The District had a significant number of building projects ongoing funded from Proposition A, Proposition AA, and Measure J Bond money. A total of \$698.8 million of capital outlay funds were spent for assets under construction (including \$44.4 million of capitalized interest). In addition, the District acquired three properties valued at \$5.3 million for Los Angeles Trade-Technical College and added \$10.4 million to capital assets as a result of a settlement agreement for a previous purchase for West Los Angeles College.

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

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

The District is in the eighth year of the Proposition A, the sixth year of Proposition AA, and the first year of Measure J Bond construction projects. Approximately, \$2.0 billion has been spent to date for Proposition A, Proposition AA, and Measure J Bonds combined for several capital projects at all nine colleges and to refinance outstanding debt (Certificates of Participation Notes) at both the District and colleges. The District anticipates completion of these capital projects by the year 2017. The District has issued to date all of authorized amounts of Proposition A and of Proposition AA Bonds, and \$425.0 million of the Measure J authorization.

Long-Term Debt

At June 30, 2009 and 2008, the District had \$2,409.4 million and \$1,372.0 million in long-term debt, respectively. The District's long-term debt increased during the year ended June 30, 2009 as a result of the \$43.6 million debt services payments to matured G.O. Bonds, \$0.4 million for the energy revenue bonds payment, and issuance of new G.O. Bonds of \$1,081.4 million.

Summary of Outstanding Long-Term Debt

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue Bonds:		
Energy and Water Efficiency Revenue Bonds – Phase IV	\$ 570,000	855,000
Energy and Water Efficiency Revenue Bonds – Phase V	243,305	364,958
G.O. Bonds:		
G.O. Bonds Proposition A, 2001 Series	27,815,000	34,590,000
G.O. Bonds Proposition AA, 2003 Series	77,040,000	79,545,000
G.O. Bonds Proposition A and AA, 2004 Series	98,490,000	101,235,000
G.O. Bonds Proposition A, 2005 Series	432,345,000	432,950,000
G.O. Bonds Proposition AA, 2006 Series	308,500,000	322,500,000
G.O. Bonds Proposition A, 2007 Series	383,000,000	400,000,000
G.O. Bonds Proposition A, 2008 Series	656,415,000	—
G.O. Bonds Proposition A, 2009 Series	425,000,000	—
	<u>\$ 2,409,418,305</u>	<u>1,372,039,958</u>

The District's debt rating from Moody's and Standard and Poor's was AA2 and AA in fiscal year 2008 and 2009.

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2009

Economic Factors

State Economy

On July 28, 2009, \$89.5 billion of the 2009-10 revised State budget was enacted and signed by the Governor. The revisions to the 2009-10 Budget are the culmination of California's effort to restore balance to a state budget that has been decimated by the worst budget crisis in the State's history. In February 2010, the State enacted \$36 billion in solutions to what was then estimated to be a \$42 billion General Fund budget gap (the additional \$6 billion in solutions failed to pass at the special election in May). The \$60 billion in budget solutions adopted this year addresses the largest budget gap the State has ever faced, both in dollar amount and in the percentage of General Fund revenues it represents. For community colleges, Proposition 98 shared a cut of \$6 billion in which more than \$700 million will come from California community colleges. To achieve these reductions, the cost of living allowance adjustments (COLA) were eliminated (0.68%); student fees increased from \$20 per unit to \$26 per unit, and the State increased the deferment of apportionment payments to be paid in July 2010 from \$540 million to \$703 million.

On January 8, 2010, Governor Schwarzenegger submitted his proposed budget for 2010-11 estimating an amount of \$19.9 billion gap over the next 18 months between revenues and projected state expenditures. Of this amount, \$6.6 billion is from 2009-10 and \$13.3 billion is from 2010-11. The Governor made commitments to fully fund education. Major solutions to balance the budget include extensive cuts to the Health and Welfare program, extension of temporary tax increase adopted as part of 2009-10 State Budget, delay in implementation of tax breaks adopted as part of 2009-10 budget, and anticipation of a \$6.9 billion increase in federal aid. The Governor's proposed State Budget for 2010-11 includes a 2.2% enrollment growth for community colleges and a negative COLA of 0.38%, due to decline in labor and fuel costs. The District has set aside a contingency reserve in the amount of \$25.6 million or 5.0% of its projected unrestricted general fund revenue for fiscal year 2009-10 to cover unforeseen events.

Student Enrollment and State Funding

The student enrollment fee increased to \$26 per unit for fiscal year 2008-09 and will remain at \$26 per unit in 2009-10 and 2010-11. In 2009-10, the State provided no enrollment growth for apportionments for California community colleges. The District has reduced class offerings for all semesters, significantly in Summer 2009 and in Winter 2010 intersession, to save \$17 to \$20 million to match with the State revenue reductions. However, the District is still experiencing more than 3% increase in enrollment growth for school year 2009-10 as more people are returning to community colleges for retraining and education. The District will generate 2,000 to 3,000 unfunded full-time equivalent students in 2009-10. The District plans to maintain at least 2.2% enrollment growth in fiscal year 2010-11 to capture the State-funded enrollment revenue growth.

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BASIC FINANCIAL STATEMENTS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Balance Sheets

June 30, 2009 and 2008

Assets	2009	2008
Current assets:		
Cash and cash equivalents (note 3)	\$ 110,159,356	122,499,997
Short-term investments (note 3)	3,802,425	3,722,219
Accounts receivable, net of allowance (note 4)	176,654,155	82,756,295
Student loans receivable, net of allowance – current portion (note 4)	269,857	317,730
Deposit with bond trustee	47,780,200	15,277,398
Inventory	8,708,883	8,856,965
Prepaid expenses and other assets	995,510	612,198
Total current assets	348,370,386	234,042,802
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	19,779,170	20,009,286
Restricted investments (note 3)	865,641,934	408,599,343
Student loans receivable, net of allowance – noncurrent portion (note 4)	1,367,142	1,348,009
Deposit with bond trustee, noncurrent	87,963,096	—
Bond issuance costs, net	16,912,550	9,148,302
Capital assets (note 6):		
Land	137,603,848	120,802,800
Land improvements	390,470,055	112,607,805
Buildings	867,615,346	480,102,768
Construction in progress	948,105,962	935,570,343
Works of art	518,000	518,000
Machinery and equipment	89,335,845	74,064,255
Infrastructure	3,599,474	3,599,474
Accumulated depreciation	(288,280,339)	(247,198,965)
Capital assets, net	2,148,968,191	1,480,066,480
Total assets	\$ 3,489,002,469	2,153,214,222

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Balance Sheets

June 30, 2009 and 2008

Liabilities and Net Assets	2009	2008
	<u> </u>	<u> </u>
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 161,202,610	134,054,474
Deferred revenue	6,237,633	6,233,311
Compensated absences	7,651,605	7,346,665
General liability (notes 10 and 11)	1,473,638	933,312
Workers' compensation (notes 10 and 11)	4,556,903	5,436,039
Accrued interest and other accrued liabilities	50,248,062	3,492,354
Amounts held in trust for others	532,565	518,278
Revenue bonds payable – current (note 10)	406,653	406,653
Long-term debt – current (note 10)	47,780,200	46,918,520
Capital leases – current (note 10)	1,308,455	1,201,131
	<u> </u>	<u> </u>
Total current liabilities	281,398,324	206,540,737
Noncurrent liabilities:		
Compensated absences (note 10)	7,991,646	7,467,788
General liability (notes 10 and 11)	5,483,362	5,590,688
Workers' compensation (notes 10 and 11)	36,624,097	33,102,961
Net OPEB obligation (note 8)	18,039,925	3,145,288
Revenue bonds payable, net of current portion (note 10)	406,652	813,305
Long-term debt, net of current portion (note 10)	2,448,527,332	1,376,184,063
Capital leases, net of current portion (note 10)	3,174,456	2,800,905
	<u> </u>	<u> </u>
Total noncurrent liabilities	2,520,247,470	1,429,104,998
Total liabilities	<u> </u>	<u> </u>
	2,801,645,794	1,635,645,735
Net assets:		
Invested in capital assets, net of related debt	527,959,876	408,304,119
Restricted for:		
Expendable:		
Scholarships and loans	6,500,112	5,832,143
Debt service	89,676,598	—
Other special purposes	13,063,605	22,172,052
Unrestricted	50,156,484	81,260,173
	<u> </u>	<u> </u>
Total net assets	687,356,675	517,568,487
Total liabilities and net assets	<u> </u>	<u> </u>
	\$ 3,489,002,469	2,153,214,222

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Tuition and fees (gross)	\$ 71,324,510	65,218,148
Less scholarship discounts and allowances	(28,856,100)	(24,934,184)
Net tuition and fees	<u>42,468,410</u>	<u>40,283,964</u>
Grants and contracts, noncapital:		
Federal	41,970,892	30,759,928
State	46,994,107	47,175,104
Local	18,976,896	16,338,032
Auxiliary enterprise sales and charges	<u>35,328,500</u>	<u>34,931,206</u>
Total operating revenues	<u>185,738,805</u>	<u>169,488,234</u>
Operating expenses:		
Salaries	423,530,566	414,414,666
Employee benefits	146,287,752	140,298,549
Supplies, materials, and other operating expenses and services	271,421,618	204,717,198
Utilities	9,742,281	8,914,978
Depreciation	<u>41,081,374</u>	<u>28,597,755</u>
Total operating expenses	<u>892,063,591</u>	<u>796,943,146</u>
Operating loss	<u>(706,324,786)</u>	<u>(627,454,912)</u>
Nonoperating revenues (expenses):		
State apportionments, noncapital	364,725,739	379,276,954
Local property taxes	148,281,559	131,197,171
State taxes and other revenue	1,344,633	1,337,221
Investment income – noncapital	934,799	6,232,647
Investment income – capital	24,015,463	33,152,572
Interest expense on capital asset-related debt	(85,575,090)	(25,371,257)
Federal financial aid grants, noncapital	91,529,890	69,051,339
State financial aid grants, noncapital	6,165,619	7,091,316
Other nonoperating revenue	4,550,496	4,280,642
Other nonoperating expense	<u>(1,680,700)</u>	<u>(3,082,821)</u>
Total nonoperating revenues	<u>554,292,408</u>	<u>603,165,784</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>(152,032,378)</u>	<u>(24,289,128)</u>
State apportionments, capital	89,132,724	39,981,534
Gifts and grants, capital	1,953,243	1,729,314
Local tax for G.O. Bonds, capital	230,264,870	77,487,453
Local property taxes, capital	<u>469,729</u>	<u>460,676</u>
Increase in net assets	<u>169,788,188</u>	<u>95,369,849</u>
Net assets:		
Beginning of year	<u>517,568,487</u>	<u>422,198,638</u>
End of year	\$ <u><u>687,356,675</u></u>	\$ <u><u>517,568,487</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Tuition and fees	\$ 42,898,021	39,996,148
Grants and contracts	104,540,977	98,504,547
Payments to suppliers	(264,425,181)	(204,296,197)
Payments for utilities	(9,742,279)	(8,914,978)
Payments to employees	(429,524,863)	(411,770,538)
Payments for benefits	(128,797,190)	(134,636,329)
Bookstore and cafeteria sales	35,668,690	35,183,470
Other receipts (payments)	4,054,957	(6,951,611)
Net cash used in operating activities	<u>(645,326,868)</u>	<u>(592,885,488)</u>
Cash flows from noncapital financing activities:		
State appropriations	346,237,077	374,084,052
Property taxes	148,281,559	131,197,171
State taxes and other revenues	1,344,633	1,337,221
Federal financial aid grants	91,529,890	69,051,339
State financial aid grants	6,165,619	7,091,316
Other receipts	2,825,868	1,116,512
Net cash provided by noncapital financing activities	<u>596,384,646</u>	<u>583,877,611</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	1,116,114,461	417,534,788
State appropriations, local property taxes, and gifts and grants, capital	30,617,073	42,007,488
Local tax for G.O. Bonds	215,870,742	77,487,453
Purchases of capital assets	(651,873,682)	(460,833,004)
Proceeds from capital assets disposal	10,939,789	—
Principal paid on capital debt and leases	(45,377,007)	(40,903,498)
Interest paid on capital debt and leases	(77,466,323)	(87,212,272)
Bond issuance cost	(8,411,404)	(2,531,615)
Deposit with trustee	(120,465,898)	97,759
Net cash provided by (used in) capital and related financing activities	<u>469,947,751</u>	<u>(54,352,901)</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	1,062,130,464	934,919,806
Interest on investments	23,546,511	34,057,554
Purchase of investments	(1,519,253,261)	(895,390,656)
Net cash provided by (used in) investing activities	<u>(433,576,286)</u>	<u>73,586,704</u>
Net increase (decrease) in cash and cash equivalents	<u>(12,570,757)</u>	<u>10,225,926</u>
Cash and cash equivalents – beginning of year	<u>142,509,283</u>	<u>132,283,357</u>
Cash and cash equivalents – end of year	\$ <u>129,938,526</u>	\$ <u>142,509,283</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (706,324,786)	(627,454,912)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	41,081,374	28,597,755
Changes in assets and liabilities:		
Receivables, net	(2,848,558)	(2,427,996)
Prepaid expenses and other assets	(383,312)	808,653
Inventory	148,082	613,711
Accounts payable	4,315,695	976,467
Deferred revenue	4,322	(203,336)
Deposits held for others	14,287	(40,058)
General liability	433,000	646,770
Workers' compensation	2,642,000	1,459,530
Compensated absences	828,798	900,056
Net OPEB obligation	14,894,637	3,145,288
Accrued and other liabilities	(132,407)	92,584
Net cash used in operating activities	\$ <u>(645,326,868)</u>	<u>(592,885,488)</u>
Noncash capital financing activity:		
Equipment acquired through new capital lease obligations	\$ 1,821,229	549,649
Additions to capital assets included in accounts payable	22,850,097	34,503,263

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(1) Organization and Reporting Entity

The Los Angeles Community College District (the District) is a political subdivision of the State of California 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 combined totals of the trust and agency funds, which primarily represent Associated Student Organizations and various scholarships within the District. Associated Student Organizations are recognized agencies of the District and were organized in accordance with provisions of the California Education Code to control the administration of student funds. The financial affairs of the Associated Student Organizations are administered under the direction of the college financial administrators at the respective colleges, with the supervision and guidance of the District's deputy chancellor.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

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

(b) *Financial Reporting*

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(c) Cash and Cash Equivalents

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

(d) Inventory

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

(e) Properties and Depreciation

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

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

Land improvements	15 years
Buildings	50 years
Building improvements	20 years
Equipment	3 to 7 years
Vehicles	5 years
Infrastructure	15 years
Leasehold improvements	7 years

The District's capitalization threshold is as follows:

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

(f) Accrued Employee Benefits

The District has accounted for vacation leave benefits that have been earned as a liability within the balance sheets. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

(g) Deferred Revenue

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(h) *Income Taxes*

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

(i) *New Accounting Pronouncements*

On July 1, 2008, the District adopted GASB Statement No. 49, *Accounting for Financial Reporting for Pollution Remediation Obligations*. To provide governments with better accounting guidance and consistency, GASB Statement No. 49 identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The adoption of the statement did not have a material impact on the District's financial statements.

On July 1, 2008, the District adopted GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement requires endowments to report their land and other real estate investments at fair value. The adoption of the statement did not have a material impact on the District's financial statements.

(j) *Estimates*

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

(k) *Reclassifications*

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(3) Cash and Investments

Cash and investments at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents in County Treasury	\$ 110,707,455	124,657,141
Cash in banks	<u>19,231,071</u>	<u>17,852,142</u>
Total cash and cash equivalents	<u>129,938,526</u>	<u>142,509,283</u>
Investments:		
Investments in County Treasury	860,408,155	403,697,077
Other	<u>9,036,204</u>	<u>8,624,485</u>
Total investments	<u>869,444,359</u>	<u>412,321,562</u>
Total cash and investments	\$ <u>999,382,885</u>	\$ <u>554,830,845</u>

The California Government Code requires California banks and savings and loan associations to collateralize the District's deposits by pledging government securities as collateral. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. At no time during the year did the value of the collateralized property fall below 110% of uninsured deposits. At June 30, 2009, the District had cash in banks with a fair value and bank balance of \$27,146,353 and \$53,421,484, respectively. Of the bank balance, \$50,248,925 was covered by federal depository insurance of which \$3,172,559 was collateralized with securities held by the pledging financial institution's trust department, but not in the District's name. At June 30, 2008, the District had cash in banks with a fair value and bank balance of \$21,526,471 and \$38,128,392, respectively. Of the bank balance, \$4,016,099 was covered by federal depository insurance of which \$34,112,293 was collateralized with securities held by the pledging financial institution's trust department, but not in the District's name. The difference between the carrying value and the bank balance represents items in transit in the normal course of business and cash on hand.

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 County's investment activities. At June 30, 2009 and 2008, the District's cash and investments consist primarily of deposits and investments in the the County Pool. The District reports amounts involuntarily invested in the County Pool as cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from the pool without notice or penalty. The District reports amounts voluntarily invested in the County Pool (such as unspent bond proceeds) as investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments. Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, federal agencies, municipalities, commercial paper rated A- by Standard & Poor's Corporation or A3 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

The Los Angeles County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a Non-County representative. Investments held by the County Treasurer are stated at fair value, except for certain nonnegotiable securities that are reported at cost because the effect of valuating the nonnegotiable securities at cost rather than fair market value is immaterial to the District’s financial position. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant’s position in the pool is the same as the value of the pool shares. The method used to determine the value of participants’ equity withdrawn is based on the book value of the participants’ percentage participation at the date of such withdrawals. At June 30, 2009 and 2008, the District had \$971,115,610 and \$528,354,218 invested in the County Pool, respectively.

The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding investments to maturity. The County’s investment guidelines limit the weighted average maturity of its portfolios to 1.5 years. The weighted average maturity of cash and investments in the Los Angeles Treasurer’s Pool was 1.36 years and 1.52 years at June 30, 2009 and 2008, respectively. The County Pool does not maintain a credit rating.

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Tax delinquencies	\$ 24,252,428	22,623,916
Federal and state programs	20,789,588	17,572,381
Local tax for G.O. Bonds	14,394,128	—
State lottery	6,690,213	6,640,158
Interest receivable	3,085,562	5,912,685
Accounts receivable – principal apportionment	53,592,716	35,200,946
Accounts receivable – campus students	1,653,283	3,421,339
Accounts receivable – Perkins loan program	3,906,325	3,870,070
Bookstore	2,078,991	2,144,277
State of California – capital outlay	69,003,506	8,599,893
Other	7,295,747	6,538,070
Less allowance for doubtful accounts	(28,451,333)	(28,101,701)
Total, net	\$ 178,291,154	84,422,034

The allowance for doubtful accounts is maintained at an amount sufficient to reserve the possible uncollectibility of receivable balances. Tax delinquencies represent prior and current year unpaid/unreceived property taxes that were assessed and billed by the County during the 2008 – 2009 year and prior. The District receives tax revenues from the County biannually in December and April. Any amounts that remain unpaid and not received by the District within 60 days of fiscal year-end are considered delinquent. The County’s board of supervisors is the taxing authority that levies and collects tax revenues.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(5) Accounts Payable and Accrued Liabilities

Accounts payable at June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Vendors payable	\$ 18,874,138	9,225,206
Capital outlay and program management	115,061,434	92,211,340
Payroll accrual	8,468,778	13,291,803
Grants	13,751,553	13,328,890
L.A. Sheriff's Department	1,218,530	3,274,368
Financial aid payable	71,813	57,994
Election expense payable	<u>3,756,364</u>	<u>2,664,873</u>
Total	<u>\$ 161,202,610</u>	<u>134,054,474</u>

(6) Capital Assets

A summary of changes in capital assets is as follows:

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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	2008				Balance at June 30, 2008
	Balance at July 1, 2007	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 108,663,886	12,138,914	—	—	120,802,800
Construction in process	521,889,281	546,272,693	—	(132,591,633)	935,570,341
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>631,071,167</u>	<u>558,411,607</u>	<u>—</u>	<u>(132,591,633)</u>	<u>1,056,891,141</u>
Capital assets being depreciated:					
Land improvements	31,286,241	—	—	81,321,566	112,607,807
Buildings	440,442,985	1,265,545	—	38,394,238	480,102,768
Equipment	57,785,829	3,412,055	(9,458)	12,875,829	74,064,255
Infrastructure	3,599,474	—	—	—	3,599,474
Total capital assets being depreciated	<u>533,114,529</u>	<u>4,677,600</u>	<u>(9,458)</u>	<u>132,591,633</u>	<u>670,374,304</u>
Total costs	1,164,185,696	563,089,207	(9,458)	—	1,727,265,445
Less accumulated depreciation	<u>(218,601,210)</u>	<u>(28,597,755)</u>	<u>—</u>	<u>—</u>	<u>(247,198,965)</u>
Total	<u>\$ 945,584,486</u>	<u>534,491,452</u>	<u>(9,458)</u>	<u>—</u>	<u>1,480,066,480</u>

(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 \$6,059,179 have been charged in the accompanying statements of revenues, expenses, and changes in net assets.

At June 30, 2009, minimum lease commitments under long-term lease contracts were as follows:

Year ending June 30:	
2010	\$ 1,640,058
2011	1,526,713
2012	1,225,502
2013	498,305
2014	309,432
Total	<u>\$ 5,200,010</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

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(8) Employee Retirement Systems

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

(a) Plan Descriptions and Provisions

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

Employees attaining the age of 60 with 5 years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of 2% of their final compensation for each year of service. Final compensation is defined as the highest average salary earned during 3 consecutive years of service or 1 year highest salary if employee has 25 or more years of service credit or if part of collective bargaining agreement. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90% of final compensation are available to members with 5 years of service. A family benefit is available if the deceased member had at least one year of service and was an active member or on disability leave. After 5 years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

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

California Public Employees' Retirement System (PERS) – Full-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the state of California. The District is part of a cost sharing pool within PERS. An actuarial valuation by employer is not available. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to all.

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions are refundable with interest through the date of separation.

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

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

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

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

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

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

(b) Contributions Required and Contributions Made

For fiscal year 2008-09, the District is required by statute to contribute 8.25%, 9.71%, 4.25%, and 4.00% of gross salary expenditures to STRS, PERS (pooled), Cash Balance, and PARS-ARS, 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-ARS, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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The District's contributions for the years ended June 30, 2009, 2008, and 2007 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
STRS:		
2009	\$ 16,837,593	100%
2008	16,555,135	100
2007	16,354,399	100
PERS:		
2009	\$ 12,216,963	100%
2008	11,997,904	100
2007	10,612,625	100
Cash Balance STRS:		
2009	\$ 1,645,243	100%
2008	1,841,446	100
2007	1,883,785	100
PARS-ARS:		
2009	\$ 577,210	100%
2008	503,431	100
2007	555,477	100

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

(c) Other Postemployment Benefits (OPEB)

The District provides postemployment healthcare benefits for eligible employees who retire with CalPERS or CalSTRS pension benefits immediately upon termination of employment from the District through the Los Angeles Community College District Postretirement Health Benefits Plan (the Plan). The Plan is a single employer OPEB plan, and obligations of the plan members and the District are based on negotiated contracts with the various bargaining units of the District. The District implemented the new reporting requirements of GASB Statement No. 45, *Accounting and Financial Report by Employers for Postemployment Benefits Other Than Pensions (OPEB)* (GASB 45) prospectively for the fiscal year ended June 30, 2008.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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Plan Description

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

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

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

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

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

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

Currently, the District has about 3,900 active full-time employees who are eligible for postretirement health benefits and 3,100 retirees who receive postretirement health benefits.

Actuarial Methods and Assumptions

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

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

In the July 1, 2007 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 5.88% blended discount rate based on the assumed long-term return on plan assets and employer assets. A 3.00% price inflation and a 3.25% wage inflation assumptions were used as well as an annual medical and dental/vision cost trend rate of 10% and 4%, respectively, initially, reduced by decrements to an ultimate rate of 5% and 4%, respectively, after 7 years. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percentage of payroll over a 30-year period.

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 was funded with contributions to the trust of 1.92% of the total full-time salary expenditures in the District during fiscal 2008. 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

Annual OPEB Costs and Net OPEB Obligation

Before the implementation of GASB 45, the District's expenses for postretirement health benefits were recognized only when paid. The District's annual OPEB cost (expense) is now calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Annual OPEB cost for the year (ARC)	\$ 42,051,000	41,228,000
Contributions made for the year	<u>(27,156,363)</u>	<u>(38,082,712)</u>
Increase in net OPEB obligation	14,894,637	3,145,288
Net OPEB obligation, beginning of year	<u>3,145,288</u>	—
Net OPEB obligation, end of year	\$ <u>18,039,925</u>	<u>3,145,288</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, 2009	\$ 42,051,000	64.58%	\$ 18,039,925
June 30, 2008	41,288,000	92.37	3,145,288

Funded Status Information

The District's funding status information is illustrated as follows:

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 2007	\$ —	633,142,000	633,142,000	—%	\$ 269,607,861	234.84%

As of June 30, 2009 and 2008, the District has set aside approximately \$12.3 million in an external trust fund and the fair value of the trust fund as of June 30, 2009 and 2008 was approximately \$8.9 million and \$11.5 million, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(9) Commitments and Contingencies

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

The District is a defendant in various lawsuits at June 30, 2009. 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, 2009, the total value of these outstanding commitments is \$492,609,261.

(10) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2009 and 2008:

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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	2008				
	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Due within one year</u>
G.O. Bonds 2001 Series A	\$ 40,260,000	—	(5,670,000)	34,590,000	6,775,000
G.O. Bonds 2003 Series A, B, and C	82,000,000	—	(2,455,000)	79,545,000	2,505,000
G.O. Bonds 2004 Series A and B	103,900,000	—	(2,665,000)	101,235,000	2,745,000
G.O. Bonds 2005 Series A	433,540,000	—	(590,000)	432,950,000	605,000
G.O. Bonds 2006 Series E	350,000,000	—	(27,500,000)	322,500,000	14,000,000
G.O. Bonds 2007 Series A	—	400,000,000	—	400,000,000	17,000,000
Unamortized premiums bond	53,126,489	17,534,788	(3,111,996)	67,549,281	3,288,520
Deferred amount on refunding	(20,218,059)	—	4,951,361	(15,266,698)	—
Revenue bonds	1,626,611	—	(406,653)	1,219,958	406,653
Workers' compensation claims	37,079,470	6,895,579	(5,436,049)	38,539,000	5,436,039
General liability	5,877,230	1,580,082	(933,312)	6,524,000	933,312
Vacation benefits payable	13,914,397	9,973,780	(9,073,724)	14,814,453	7,346,665
Capital lease obligations	5,069,232	549,649	(1,616,845)	4,002,036	1,201,131
Total	\$ 1,106,175,370	436,533,878	(54,507,218)	1,488,202,030	62,242,320

(a) General Obligation Bonds

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

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2001 Series A		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2010	\$ 7,980,000	966,237	8,946,237
2011	9,245,000	621,737	9,866,737
2012	10,590,000	218,419	10,808,419
Total	\$ 27,815,000	1,806,393	29,621,393

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

On July 29, 2003, the District issued the 2003 Series A, B, and C General Obligation Bonds (Proposition AA) in the amount of \$189,685,000, with various interest rates ranging from 2% to 5% maturing in 2028. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

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Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2003 Series A, B, and C		
	Principal	Interest	Total
Year(s) ending June 30:			
2010	\$ 2,605,000	3,709,469	6,314,469
2011	2,675,000	3,606,775	6,281,775
2012	2,810,000	3,469,650	6,279,650
2013	2,950,000	3,325,650	6,275,650
2014	3,100,000	3,195,713	6,295,713
2015 – 2019	17,735,000	13,567,000	31,302,000
2020 – 2024	22,645,000	8,545,987	31,190,987
2025 – 2028	22,520,000	2,320,750	24,840,750
Total	<u>\$ 77,040,000</u>	<u>41,740,994</u>	<u>118,780,994</u>

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2004 Series A and B		
	Principal	Interest	Total
Year(s) ending June 30:			
2010	\$ 2,845,000	5,010,369	7,855,369
2011	2,950,000	4,897,462	7,847,462
2012	3,070,000	4,774,293	7,844,293
2013	3,200,000	4,640,376	7,840,376
2014	3,340,000	4,495,676	7,835,676
2015 – 2019	19,165,000	19,912,772	39,077,772
2020 – 2024	24,530,000	14,538,674	39,068,674
2025 – 2029	31,915,000	6,749,135	38,664,135
2030	7,475,000	216,039	7,691,039
Total	<u>\$ 98,490,000</u>	<u>65,234,796</u>	<u>163,724,796</u>

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2005 Series A		
	Principal	Interest	Total
Year(s) ending June 30:			
2010	\$ 625,000	21,686,713	22,311,713
2011	645,000	21,666,857	22,311,857
2012	665,000	21,646,400	22,311,400
2013	12,715,000	21,321,468	34,036,468
2014	14,375,000	20,629,168	35,004,168
2015 – 2019	101,650,000	89,276,512	190,926,512
2020 – 2024	163,930,000	56,372,000	220,302,000
2025 – 2026	137,740,000	10,304,500	148,044,500
Total	\$ 432,345,000	262,903,618	695,248,618

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2006 Series E		
	Principal	Interest	Total
Year(s) ending June 30:			
2010	\$ 7,875,000	14,634,354	22,509,354
2011	8,145,000	14,345,964	22,490,964
2012	8,430,000	14,040,274	22,470,274
2013	8,750,000	13,700,236	22,450,236
2014	9,115,000	13,302,848	22,417,848
2015 – 2019	53,575,000	59,706,616	113,281,616
2020 – 2024	66,325,000	45,185,125	111,510,125
2025 – 2029	84,650,000	26,402,750	111,052,750
2030 – 2032	61,635,000	4,722,875	66,357,875
Total	\$ 308,500,000	206,041,042	514,541,042

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

On October 10, 2007, the District issued the 2007 Series A G.O. Bonds (Proposition A) in the amount of \$400,000,000 with various interest rates ranging from 4% to 5%, maturing in 2033. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2007 Series A		
	Principal	Interest	Total
Year(s) ending June 30:			
2010	\$ 10,000	19,097,525	19,107,525
2011	160,000	19,094,125	19,254,125
2012	255,000	19,085,825	19,340,825
2013	415,000	19,072,425	19,487,425
2014	575,000	19,052,625	19,627,625
2015 – 2019	16,135,000	93,913,713	110,048,713
2020 – 2024	22,840,000	88,130,000	110,970,000
2025 – 2029	104,835,000	80,231,375	185,066,375
2030 – 2033	237,775,000	24,669,625	262,444,625
Total	\$ <u>383,000,000</u>	<u>382,347,238</u>	<u>765,347,238</u>

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2008 Series E-1 and F-1		
	Principal	Interest	Total
Year(s) ending June 30:			
2010	\$ —	30,074,750	30,074,750
2011	—	30,074,750	30,074,750
2012	920,000	30,060,950	30,980,950
2013	3,870,000	29,989,100	33,859,100
2014	7,720,000	29,815,250	37,535,250
2015 – 2019	61,175,000	143,666,825	204,841,825
2020 – 2024	101,840,000	125,132,500	226,972,500
2025 – 2029	155,755,000	93,240,375	248,995,375
2030 – 2034	290,135,000	42,672,875	332,807,875
Total	\$ <u>621,415,000</u>	<u>554,727,375</u>	<u>1,176,142,375</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

On September 9, 2008, the District issued the 2008 Taxable Series E-2 G.O. Bonds (Proposition A) in the amount of \$15,000,000 and the 2008 Taxable Series F-2 G.O. Bonds (Proposition AA) in the amount of \$20,000,000 with various interest rates ranging from 3.049% to 4.316%, maturing in 2014. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2008 Series E-2 and F-2		
	Principal	Interest	Total
Year ending June 30:			
2010	\$ 21,150,000	851,946	22,001,946
2011	4,950,000	442,914	5,392,914
2012	5,095,000	257,828	5,352,828
2013	3,255,000	91,540	3,346,540
2014	550,000	11,869	561,869
Total	\$ <u>35,000,000</u>	<u>1,656,097</u>	<u>36,656,097</u>

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

On March 19, 2009, the District issued the 2009 Series A G.O. Bonds (Measure J) in the amount of \$350,000,000 and the 2009 Taxable Series B G.O. Bonds (Measure J) in the amount of \$75,000,000 with various interest rates ranging from 4.5% to 7.53%, maturing in 2034. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2009 are as follows:

	2009 Series A and B		
	Principal	Interest	Total
Year(s) ending June 30:			
2010	\$ —	21,873,052	21,873,052
2011	—	26,247,663	26,247,663
2012	—	26,247,663	26,247,663
2013	—	26,247,663	26,247,663
2014	—	26,247,663	26,247,663
2015 – 2019	—	131,238,313	131,238,313
2020 – 2024	10,495,000	130,701,625	141,196,625
2025 – 2029	88,010,000	118,115,517	206,125,517
2030 – 2034	326,495,000	60,290,578	386,785,578
Total	\$ <u>425,000,000</u>	<u>567,209,737</u>	<u>992,209,737</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(b) Revenue Bonds

On March 1, 1995, the District entered into the contract with the State of California, State Public Works Board, for participation in the sale of Energy and Water Efficiency Revenue Bonds Phase IV, Series 1995A, for funding of energy conservation design and construction projects at Los Angeles Pierce College in the amount of \$4,063,000. Until the termination date on October 1, 2010, the amount of \$285,000 will be withheld from the District's apportionment payments in order to satisfy the District's annual energy service contract obligation due on August 15 each year. At June 30, 2009 and 2008, \$570,000 and \$855,000 was outstanding, respectively.

On June 1, 1996, the District entered into the contract with the State of California, State Public Works Board, for participation in the sale of Energy and Water Efficiency Revenue Bonds Phase V, Series 1996 A, for funding of energy conservation design and construction projects at Los Angeles Southwest College in the amount of \$1,581,488. Until the termination date on August 1, 2010, the amount of \$121,653 will be withheld from the District's apportionment payments in order to satisfy the District's annual energy service contract obligation due on August 15 each year. At June 30, 2009 and 2008, the outstanding balance was \$243,305 and \$364,958, respectively.

Debt service requirements to maturity of the revenue bonds at June 30, 2009 are as follows:

	Revenue bonds		
	Principal	Interest	Total
Year ending June 30:			
2010	\$ 406,653	—	406,653
2011	406,652	—	406,652
Total	\$ 813,305	—	813,305

(c) Lease Purchase Financing

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2009 are as follows:

	Lease purchase financing		
	Principal	Interest	Total
Year ending June 30:			
2010	\$ 1,308,455	302,770	1,611,225
2011	1,296,605	227,294	1,523,899
2012	1,123,139	102,363	1,225,502
2013	455,042	43,263	498,305
2014	299,670	9,763	309,433
Total	\$ 4,482,911	685,453	5,168,364

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(11) Risk Management

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

The District currently reports all of its risk management activities in the balance sheets. The balance of all outstanding workers' compensation and incurred general liability claims is estimated based on information provided by an outside actuarial study performed in 2009. The amount of the outstanding liability at June 30, 2009 and 2008 includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases, which occurred through that date.

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

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2009 and 2008 were as follows:

	2009			
	Balance at July 1, 2008	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2009
Workers' compensation	\$ 38,539,000	7,198,903	(4,556,903)	41,181,000
General liability	6,524,000	1,906,638	(1,473,638)	6,957,000

	2008			
	Balance at July 1, 2007	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2008
Workers' compensation	\$ 37,079,470	6,895,579	(5,436,049)	38,539,000
General liability	5,877,230	1,580,082	(933,312)	6,524,000

During the years ended June 30, 2009 and 2008, the District made total premium payments of approximately \$1,213,197 and \$1,272,491, respectively, for general liability and property claims.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(12) Subsequent Events

On September 15, 2009, the District and the exclusive representatives of the District's employees had agreed to the temporary suspension for the 2009-10 and 2010-11 plan years that the annual contributions of 1.92% of total fulltime salary expenditures that were to have been made to an external trust fund to pre-fund retiree health benefit costs will instead be applied to the general district budget to improve the District's financial situation as a result of the State budget crisis.

On November 24, 2009, the District purchased 1055 Corporate Center Drive property in Monterey, CA for East Los Angeles College for \$13.2 million using Measure J funds.

On December 29, 2009, the District issued \$44.0 million in taxable Certificate of Participation at 3% for six months to finance the energy projects for East Los Angeles College, Los Angeles Southwest College, Los Angeles Harbor College and Pierce College.

On December 30, 2009, the District purchased the Firestone Building located in Southgate, CA for East Los Angeles College for \$31.6 million using Proposition AA funds.

Effective January 1, 2010, the District-sponsored medical plans (Kaiser, Blue Shield HMO and Blue Shield PPO) was replaced with the CalPERS medical plans, providing the full premium contribution (up to PERSChoice for active employees and PERSCare for Medicare retirees) to help curtail rising cost of health insurance premiums. The District also provided each benefitted active employee and pre-Medicare retiree with a Health Reimbursement Account and contribution of \$1,500.00 on an annual basis, for three years.

(13) Supplementary Information – Local Tax Assessment and Valuation (Unaudited)

(a) Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. (See constitutional and statutory limitations on taxes and appropriations.)

The California state-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from state sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals, and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the state for such exemptions.

Summary of Assessed Valuations

Fiscal years 2004-05 through 2008-09

<u>Fiscal year</u>	<u>Local secured</u>	<u>Utilities</u>	<u>Unsecured</u>	<u>Total before redevelopment</u>	<u>Total after redevelopment</u>
2004-05	\$ 386,483,327,672	481,361,281	24,891,908,667	411,856,597,620	383,631,546,830
2005-06	424,936,577,595	438,294,291	25,212,393,251	450,587,265,137	413,667,345,171
2006-07	471,972,620,397	384,707,093	25,121,583,359	497,478,910,849	428,404,996,446
2007-08	516,208,218,055	137,563,856	26,937,693,495	543,283,475,406	491,502,037,662
2008-09	555,610,535,448	154,917,952	29,088,262,814	584,853,716,214	524,624,843,114

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies

For the District's Existing Debt Service Levy⁽¹⁾

	<u>Secured tax charge</u>	<u>Amount delinquent June 30</u>	<u>Percentage delinquent June 30</u>
2004-05	\$ 107,524,287	2,528,799	2.35%
2005-06	117,758,299	3,038,347	2.58
2006-07	128,497,217	4,851,301	3.78
2007-08	142,179,036	7,110,704	5.00
2008-09	152,376,061	7,143,110	4.69

Source: California Municipal Statistics, Inc.

⁽¹⁾ The delinquency levels for the basic (1% of assessed valuation) levy within the District are slightly lower than the rates shown in the table.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(b) Major Taxpayers and Concentration

The following chart lists the 20 largest property taxpayers located within the boundaries of the District, which together hold property valued at less than 3% of the Assessed Valuation for the District as a whole.

2008-09 Largest Local Secured Taxpayers

<u>Property owner</u>	<u>Primary land use</u>	<u>2008-09 Assessed valuation</u>	<u>Percentage of total⁽¹⁾</u>
1. Douglas Emmett LLC	Office building	\$ 2,697,672,705	0.49%
2. Universal Studios LLC	Motion picture studio	1,397,182,816	0.25
3. Arden Realty LP	Office building	1,006,938,099	0.18
4. Anheuser Busch Inc.	Industrial	958,876,260	0.17
5. Reef America Reit Corp	Office building	765,224,766	0.14
6. Warner Brothers Entertainment, Inc.	Motion picture studio	613,557,704	0.11
7. One Hundred Towers LLC	Office building	565,773,579	0.10
8. Project Lotus LLC	Commercial/residential	510,000,000	0.09
9. Duesenberg Investment Company	Office building	469,684,090	0.08
10. Casden Park La Brea A LLC	Apartments	461,751,659	0.08
11. Taubman-Beverly Center	Shopping center/mall	447,466,946	0.08
12. Trizec 333 LA LLC	Office building	437,580,000	0.08
13. Century City Mall LLC	Shopping center/mall	431,293,769	0.08
14. Topanga Plaza LP	Shopping center/mall	430,593,417	0.08
15. Paramount Pictures Corp.	Motion picture studio	416,123,929	0.07
16. Donald T. Sterling	Apartments	395,126,352	0.07
17. Maguire Properties Two Cal Plaza	Office building	383,520,000	0.07
18. Trizec 601 Figueroa LLC	Office building	369,884,413	0.07
19. Walt Disney Productions, Inc.	Motion picture studio	366,884,413	0.07
20. Twentieth Century Fox Film Corp.	Motion picture studio	<u>361,387,674</u>	<u>0.07</u>
		<u>\$ 13,486,522,591</u>	<u>2.43%</u>

Source: California Municipal Statistics, Inc.

⁽¹⁾ 2008-09 Local secured assessed valuation was \$555,610,535,448

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2009 and 2008

(c) **Tax Rates**

The following table sets forth typical tax rates for property within the District for fiscal years 2004-05 through 2008-09:

Historical Tax Rates

Typical tax rate per \$100 of assessed valuation (TRA 0067)

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Countywide 1%	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
City of Los Angeles	0.055733	0.051289	0.045354	0.038051	0.038541
Los Angeles Unified School District	0.088839	0.084346	0.106814	0.123342	0.124782
Los Angeles Community College District	0.018098	0.014288	0.021462	0.008794	0.022115
County of Los Angeles	0.000923	0.000795	0.000663	—	—
Los Angeles County Flood Control District	0.000245	0.000049	0.000520	—	—
Metropolitan Water District	<u>0.005800</u>	<u>0.005200</u>	<u>0.004700</u>	<u>0.004500</u>	<u>0.004300</u>
Total	<u>1.169638%</u>	<u>1.155967%</u>	<u>1.179513%</u>	<u>1.174687%</u>	<u>1.189738%</u>

Source: California Municipal Statistics, Inc.

REQUIRED SUPPLEMENTAL INFORMATION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Employer Contribution
Year ended June 30, 2009

Schedule of Funding Progress

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

The District funding progress information is illustrated as follows:

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 2007	\$ —	633,142,000	633,142,000	—%	\$ 269,607,861	234.84%

See accompanying independent auditors' report.

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SUPPLEMENTAL FINANCIAL INFORMATION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Balance Sheet Accounts

June 30, 2009

Assets

Cash in County Treasury	\$	20,759,010
Cash in banks		6,939,114
Cash in revolving fund		160,064
Investments		47,529
Accounts, notes, interest, and loans receivable, net		86,718,344
Due from other funds		14,852,236
Prepaid expenses and other assets		968,261
Total assets	\$	<u>130,444,558</u>

Liabilities and Fund Equity

Liabilities:		
Accounts payable	\$	42,821,945
Due to other funds		11,909,770
Amounts held in trusts		532,565
Deferred revenue		6,215,724
Total liabilities		<u>61,480,004</u>
Fund equity:		
Restricted		13,827,137
Unrestricted		55,137,417
Total fund equity		<u>68,964,554</u>
Total liabilities and fund equity	\$	<u>130,444,558</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, 2009

Revenues:	
Federal revenues:	
Higher Education Acts	\$ 11,122,910
Job Training Partnership Act	2,000,822
Temporary Assistance for Needy Families	982,459
Vocational Education Act	5,468,613
Veterans' Education	7,065
College Work Study	1,810,044
Seog	104,469
Pell	152,270
Other	4,772,171
Total federal revenues	<u>26,420,823</u>
State revenues:	
State apportionments	338,765,224
Tax relief subvention	1,344,633
State lottery	13,415,893
California Work Opportunity and Responsibility to Kids Program	5,751,359
Extended Opportunity Program	8,514,265
Matriculation Program	8,468,209
Disabled students programs and services	6,312,741
Telecommunication and technology	324,324
Grants and gifts	1,953,243
Other	19,343,093
Total state revenues	<u>404,192,984</u>
Local revenues:	
Local property taxes	148,281,558
Rental and lease income	—
Enrolment fees	19,236,632
Tuition and fees, net of scholarship discounts and allowance	10,002,936
Community service fees	5,214,870
Parking fees	2,264,353
Health service fees	4,575,295
Student fees and charges	1,507,114
Interest	1,438,227
Other	11,648,955
Total local revenues	<u>204,169,940</u>
Total revenues	<u>634,783,747</u>
Expenditures:	
Current:	
Academic salaries	264,759,845
Classified salaries	143,137,552
Employee benefits	124,090,219
Books and supplies	11,857,959
Contract services, student grants, and other operating expenditure	73,932,100
Capital outlay and equipment replacement	10,490,297
Other	686,296
Total expenditures	<u>628,954,268</u>
Excess of revenues over expenditures	5,829,479
Other financing uses:	
Operating transfers out	<u>(13,318,021)</u>
Net increase in fund balance	(7,488,542)
Fund balances at July 1, 2008	<u>76,453,096</u>
Fund balances at June 30, 2009	<u>\$ 68,964,554</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2009

Assets	Special Reserve Fund	Child Development Fund	Bookstore Fund	Cafeteria Fund	Total
Cash in County Treasury	\$ 87,831,313	30,660	—	—	87,861,973
Cash in banks	1,368,302	87,412	1,396,736	71,098	2,923,548
Cash in Revolving Fund	—	887	283,256	7,589	291,732
Investments	3,754,896	—	—	—	3,754,896
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	69,274,944	1,197,253	2,078,991	299,218	72,850,406
Due from other funds	415,062	419,252	787,599	547,963	2,169,876
Prepaid expenses	26,142	—	1,107	—	27,249
Inventory	—	—	8,594,695	114,188	8,708,883
Total assets	\$ 162,670,659	1,735,464	13,142,384	1,040,056	178,588,563
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 935,551	265,105	84,302	22,761	1,307,719
Due to other funds	100,986,794	752,750	2,898,060	912,542	105,550,146
Deferred revenue	—	—	5,745	—	5,745
Total liabilities	101,922,345	1,017,855	2,988,107	935,303	106,863,610
Fund equity:					
Capital projects	60,748,314	—	—	—	60,748,314
Unrestricted	—	717,609	4,272,189	104,753	5,094,551
Reserve for facility improvements and inventory	—	—	5,882,088	—	5,882,088
Total fund equity	60,748,314	717,609	10,154,277	104,753	71,724,953
Total liabilities and fund equity	\$ 162,670,659	1,735,464	13,142,384	1,040,056	178,588,563

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, 2009

	<u>Special Reserve Fund</u>	<u>Child Development Fund</u>	<u>Bookstore Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
Revenues:					
Federal revenues:					
Tuition and fees	\$ —	136,880	45	—	136,925
Other	742,500	577,325	—	52,256	1,372,081
Total federal revenues	<u>742,500</u>	<u>714,205</u>	<u>45</u>	<u>52,256</u>	<u>1,509,006</u>
State revenues:					
State apportionment	89,132,724	—	—	—	89,132,724
Other	—	7,315,643	—	—	7,315,643
Total state revenues	<u>89,132,724</u>	<u>7,315,643</u>	<u>—</u>	<u>—</u>	<u>96,448,367</u>
Local revenues:					
Food service sales	—	—	—	2,608,147	2,608,147
Bookstore sales	—	—	32,585,832	—	32,585,832
Interest	2,439,907	22,404	—	—	2,462,311
Other	6,632,249	24	184,684	399,505	7,216,462
Total local revenues	<u>9,072,156</u>	<u>22,428</u>	<u>32,770,516</u>	<u>3,007,652</u>	<u>44,872,752</u>
Total revenues	<u>98,947,380</u>	<u>8,052,276</u>	<u>32,770,561</u>	<u>3,059,908</u>	<u>142,830,125</u>
Expenditures:					
Current:					
Academic salaries	30,449	4,523,316	—	—	4,553,765
Classified salaries	2,323,178	2,361,496	5,400,435	994,275	11,079,384
Employee benefits	712,411	1,475,766	1,449,173	194,748	3,832,098
Books and supplies	14,608	392,229	24,294,258	2,180,058	26,881,153
Contract services, student grant, and other operating expenditures	3,222,122	560,891	935,354	126,434	4,844,801
Utilities	—	—	410,291	20,000	430,291
Capital outlay and equipment replacement:					
Building	88,816,866	—	141,341	—	88,958,207
Equipment	131,383	9,947	62,488	13,628	217,446
Total expenditures	<u>95,251,017</u>	<u>9,323,645</u>	<u>32,693,340</u>	<u>3,529,143</u>	<u>140,797,145</u>
Excess (deficit) of revenues over (under) expenditures	3,696,363	(1,271,369)	77,221	(469,235)	2,032,980
Other financing sources – operating transfers in (out)	<u>(19,562,706)</u>	<u>1,145,998</u>	<u>(123,612)</u>	<u>544,320</u>	<u>(17,996,000)</u>
Net increase (decrease) in fund (under) balances	<u>(15,866,343)</u>	<u>(125,371)</u>	<u>(46,391)</u>	<u>75,085</u>	<u>(15,963,020)</u>
Fund balances at July 1, 2008	76,614,657	842,980	10,200,668	29,668	87,687,973
Fund balances at June 30, 2009	\$ <u>60,748,314</u>	<u>717,609</u>	<u>10,154,277</u>	<u>104,753</u>	<u>71,724,953</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2009

Assets

Cash held with trustee	\$ 123,290,982
Accounts, notes, interest, and loans receivable, net	<u>14,399,872</u>
Total assets	<u><u>\$ 137,690,854</u></u>

Liabilities and Fund Equity

Liabilities:	
Deferred revenue	14,394,128
Other accrued liabilities	<u>\$ 46,888,129</u>
Total liabilities	<u>61,282,257</u>
Fund equity:	
Restricted	<u>76,408,597</u>
Total fund equity	<u>76,408,597</u>
Total liabilities and fund equity	<u><u>\$ 137,690,854</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, 2009

Revenues:		
Interest	\$	39,487
Other		<u>—</u>
Total revenues		<u>39,487</u>
Expenditures:		
Current:		
Contract services, student grants, and other operating expenditures		—
Debt service:		
Principal		90,518,129
Interest		77,466,313
Other		<u>86,216,107</u>
Total expenditures		<u>254,200,549</u>
Deficit of revenues under expenditures		<u>(254,161,062)</u>
Other financing sources:		
Local tax for G.O. Bonds		243,266,912
Proceeds from issuance of debt		<u>85,317,122</u>
Total other financing sources		<u>328,584,034</u>
Net decrease in fund balance		74,422,972
Fund balances at July 1, 2008		<u>1,985,625</u>
Fund balances at June 30, 2009	\$	<u><u>76,408,597</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2009

Assets

Cash held with trustee	\$	<u>6,299,754</u>
Total assets	\$	<u><u>6,299,754</u></u>

Liabilities and Fund Equity

Liabilities:		
Unfunded OPEB payable	\$	<u>18,039,925</u>
Total liabilities		<u>18,039,925</u>
Fund equity:		
Restricted		<u>(11,740,171)</u>
Total fund equity		<u>(11,740,171)</u>
Total liabilities and fund equity	\$	<u><u>6,299,754</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

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

Year ended June 30, 2009

Revenues:	
Interest	\$ <u>144,618</u>
Total revenues	<u>144,618</u>
Expenditures:	
Current:	
Employee benefits	<u>14,894,636</u>
Total expenditures	<u>14,894,636</u>
Deficit of revenues under expenditures	<u>(14,750,018)</u>
Other financing sources:	
Operating transfers in	<u>6,094,262</u>
Total other financing sources	<u>6,094,262</u>
Net decrease in fund balance	(8,655,756)
Fund balances at July 1, 2008	<u>(3,084,415)</u>
Fund balances at June 30, 2009	\$ <u><u>(11,740,171)</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2009

Assets

Cash in County Treasury	\$ 854,108,401
Cash in banks	3,283,975
Investment	3,281,104
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	3,667,946
Due from other funds	101,127,578
Deposit with trustee	12,452,314
	<hr/>
Total assets	\$ 977,921,318
	<hr/> <hr/>

Liabilities and Fund Equity

Liabilities:	
Accounts payable	\$ 115,061,434
Due to other funds	303,127
	<hr/>
Total liabilities	115,364,561
	<hr/>
Fund equity:	
Reserved for capital expenditures	862,556,757
	<hr/>
Total fund equity	862,556,757
	<hr/>
Total liabilities and fund equity	\$ 977,921,318
	<hr/> <hr/>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

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

Year ended June 30, 2009

Local revenues:	
Interest	\$ 19,689,867
Total local revenues	<u>19,689,867</u>
Expenditures:	
Other operating expenses and services	<u>31,187,111</u>
Capital outlay and equipment replacement:	
Land	7,149,974
Buildings	539,540,518
Equipment	<u>30,700,894</u>
Total capital outlay and equipment replacement	<u>577,391,386</u>
Total expenditures	<u>608,578,497</u>
Deficit of revenues under expenditures	<u>(588,888,630)</u>
Other financing sources:	
Operating transfers out	(1,108,113)
Proceeds from issuance of debt	<u>1,107,125,210</u>
Total other financing sources	<u>1,106,017,097</u>
Net increase in fund balance	517,128,467
Fund balances at July 1, 2008	<u>345,428,290</u>
Fund balances at June 30, 2009	<u>\$ 862,556,757</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Expenditures of Proposition A Bond Proceeds

Years ended June 30, 2009 and 2008

period from April 10, 2001 (inception) through June 30, 2007

	<u>Budget</u> (Unaudited)	<u>Actual expenditures</u>				<u>Cumulative reimbursements from state</u>	<u>Cumulative total</u>
		<u>Period from April 10, 2001 (inception) through June 30, 2007</u>	<u>Year ended June 30, 2008</u>	<u>Year ended June 30, 2009</u>			
College direct costs:							
Structural and equipment costs:							
Construction (new)	\$ 612,592,265	162,930,035	217,674,832	211,692,489	(77,171,789)	515,125,567	
Construction (renovation)	211,645,584	87,998,212	25,807,532	59,243,920	(9,334,389)	163,715,275	
Hardscape/landscape	22,856	125,771	—	—	—	125,771	
Temporary facilities	12,972,827	11,332,943	1,996,122	957,919	—	14,286,984	
Furniture, fixtures, and equipment	35,193,274	6,488,539	5,911,927	14,887,083	(805,000)	26,482,549	
Total structural and equipment costs	<u>872,426,806</u>	<u>268,875,500</u>	<u>251,390,413</u>	<u>286,781,411</u>	<u>(87,311,178)</u>	<u>719,736,146</u>	
Other costs:							
Land acquisition	49,144,880	63,683,392	(20,570,000)	8,077,727	—	51,191,119	
Development and support costs:							
Master planning	15,077,195	13,323,247	1,005,552	589,186	—	14,917,985	
Predesign/programming	6,980,183	7,911,520	238,738	(21,256)	—	8,129,002	
Design	131,280,547	85,122,128	21,465,188	17,590,668	(5,615,156)	118,562,828	
Specialty consulting	40,647,291	18,494,481	8,930,557	6,731,227	(50,636)	34,105,629	
Project management	87,488,933	71,028,844	13,975,761	13,853,987	—	98,858,592	
Inspection and testing	36,336,288	9,313,470	10,178,950	10,010,094	(172,187)	29,330,327	
Construction management	487,053	507,406	—	—	—	507,406	
Reimbursables	10,717,539	2,881,854	1,601,968	1,070,420	(34,803)	5,519,439	
Total development and support costs	<u>329,015,029</u>	<u>208,582,950</u>	<u>57,396,714</u>	<u>49,824,326</u>	<u>(5,872,782)</u>	<u>309,931,208</u>	
Total college direct costs	<u>1,250,586,715</u>	<u>541,141,842</u>	<u>288,217,127</u>	<u>344,683,464</u>	<u>(93,183,960)</u>	<u>1,080,858,473</u>	
Programwide costs:							
Program management	62,652,324	57,193,499	7,862,522	11,497,497	—	76,553,518	
Legal consulting fees	7,766,835	4,841,048	635,826	165,702	—	5,642,576	
Compliance and audit fees	4,094,114	2,005,558	160,721	14,851	—	2,181,130	
Bond measure election costs	454,331	523,742	—	61,918	—	585,660	
Rents and leases	979,463	665,647	309,547	276,868	—	1,252,062	
Total programwide costs	<u>75,947,067</u>	<u>65,229,494</u>	<u>8,968,616</u>	<u>12,016,836</u>	<u>—</u>	<u>86,214,946</u>	
Total college direct costs and programwide costs	<u>1,326,533,782</u>	<u>\$ 606,371,336</u>	<u>297,185,743</u>	<u>356,700,300</u>	<u>(93,183,960)</u>	<u>1,167,073,419</u>	
Unallocated budget	30,372,877						
Total	<u>\$ 1,356,906,659</u>						

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Reconciliation of Proposition A Bond Proceeds

June 30, 2009

	<u>Total</u>
Bonds authorized and issued	\$ 1,245,000,000
Bonds authorized but not yet issued	<u>—</u>
Total bonds authorized	1,245,000,000
Additional proceeds from General Obligation Refunding Bond, 2005 Series A	12,330,000
Additional proceeds from surplus equipment sales	108,523
Interest earned for the period April 10, 2001 (inception) through June 30, 2009	<u>99,468,136</u>
Total bonds authorized, interest earned, and other	1,356,906,659
Less expenditures of bond proceeds for the period from April 10, 2001 (inception) through June 30, 2009	<u>(1,167,073,419)</u>
Total authorized and issued bond funds available at June 30, 2009	<u><u>\$ 189,833,240</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Expenditures of Proposition AA Bond Proceeds

Years ended June 30, 2009 and 2008

period from May 20, 2003 (inception) through June 30, 2007

	Budget (Unaudited)	Actual expenditures				Cumulative reimbursements from state	Cumulative total
		Period from May 20, 2003 (inception) through June 30, 2007	Year ended June 30, 2008	Year ended June 30, 2009			
College direct costs:							
Structural and equipment costs:							
Construction (new)	\$ 398,460,976	46,007,002	87,775,111	130,603,521	(44,539,208)	219,846,426	
Construction (renovation)	208,185,708	20,096,388	59,194,474	56,134,180	(3,946,415)	131,478,627	
Temporary facilities	4,692,495	1,126,731	369,156	2,259,615	—	3,755,502	
Furniture, fixtures, and equipment	41,129,452	3,011,253	3,346,025	12,865,630	—	19,222,908	
Total structural and equipment costs	<u>652,468,631</u>	<u>70,241,374</u>	<u>150,684,766</u>	<u>201,862,946</u>	<u>(48,485,623)</u>	<u>374,303,463</u>	
Other costs:							
Land acquisition	85,026,510	29,529,510	33,554,907	7,612,154	—	70,696,571	
Building acquisition	—	19,704,402	—	—	—	19,704,402	
Total other costs	<u>85,026,510</u>	<u>49,233,912</u>	<u>33,554,907</u>	<u>7,612,154</u>	<u>—</u>	<u>90,400,973</u>	
Development and support costs:							
Master planning/Environmental Impact Report	3,202,005	1,681,729	458,794	874,734	—	3,015,257	
Predesign/programming	1,661,106	747,309	406,395	99,667	—	1,253,371	
Design	65,983,720	25,293,213	14,598,320	19,003,429	(2,898,138)	55,996,824	
Specialty consulting	19,672,798	5,158,065	4,874,566	12,068,857	(71,160)	22,030,328	
Project management	51,891,222	27,478,185	10,467,633	11,834,349	—	49,780,167	
Inspection and testing	21,453,127	1,742,043	2,606,864	6,719,445	(1,835)	11,066,517	
Construction management	—	1,607	—	—	—	1,607	
Reimbursables	5,448,457	—	901,570	1,287,093	(754,703)	1,433,960	
Total development and support costs	<u>169,312,435</u>	<u>62,102,151</u>	<u>34,314,142</u>	<u>51,887,574</u>	<u>(3,725,836)</u>	<u>144,578,031</u>	
Total college direct costs	<u>906,807,576</u>	<u>181,577,437</u>	<u>218,553,815</u>	<u>261,362,674</u>	<u>(52,211,459)</u>	<u>609,282,467</u>	
Programwide costs:							
Program management	29,102,672	22,387,065	5,583,291	8,126,154	—	36,096,510	
Legal consulting fees	3,127,425	531,879	175,565	418,250	—	1,125,694	
Compliance and audit fees	2,300,307	309,156	161,976	340,656	—	811,788	
Bond measure election costs	363,880	1,124,162	—	82,557	—	1,206,719	
Rents and leases	4,408,802	734,477	1,034,500	1,619,060	—	3,388,037	
Total programwide costs	<u>39,303,086</u>	<u>25,086,739</u>	<u>6,955,332</u>	<u>10,586,677</u>	<u>—</u>	<u>42,628,748</u>	
Debt refinancing	110,970,482	* 110,970,482	* —	—	—	110,970,482	
Total college direct costs, programwide costs, and debt refinancing	<u>1,057,081,144</u>	<u>\$ 317,634,658</u>	<u>225,509,147</u>	<u>271,949,351</u>	<u>(52,211,459)</u>	<u>762,881,697</u>	
Unallocated budget	<u>18,957,788</u>						
Total	<u>\$ 1,076,038,932</u>						

* Adjusted for debt refinancing, which occurred in July 2003.

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Reconciliation of Proposition AA Bond Proceeds

June 30, 2009

	<u>Total</u>
Bonds authorized and issued	\$ 980,000,000
Bonds authorized but not yet issued	<u>—</u>
Total bonds authorized	980,000,000
Additional proceeds from 2003 General Obligation Bond debt swap of 2001 COPS	25,710,210
Additional proceeds from sale of property	29,974,680
Interest earned for the period May 20, 2003 (inception) through June 30, 2009	<u>40,354,042</u>
Total bonds authorized, interest earned, and other	1,076,038,932
Less expenditures of bond proceeds for the period from May 20, 2003 (inception) through June 30, 2009	<u>(762,881,697)</u>
Total authorized and issued bond funds available at June 30, 2009	<u><u>\$ 313,157,235</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Expenditures of Measure J Bond Proceeds

Years ended June 30, 2009 and 2008

period from November 4, 2008 (inception) through June 30, 2009

	<u>Budget</u> (Unaudited)	<u>Actual expenditures</u>		
		<u>Period from November 4, 2008 (inception) through June 30, 2009</u>	<u>Cumulative reimbursements from state</u>	<u>Cumulative total</u>
College direct costs:				
Structural and equipment costs:				
Construction (new)	\$ 1,878,739,808	26,188,262	(1,032,065)	25,156,197
Construction (renovation)	572,949,854	10,150,492	—	10,150,492
Temporary facilities	—	440,699	—	440,699
Furniture, fixtures, and equipment	176,474,178	4,305,322	—	4,305,322
Total structural and equipment costs	<u>2,628,163,840</u>	<u>41,084,775</u>	<u>(1,032,065)</u>	<u>40,052,710</u>
Other costs:				
Land acquisition	51,367,617	—	—	—
Building acquisition	—	—	—	—
Total other costs	<u>51,367,617</u>	<u>—</u>	<u>—</u>	<u>—</u>
Development and support costs:				
Master planning/Environmental Impact Report	328,400	383,020	—	383,020
Predesign/programming	5,983,352	963,969	—	963,969
Design	258,001,701	11,586,887	—	11,586,887
Specialty consulting	159,239,631	9,340,548	—	9,340,548
Project management	174,567,788	2,791,303	—	2,791,303
Inspection and testing	94,716,212	276,869	—	276,869
Construction management	—	—	—	—
Reimbursables	2,194,264	200,759	—	200,759
Total development and support costs	<u>695,031,348</u>	<u>25,543,355</u>	<u>—</u>	<u>25,543,355</u>
Total college direct costs	<u>3,374,562,805</u>	<u>66,628,130</u>	<u>(1,032,065)</u>	<u>65,596,065</u>
Programwide costs:				
Program management	101,118,997	1,698,580	—	1,698,580
Legal consulting fees	23,818,198	281,991	—	281,991
Compliance and audit fees	—	9,526	—	9,526
Bond measure election costs	—	963,638	—	963,638
Total programwide costs	<u>124,937,195</u>	<u>2,953,735</u>	<u>—</u>	<u>2,953,735</u>
Debt refinancing	—	—	—	—
Total college direct costs, programwide costs, and debt refinancing	<u>3,499,500,000</u>	<u>\$ 69,581,865</u>	<u>(1,032,065)</u>	<u>68,549,800</u>
Unallocated budget	<u>3,616,079</u>			
Total	<u>\$ 3,503,116,079</u>			

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Reconciliation of Measure J Bond Proceeds

June 30, 2009

	<u>Total</u>
Bonds authorized and issued	\$ 425,000,000
Bonds authorized but not yet issued	<u>3,075,000,000</u>
Total bonds authorized	3,500,000,000
Interest earned for the period November 4, 2008 (inception) through June 30, 2009	<u>3,116,079</u>
Total bonds authorized, interest earned, and other	3,503,116,079
Less expenditures of bond proceeds for the period from November 4, 2008 (inception) through June 30, 2009	<u>(68,549,800)</u>
Total authorized and issued bond funds available at June 30, 2009	<u><u>\$ 3,434,566,279</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2009

Assets

Cash in County Treasury	\$	2,086,472
Cash in banks		469,543
Accounts, notes, interest, and loans receivable, net		1,950,241
Due from other funds		59,827
		<hr/>
Total assets	\$	<u><u>4,566,083</u></u>

Liabilities and Fund Equity

Liabilities:		
Accounts payable	\$	1,309,828
Due to other funds		446,474
		<hr/>
Total liabilities		<u>1,756,302</u>
Fund equity:		
Restricted		<u>2,809,781</u>
		<hr/>
Total fund equity		<u>2,809,781</u>
		<hr/>
Total liabilities and fund equity	\$	<u><u>4,566,083</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

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

Year ended June 30, 2009

Revenues:

Federal revenues:

Seog	\$ 1,885,248
Pell (Beog)	91,752,792
Direct loan	12,686,632
Other	300,997
Total federal revenues	<u>106,625,669</u>

State revenues:

Extended Opportunity Program	6,193,652
Cal Grant	6,282,524
Total state revenues	<u>12,476,176</u>

Local revenues:

Interest	127,216
Other	260,915
Total local revenues	<u>388,131</u>

Total revenues	<u>119,489,976</u>
----------------	--------------------

Expenditures:

Books and supplies	—
Other operating expenses and services	121,328,680
Total expenditures	<u>121,328,680</u>

Deficit of revenues under expenditures	(1,838,704)
--	-------------

Other financing uses:

Operating transfers in (out)	—
Net decrease in fund balance	<u>(1,838,704)</u>

Fund balances at July 1, 2008	<u>4,648,485</u>
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Fund balances at June 30, 2009	<u>\$ 2,809,781</u>
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See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 Combined Schedule of Balance Sheet Accounts
 June 30, 2009

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	\$ 240,229	365,325	116,402	57,214	244,228	95,009	156,238	317,649	77,648	1,669,942
Investments	929,373	167,280	284,106	266,590	931,557	46,452	1,626,083	985,503	208,884	5,445,828
Accounts, notes and interest receivable, net of allowance for doubtful accounts	868	14,156	2,252	838	—	10,422	53,145	—	4,020	85,701
Capital assets	27,252	12,193	—	—	199,084	9,712	162,986	264,127	49,246	724,600
Total assets	\$ 1,197,722	558,954	402,760	324,642	1,374,869	161,595	1,998,452	1,567,279	339,798	7,926,071
Liabilities and Fund Equity										
Liabilities:										
Accounts payable	\$ 35,000	23,341	—	—	9,798	51,826	4,844	—	10,234	135,043
Deferred revenue	16,164	—	—	—	—	—	—	—	—	16,164
Scholarship and trust	805,990	2,042	36,998	191,356	619,731	114,480	421,436	118,094	173,432	2,483,559
Other liabilities	—	—	—	—	42,391	—	509,213	324,770	—	876,374
Total liabilities	857,154	25,383	36,998	191,356	671,920	166,306	935,493	442,864	183,666	3,511,140
Fund equity:										
Investment in fixed assets	27,252	12,193	—	—	199,084	9,712	162,986	264,127	49,246	724,600
Fund balances – designated for future expenditures	313,316	521,378	365,762	133,286	503,865	(14,423)	899,973	860,288	106,886	3,690,331
Total fund equity	340,568	533,571	365,762	133,286	702,949	(4,711)	1,062,959	1,124,415	156,132	4,414,931
Total liabilities and fund equity	\$ 1,197,722	558,954	402,760	324,642	1,374,869	161,595	1,998,452	1,567,279	339,798	7,926,071

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts
 Year ended June 30, 2009

	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:										
Interest	\$ 17,512	5,765	7,599	8,209	14,689	—	32,919	27,200	7,082	120,975
Other	111,471	147,397	81,675	19,643	143,611	26,701	41,825	82,662	40,362	695,347
Total revenues	<u>128,983</u>	<u>153,162</u>	<u>89,274</u>	<u>27,852</u>	<u>158,300</u>	<u>26,701</u>	<u>74,744</u>	<u>109,862</u>	<u>47,444</u>	<u>816,322</u>
Expenditures:										
Contract services and other operating expenditures	101,354	119,942	114,696	20,387	81,250	49,750	35,515	38,194	61,194	622,282
Total expenditures	<u>101,354</u>	<u>119,942</u>	<u>114,696</u>	<u>20,387</u>	<u>81,250</u>	<u>49,750</u>	<u>35,515</u>	<u>38,194</u>	<u>61,194</u>	<u>622,282</u>
Net increase (decrease) in fund balance	27,629	33,220	(25,422)	7,465	77,050	(23,049)	39,229	71,668	(13,750)	194,040
Fund balances at July 1, 2008	312,939	500,351	391,184	125,821	625,899	18,338	1,023,730	1,052,747	169,882	4,220,891
Fund balances at June 30, 2009	<u>\$ 340,568</u>	<u>533,571</u>	<u>365,762</u>	<u>133,286</u>	<u>702,949</u>	<u>(4,711)</u>	<u>1,062,959</u>	<u>1,124,415</u>	<u>156,132</u>	<u>4,414,931</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization
June 30, 2009

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

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

The board of trustees for the fiscal year ended June 30, 2009 comprised the following members:

Board of Trustees		
Name	Office	Term expires
Kelly G. Candaele	President	June 30, 2009
Mona Field	Vice President	June 30, 2011
Georgia L. Mercer	Member	June 30, 2011
Angelea J. Reddock	Member	June 30, 2009
Miguel Santiago	Member	June 30, 2009
Nancy Pearlman	Member	June 30, 2009
Sylvia Scott-Hayes	Member	June 30, 2011
Rodney D. Robinson	Student Trustee	May 31, 2010

Administration

Dr. Tyree Wieder, Interim Chancellor
Dr. Adriana D. Barrera, Deputy Chancellor
Mr. Larry H. Eisenberg, Executive Director, Facilities Planning and Development
Ms. Camille A. Goulet, General Counsel
Ms. Jeanette L. Gordon, Chief Financial Officer/Treasurer

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2009

College Presidents

Mr. Ernest H. Moreno	East Los Angeles College
Dr. Jamillah Moore	Los Angeles City College
Dr. Linda M. Spink	Los Angeles Harbor College
Ms. Judith Valles	Los Angeles Mission College
Mr. Robert Garber	Pierce College
Dr. Jack E. Daniels III	Los Angeles Southwest College
Dr. Roland Chapdelaine	Los Angeles Trade-Technical College
Dr. A. Susan Carleo	Los Angeles Valley College
Dr. Mark Rocha	West Los Angeles College

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Workload Measures for State General Apportionment
Annual (Actual) Attendance as of June 30, 2009

<u>Categories</u>	<u>State residents reported data</u>	<u>Audit adjustments</u>	<u>Revised data</u>
A. Summer intersession (Summer Segment 2 only):			
1. Noncredit	1,823.41		1,823.41
2. Credit	6,928.74		6,928.74
B. Summer intersession (Summer Segment 1 only):			
1. Noncredit	64.06		64.06
2. Credit	150.81		150.81
C. Primary terms (exclusive of summer intersessions):			
1. Census procedure courses:			
a. Weekly census contact hours	76,687.31		76,687.31
b. Daily census contact hours	12,471.30		12,471.30
2. Actual hours of attendance procedure courses:			
a. Noncredit	5,112.42		5,112.42
b. Credit	4,474.67		4,474.67
3. Independent study/work experience education courses:			
a. Weekly census procedure courses	283.21		283.21
b. Daily census procedure courses	1,934.30		1,934.30
c. Noncredit independent study	—		—
D. Total Full-Time Equivalent Students (FTES)	<u>109,930.23</u>	<u>—</u>	<u>109,930.23</u>
Supplemental Information			
E. In-service training courses	3,003.81		
F. For future use	—		
G. For future use	—		
H. Basic skills courses:			
1. Noncredit	4,673.23		
2. Credit	8,327.18		
I. CCFS-320 Addendum: CDCP Noncredit FTES	2,338.78		
J. Centers FTES:			
1. Noncredit	N/A		
2. Credit	N/A		

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

Fiscal year ended June 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Postretirement Health Insurance Fund</u>	<u>Building Fund</u>
Total fund balances per annual financial budget report as of June 30, 2009	\$ 59,667,274	91,249,948	1,126,127	(11,740,171)	814,863,845
Audit adjustments to fund balance:					
Adjustments to cash with bond trustee	—	—	122,170,599	—	—
Adjustments to accrued interest expense	—	—	(46,888,129)	—	—
Adjustment to salary and employee benefits expense	7,401,412	—	—	—	—
Adjustment to accrued liabilities for building fund	(4,132)	—	—	—	(17,633,200)
Adjustments to receivables	—	39,919,029	—	—	—
Adjustments to interfund accounts	—	(65,326,112)	—	—	65,326,112
Adjustments to bookstore's reserve for inventory and facility improvements	—	5,882,088	—	—	—
Adjustments to workers' compensation payable reserve	1,900,000	—	—	—	—
Adjustments and reclass	9,297,280	(19,524,995)	75,282,470	—	47,692,912
Unaudited ending fund balance as of June 30, 2009	68,964,554	71,724,953	76,408,597	(11,740,171)	862,556,757
Current assets:					
Adjustment to receivables	12,446,131	—	—	—	—
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—
Other assets – deferred issuance costs	—	—	—	—	—
Other assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—
Long-term liabilities are not booked as part of fund balances:					
G.O. Bonds	—	—	—	—	—
Unamortized premium bonds	—	—	—	—	—
Prepaid interest expense	—	—	—	—	—
Revenue bond	—	—	—	—	—
Workers' compensation claims payable	—	—	—	—	—
General liability	—	—	—	—	—
Vacation benefits payable	—	—	—	—	—
Capital lease payable	—	—	—	—	—
Audited net assets as of June 30, 2009	\$ 81,410,685	71,724,953	76,408,597	(11,740,171)	862,556,757

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

Fiscal year ended June 30, 2009

	Student Financial Aid Fund	ASO Fund	General long-term fixed assets	Other GASB adjustments to general long-term debt	Total
Total fund balances per annual financial budget report as of June 30, 2009	\$ 2,809,781	4,414,931	—	—	962,391,735
Audit adjustments to fund balance:					
Adjustments to cash with bond trustee	—	—	—	—	122,170,599
Adjustments to accrued interest expense	—	—	—	—	(46,888,129)
Adjustment to salary and employee benefits expense	—	—	—	—	7,401,412
Adjustment to accrued liabilities for building fund	—	—	—	—	(17,637,332)
Adjustments to receivables	—	—	—	—	39,919,029
Adjustment to interfund accounts	—	—	—	—	—
Adjustments to bookstore's reserve for inventory and facility improvements	—	—	—	—	5,882,088
Adjustments to workers' compensation payable reserve	—	—	—	—	1,900,000
Adjustments and reclass	—	—	—	—	112,747,667
Unaudited ending fund balance as of June 30, 2009	2,809,781	4,414,931	—	—	1,075,139,402
Current assets:					
Adjustment to receivables	—	—	—	—	12,446,131
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	(724,600)	2,148,968,190	—	2,148,243,590
Other assets – deferred issuance costs	—	—	—	16,912,552	16,912,552
Other assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—
Long-term liabilities are not booked as part of fund balances:					
G.O. Bonds	—	—	—	(2,408,605,000)	(2,408,605,000)
Unamortized premium bonds	—	—	—	(98,017,869)	(98,017,869)
Prepaid interest expense	—	—	—	10,315,335	10,315,335
Revenue bond	—	—	—	(813,305)	(813,305)
Workers' compensation claims payable	—	—	—	(41,181,000)	(41,181,000)
General liability	—	—	—	(6,957,000)	(6,957,000)
Vacation benefits payable	—	—	—	(15,643,251)	(15,643,251)
Capital lease payable	—	—	—	(4,482,910)	(4,482,910)
Audited net assets as of June 30, 2009	\$ 2,809,781	3,690,331	2,148,968,190	(2,548,472,448)	687,356,675

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Fiscal year ended June 30, 2009

<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>
Department of Agriculture:			
Direct programs:			
Water Improvement by the Next Generation (WINGS)	10.223	2005-38422-15933	\$ 4,016
Summer Food Service	10.559		54,023
Subtotal direct programs			<u>58,039</u>
Pass-through California Department of Education:			
Child Care Food Programs	10.558	19-2432-2A	424,401
Pass-through California Department of Health Services:			
California Nutrition Network	10.561	07-65327	526,261
California Nutrition Network	10.561	08-85119	600,184
Subtotal pass-through programs			<u>1,550,846</u>
Total U.S. Department of Agriculture			<u>1,608,885</u>
U.S. Department of Housing and Urban Development:			
Direct programs:			
Hispanic Serving Institution	14.514		689,670
Total U.S. Department of Housing and Urban Development			<u>689,670</u>
U.S. Department of Labor:			
Direct programs:			
Community-Based Job Training	17.269	CB-17355-08-60-A-6	374,947
Community-Based Job Training	17.269	CB-17347-08-60-A-6	465,289
Community-Based Job Training	17.269	CB-18241-09-60-A-6	53,640
			<u>893,876</u>
Pass-through City of Los Angeles:			
City Job Basic Skills Training – WIA Adult	17.258	C-112919	1,303
City Job Basic Skills Training – WIA Dislocated	17.260	C-112919	1,215
City Job Basic Skills Training – WIA Adult	15.258	114855	5,920
City Job Basic Skills Training – WIA Dislocated	17.260	114855	5,883
Workforce Investment Act – Utilities Sector Initiative	15.258	07-1714	119,553
Workforce Investment Act – Hospitality Sector	17.260	07-1714	197,819
Pass-through County of Los Angeles:			
Workforce Investment Act – Com Career Title I – Adult	17.258	A080910	124,796
Workforce Investment Act – Com Career Title I – Dislocated	17.260	DW080910	186,542
Subtotal WIA Cluster			<u>643,031</u>
Pass-through Employment Development Department:			
Cal GRIP	417259	R973798	13,952
Pass-through Economic Development Department:			
advanced Manufacturing Training Institute	17.268	HG-15849-07-60	477,119
Total U.S. Department of Labor			<u>2,027,978</u>
National Aeronautics and Space Administration:			
Direct programs:			
NASA – An Innovative Partnership	43.001	N/A	24,035
Total National Aeronautics and Space Administration			<u>24,035</u>
U.S. Environmental Protection Agency:			
Direct programs;			
Small Grant – A Method to Convert Green and Animal Waste	81.049	SU-83351101-9	2,660
Total U.S. Environmental Protection Agency			<u>2,660</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Fiscal year ended June 30, 2009

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Direct programs:			
Higher Education Act:			
Higher Education Institutional Aid	84.031		\$ 7,134,857
TRIO cluster:			
Student Support Services	84.042		1,740,529
Talent Search	84.044		476,619
Upward Bound	84.047		1,498,696
Educational Opportunity Centers	84.066		176,235
Subtotal TRIO cluster			<u>3,892,079</u>
Fund for the Improvement of Post Secondary Education – Solving the Math Achievement Gap	84.116		67,029
Minority Science and Engineering Improvement	84.120		<u>158,041</u>
Student financial assistance cluster:			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007		1,977,548
Federal Family Education Loans (FFEL)	84.032		7,524,149
Federal Work Study Program (FWS)	84.033		2,048,810
Federal Perkins Loan Program (FPL)	84.038		412,725
Federal Pell Grant Program (PELL)	84.063		91,209,824
Federal Direct Student Loan (Direct Loan)	84.268		5,146,637
Academic Competitive Grant (ACG)	84.375		635,687
Subtotal student financial assistance cluster			<u>108,955,380</u>
Subtotal direct programs			<u>120,207,386</u>
Pass-through California Community College’s Chancellors Office:			
Adult Education and Family Literacy and English Literacy	84.002	19-64741	869,516
Vocational and Applied Technology Education Act – Title IC	84.048	07-C01-027	50,224
Vocational and Applied Technology Education Act – Title IC	84.048	08-C01-027	4,636,989
Tech Prep Education – Los Angeles City College	84.243	08-139-083	81,405
Tech Prep Education – East Los Angeles College	84.243	08-139-032	81,050
Tech Prep Education – Los Angeles Harbor College	84.243	08-139-034	74,501
Tech Prep Education – Los Angeles Mission College	84.243	08-139-035	81,405
Tech Prep Education – Los Angeles Pierce College	84.243	08-139-036	79,406
Tech Prep Education – Los Angeles Trade Technical College	84.243	08-139-082	81,113
Tech Prep Education – Los Angeles Valley College	84.243	08-139-038	81,315
Tech Prep Education – West Los Angeles College	84.243	08-139-037	79,679
Tech Prep Education – Distribution Points Project	84.243	CN088121	191,649
Pass-through California Department of Education:			
California 21st Century Community Learning Centers	87.287	07-14349-6474-2A	<u>129,927</u>
Pass-through Los Angeles Unified School District:			
GEAR UP	84.334	800479	76,512
GEAR UP	84.334	800782	12,536
GEAR UP	84.334	900418	12,536
GEAR UP	84.334	900263	18,837
Subtotal pass-through programs			<u>6,638,600</u>
Total U.S. Department of Education			<u>126,845,986</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Fiscal year ended June 30, 2009

<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>
Department of Health and Human Services:			
Direct programs:			
Nursing Student Loans	93.364		\$ <u>69,350</u>
Subtotal direct programs			<u>69,350</u>
Pass-through State of California Department of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	955,586
Pass-through California Department of Education:			
Instructional Materials	93.575	CIMS-8246	3,505
Infant Toddler Resource	93.575	CCAP-8153	4,881
CCDF School Age Resource	93.575	CSCC-8136	1,954
Child Development Block Grant	93.596	CCTR-8157	156,726
Pass-through St. Francis Medical Center of Lynwood Foundation:			
Nurse Education Practice and Retention	93.359	D11HP08389	<u>397,621</u>
Subtotal pass-through programs			<u>1,520,273</u>
Total U.S. Department of Health and Human Services			<u>1,589,623</u>
Corporation for National and Community Service:			
Direct Program:			
Americorps	94.006	N/A	<u>285,215</u>
Total Corporation for National and Community Service			<u>285,215</u>
Federal Transit Administration:			
Pass-through Los Angeles County Metropolitan Transportation Authority:			
Pedestrian Accessibility and Mobility Improvements			<u>742,500</u>
Total Federal Transit Administration			<u>742,500</u>
Total expenditures of federal awards			\$ <u><u>133,816,552</u></u>

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Financial Awards

Fiscal year ended June 30, 2009

Program name	Cash received	Accounts receivable	Deferred income	Total program revenues	Total program expenditures
Disabled Students Program and Services	\$ 6,312,741	—	—	6,312,741	7,275,505
State Matriculation (Credit)	7,313,902	—	—	7,313,902	6,765,525
State Matriculation (Non Credit)	1,154,307	—	—	1,154,307	923,756
Student Financial Aid Administration	4,822,822	—	—	4,822,822	4,620,828
One-Time Block Grant/Instructional Equipment/ Deferred Maintenance	1,953,243	—	—	1,953,243	2,117,059
Basic Skills	2,825,822	—	—	2,825,822	3,179,257
Extended Opportunity Program and Services (EOPS)	13,362,703	—	—	13,362,703	12,676,137
Cooperative Agencies Resource for Education (CARE)	1,345,214	—	—	1,345,214	1,114,245
CalWORKS Program	5,751,359	—	—	5,751,359	5,614,732
Telecommunication and Technology Infrastructure Program	324,324	—	—	324,324	598,513
Foster Care Program	967,666	275,879	—	1,243,545	1,289,531
Staff Development	—	—	—	—	73,476
Faculty and Staff Diversity	76,832	—	—	76,832	70,959
CAHSEE Preparation Program	1,877,513	1,800,383	584,355	3,093,541	3,093,888
Nursing Program	2,703,628	653,106	647,477	2,709,257	2,709,255
Temporary Assistance for Needy Families CDC	199,892	141,739	—	341,631	341,631
Independent Living Program	427,008	148,413	—	575,421	575,421
Economic Development	2,280,238	338,950	96,016	2,523,172	3,415,212
Career Technical Education	3,550,486	256,639	2,764,516	1,042,609	191,613
Math, Engineering and Science Achievement (MESA)	31,561	47,558	—	79,119	79,119
Middle College High School (MCHS)	48,738	—	—	48,738	118,940
Transfer and Articulation Program	33,000	—	15,015	17,985	17,985
Other state assistance programs	1,933,591	371,238	235,364	2,069,465	2,394,865
Child Development Pre-School Care	2,255,246	369,481	—	2,624,727	2,787,865
Child Development Services	1,804,513	—	—	1,804,513	1,765,192
Family Child Care Homes Network	508,851	250,686	—	759,537	759,537
CAL Grants	6,282,524	—	—	6,282,524	6,347,517
Total state programs	\$ 70,147,724	4,654,072	4,342,743	70,459,053	70,917,563

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2009

(1) General

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

(2) Basis of Accounting

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

(3) Reconciliations to Basic Financial Statements

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

State revenues in the fund financial statements:

General Fund	\$ 404,192,984
Special Revenue Fund	96,448,367
Student Financial Aid Fund	<u>12,476,176</u>

Total state revenues in fund financial statements	\$ <u>513,117,527</u>
---	-----------------------

Total state revenues in accompanying schedule	\$ <u>70,459,053</u>
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Add:

General Fund:	
Basic and equalization aid	338,765,224
State lottery	13,415,893
Tax relief subvention	1,344,633
Other state funds	<u>—</u>

Total other General Fund revenues	<u>353,525,750</u>
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Special Revenue Fund:	
Community College Construction Act	89,132,724
Scheduled Maintenance Program	<u>—</u>

Total other Special Revenue Fund revenues	<u>89,132,724</u>
---	-------------------

Total state revenues in fund financial statements	\$ <u>513,117,527</u>
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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2009

(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, 2009. Loan balances outstanding are included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Cluster name/program title</u>	<u>CFDA number</u>	<u>Loan advances made</u>	<u>Loan balances outstanding</u>
Student financial aid cluster:			
Federal Family Education Loans (FFEL)	84.032	\$ 7,524,149	—
Federal Perkins Loans (FPL)	84.038	412,725	3,795,579
Federal Direct Student Loans	84.268	5,146,637	—
Nursing Student Loans	93.364	—	92,328

(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	\$ 91,486
Federal Work-Study Program	104,469
	<u>\$ 195,955</u>

(6) Federal Clusters of Programs

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

	<u>CFDA Number</u>	<u>Expenditures</u>
Workforce Investment Act (WIA) Cluster:		
WIA Adult Program	17.258	\$ 132,019
WIA Dislocated Workers	17.260	193,640
WIA Utilities Sector Initiative	17.258	119,553
WIA Hospitality Sector	17.260	197,819
		<u>\$ 643,031</u>
TRIO Cluster:		
Student Support Services	84.042	\$ 1,740,529
Talent Search	84.044	476,619
Upward Bound	84.047	1,498,696
Educational Opportunity Centers	84.066	176,235
		<u>\$ 3,892,079</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2009

	<u>CFDA Number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	\$ 1,977,548
Federal Work-Study (FWS)	84.033	2,048,810
Federal Family Education Loans (FFEL)	84.032	7,524,149
Federal Perkins Loan (FPL)	84.038	412,725
Federal Direct Student Loans (Direct Loan)	84.268	5,146,637
Federal Pell Grant Program (PELL)	84.063	91,209,824
Academic Competitiveness Grant (ACG)	84.375	<u>635,637</u>
		\$ <u><u>108,955,330</u></u>
Child Care Development Fund Cluster:		
Child Care and Development Block Grant	93.575	\$ 10,340
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	<u>156,726</u>
		\$ <u><u>167,066</u></u>

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

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Independent Accountants' Report on State Compliance Requirements

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

We have examined the District's compliance with the following state laws and regulations for the year ended June 30, 2009 in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- Salaries of Classroom Instructors: 50% Law (421)
- Apportionment for Instructional Service Agreements/Contracts (423)
- State General Apportionment (424)
- Residency Determination for Credit Courses (425)
- Students Actively Enrolled (426)
- Concurrent Enrollment of K-12 Students in Community College Credit Courses (427)
- Uses of Matriculation Funds (428)
- Gann Limit Calculation (431)
- Enrollment Fee (432)
- California Work Opportunity and Responsibility to Kids (CaWORKS) – Use of State and Federal Temporary Assistance for Needy Families (TANF) Funding (433)
- Scheduled Maintenance Program (434)
- Open Enrollment (435)
- Student Fee – Instructional Materials and Health Fees (437).

Management is responsible for the Los Angeles Community College District (the District) compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, except for findings 09-01 through 09-05 described in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

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

Vargay + Company LLP

Los Angeles, California
December 18, 2009

ADDITIONAL REPORTS OF INDEPENDENT AUDITORS

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

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the basic financial statements of the Los Angeles Community College District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated March 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in the District's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as item FS-09-01 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS-09-02 through FS-09-04 to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

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

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

KPMG LLP

March 19, 2010

**Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the Los Angeles Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (the Compliance Supplement) that are applicable to each of its major federal programs for the year ended June 30, 2009, except the requirements discussed in the second paragraph of this report. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We did not audit the District's compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program described in the Compliance Supplement. Those requirements govern functions performed by Affiliated Computer Services, Inc. (ACS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ACS's compliance with the requirements governing the functions that it performs for the District for the year ended June 30, 2009 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ACS's compliance with such requirements.

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

As described in findings F-09-09 through F-09-10 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs and procurement that are applicable to its higher education institutional aid program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Los Angeles Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Additionally, the results of our auditing procedures also disclosed other 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-09-01 through F-09-08 and F-09-11.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Compliance Supplement are performed by ACS. Internal control over compliance related to such functions for the year ended June 30, 2009 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide. Our report does not include the results of the other accountants' testing of ACS's internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-09-01 through F-09-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control over compliance. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider findings F-09-09 through F-09-10 to be material weaknesses.

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

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

Vargay + Company LLP

Los Angeles, California
December 18, 2009

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Independent Auditors' Report on Schedule of Expenditures of Federal Awards

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

We have audited the accompanying schedule of expenditures of federal awards of the Los Angeles Community College District (the District) for the year ended June 30, 2009. This schedule is the responsibility of the District's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of expenditures of federal awards is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures of federal awards, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the federal expenditures of the Los Angeles Community College District for the year ended June 30, 2009, in conformity with U.S. generally accepted accounting principles.

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



Los Angeles, California
December 18, 2009

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

Basic Financial Statements

- (a) The type of report issued on the basic financial statements: **Unqualified.**
- (b) Internal control over financial reporting:
 - Material weakness(es) identified: **Yes. See item FS-09-01.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See items FS-09-02 through FS-09-04.**
- (c) Noncompliance which is material to the basic financial statements: **No.**

Federal Awards

- (d) Internal control over major programs:
 - Material weakness(es) identified: **Yes. See items F-09-09 and F-09-10.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See items F-09-01 through F-09-08 and F-09-11.**
- (e) The type of report issued on compliance for major programs:
 - Student Financial Assistance Cluster – **Unqualified.**
 - TRIO Cluster – **Unqualified.**
 - Vocational Education Basic Grants to States – **Unqualified.**
 - Higher Education Institutional Aid – **Qualified.**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **Yes.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$4,014,497.**
- (h) Major programs:
 - U.S. Department of Education

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- Student Financial Assistance Cluster:
 - CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG)
 - CFDA 84.032 Federal Family Education Loans (FFEL)
 - CFDA 84.033 Federal Work-Study Program (FWS)
 - CFDA 84.038 Federal Perkins Loans (FPL)
 - CFDA 84.063 Federal Pell Grant Program (PELL)
 - CFDA 84.268 Federal Direct Student Loans (DIRECT LOAN)
 - CFDA 84.375 Academic Competitive Grant (ACG)

- Higher Education Institutional Aid – CFDA 84.031

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

- Career and Technical Education Basic Grants to States (CTE) – CFDA 84.048

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

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

FS-09-01: Capital Assets and General Obligation Bond Program

Condition and Context

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

- The District does not perform a timely formal analysis to identify a comprehensive list of completed capital asset projects by year completed in accordance with U.S. generally accepted accounting principles (GAAP). The June 30, 2009 analysis prepared by the District was received on November 12, 2009.

- The District does not currently have adequate policies and procedures in place that allow them to identify and record capital asset expenses in the proper period in accordance with U.S. GAAP. A \$17.6 million adjustment was recorded, which represented expenses related to capital projects incurred during the current fiscal year.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- The District does not reconcile projects initially funded with bond proceeds that are subsequently funded through state reimbursements. A \$39.9 million adjustment was recorded during the current year audit.
- The District does not currently reconcile furniture and equipment purchased with bond proceeds to the actual equipment received and tagged.
- We noted the District had not been properly accruing interest expense related to the G.O. Bonds. Additionally, we noted that the District had not been recording certain amounts on deposit with the County of Los Angeles related to amounts set aside for future debt service payments on the District's G.O. Bonds.

Cause and Effect

Effective July, 2007, the District's board of trustees approved the Program Manager to oversee all bond-funded capital improvements. The Program Manager is responsible for maintenance of the master schedule of work performed, program budgets, accounting, contracting, and development. The Program Manager does not appear to be conducting a thorough review of when projects are completed in a timely manner. Lack of formal procedures in place to address the proper classification of construction in progress can also impact the related depreciation expense and capitalized interest of the completed project.

In addition, the Program Manager does not appear to be performing adequate cut-off procedures related to year-end accruals or maintaining proper reconciliations of good received to accounting records. Lack of formal cutoff procedures can impact the completeness of fixed asset records and the period in which expenses are reflected in the District's accounting records.

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

The adjustments related to the G.O. Bonds appear to be due to a misunderstanding of the GAAP reporting requirements related to the interest accrual and recording of local property tax revenues. The result of the adjustments increased the interest accruals related to the G.O. Bonds, increased the cash on deposit with the trustee and also increased the local tax revenue issued to ultimately fund the debt service of the G.O. Bonds.

Criteria

A control deficiency 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent a material weakness in internal control.

Recommendation

We recommend that the District work with the Program Manager to design and implement internal controls to ensure that capital assets are being tracked and recorded in a timely manner and reconciled to accounting records. We also recommend that management also implement processes and controls to determine that expenses are recorded and disclosed in accordance with U.S. GAAP.

Views of Responsible Officials and Planned Corrective Action

- A. The District does perform a timely formal analysis to identify a comprehensive list of completed capital asset projects by year completed in accordance with U.S. GAAP.
 1. The policies implemented and followed for fiscal year 2008-09 were the following:
 - i. BuildLACCD Program Controls personnel toured each campus and reviewed with the Campus Project Manager (CPM) a listing of all projects to identify prior and current year occupied or canceled projects.
 - ii. Upon full review of the campus project list, a signed letter by the CPM was generated to document the dates of occupied and canceled projects. This information is tracked in the BuildLACCD financial and reporting systems.
- B. The District does not currently have policies and procedures in place that allow them to identify and record expenses in the proper period in accordance with U.S. GAAP. A \$17.6 million adjustment was subsequently identified, which represented expenses related to capital projects incurred during the current fiscal year.
 1. The District agrees with this finding and will strengthen the following ongoing procedures. BuildLACCD requests a detailed listing of work in place prior to June 30th from all of the CPM's. This invoicing information is compared to invoicing of the prior three months to search for vendors that may have performed work and not yet invoiced. This analysis is then reviewed with each Campus to complete the search for unrecorded liabilities.
- C. The District does not reconcile projects initially funded with bond proceeds that are subsequently funded through State reimbursements.
 1. The District agrees with this finding and will strength the following procedure in collaboration with the Program Management team. Expenditures are tracked by BuildLACCD and uploaded to the District on a weekly basis. The District then submits the expenditures to the state for reimbursement. Outstanding claims and reimbursements are then tracked by the District. A reconciliation of state expenditures along with their corresponding reimbursements has been completed through June 30, 2009. A reconciliation of expenditures, outstanding claims, and reimbursement will be performed quarterly. A receivable account will be created to track outstanding claims.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- D. The District does not currently reconcile furniture and equipment purchased with bond proceeds to the actual equipment received and tagged.
1. The District is in the process of contracting with an asset management firm to record and track furniture and equipment purchases funded through bond proceeds as well as furniture and equipment disposals.
 2. The District and BuildLACCD have decided to utilize the District's current accounting and financial system, SAP, for all procurements, and subsequent asset recording for bond purchases.
 3. SAP is currently being configured to accommodate all bond purchase orders and asset inventories.
 4. The District intends to upgrade their existing bar code asset tracking to an RFID system within SAP.
 5. After the Radio Frequency Identification (RFID) upgrade implementation, a baseline inventory will be completed at all campuses and will be imported into SAP.
 6. When all items are complete the District will be able to accurately report on all District assets.
- E. We noted the District had not been properly accruing interest expense related to the G.O. Bonds. Additionally, we noted that the District had not been recording certain amounts on deposit with the County of Los Angeles related to amounts set aside for future debt service payments on the District's G.O. Bonds.
1. The District concurs with the finding. Adjustments for interest accruals and local property tax revenues were not fully recorded due to a lack of understanding GAAP requirements related to G.O. Bonds. The District will correct and record these types of transactions in accordance with GAAP.

FS-09-02: Information Technology

Condition and Context

During our review of the District's information technology controls during the fiscal year 2007 audit, we identified control weaknesses in the areas of security and change management. These included the sharing of user accounts, extensive superuser access and informal change management processes. These issues were determined to be significant deficiencies in the District's system of internal controls. During the fiscal year 2009 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the year 2007 audit.

The District has made progress in remediating the previously identified issues; however control weaknesses have not been remediated to a level where general internal controls can be relied upon for audit purposes and the significant deficiencies continued to exist during fiscal year 2009.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Progress to date includes the following:

- The District is in the process of implementing the Security Weaver tool to control access to the SAP environment. Implementation of this system is not complete and associated remediation of security issues is ongoing. The implementation date for these improved control processes is currently unknown. The evaluation of segregation of duties and control of superuser access has not been fully implemented.
- The District has defined a formal process for change management and has implemented the Mercury Quality Center application as of January 2009 as its change management tool. However, we noted that the security authority features of the Mercury system were only deployed in July 2009. Prior to July 2009, all transports related to security and role redesigns were approved via e-mail and did not flow through the Mercury Quality Center system. The District's change management policy outlines that all changes to SAP production should flow through the Mercury tool for approval and migration into production. This process is still in the implementation phases. Our testing identified transports moved into production without going through the Mercury Quality subsequent to implementation.

Cause and Effect

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

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

Criteria

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

Recommendation

We recommend that management continue to implement the planned modules of Security Weaver and create an overall project plan that lays out the roadmap from complete tool implementation, security issue

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

remediation, and implementation of an effective monthly monitoring control. Additionally, management should strengthen the use of the Mercury Quality Center to have all changes to the production environment appropriately documented, approved and migrated to production. We recommend that these control improvements be completed as soon as possible.

Views of Responsible Officials and Planned Corrective Action

The District has fully implemented a workflow approval processes to help ensure access is terminated when an employee is terminated. The District has implemented Security Weaver for the SAP Developer team to help ensure proper user access for SAP and the next phase is to include the basis and security teams to ensure proper user access for SAP. The District has fully implemented the HP Mercury Quality Control tool to ensure proper documentation and change management occur to SAP. As the implementation is completed over the next twelve months, improvements will occur to internal control weaknesses and deficiencies will be reduced.

FS-09-03: Payroll and Payroll Related Expenses

Condition and Context

The District does not have adequate procedures in place to ensure that the reconciliation of payroll expenses according to the payroll register agrees to the general ledger in a timely manner. The District also does not have adequate procedures in place to ensure that updates to the payroll system occur in a timely manner for certain employees after changes are made to their assignments (i.e., dropped classes or the number of units taught changes). Finally, we noted the District does not have procedures in place to reconcile at the employee level monthly differences between benefit payment amounts and general ledger expense accounts.

Cause and Effect

The lack of internal controls noted above could result in errors in payroll and benefit expenses. During our testwork related to the lack of timely changes to payroll information, we noted an increase of approximately \$268 thousand related to overpayments made to instructors. Currently the District reports approximately \$3 million of such overpayments recorded in accounts receivable. Given the control exceptions noted, there is a risk that payroll and payroll-related expenses will not be recorded correctly and in accordance with U.S. GAAP.

Criteria

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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Recommendation

We recommend that management establish formal procedures and internal controls to ensure that payroll amounts are reconciled to the general ledger, including review and approval by someone other than the preparer knowledgeable of the payroll process.

Views of Responsible Officials and Planned Corrective Actions

The District Accounting Department does a monthly reconciliation of payroll posting, but did not have a coordinated follow up process towards the resolution of unreconciled items. The District will initiate a coordinated process to include a review and approval on the reconciliation of payroll expense to the general ledger.

The District Internal Audit Department will work with Human Resources and the campuses on a control process to ensure that the campuses update the Personnel Change Request (PCR) system in a timely manner for certified assignment employees after changes are made to their assignments.

The District Accounting Department will work with Business Services Department on implementing a monthly reconciliation process to identify monthly differences between employee benefit (Medicare, Social Security, CALPERS and CALSTRS) payment amounts and the related general ledger expense accounts.

FS-09-04: Financial Reporting

Condition and Context

During our audit, we noted that the District does not perform any formal analysis of the collectability of their receivables and, therefore, does not establish an appropriate reserve for old or uncollectible balances. We identified an adjustment that was required to adjust the District's allowance for doubtful accounts. Additionally, we noted the Accounting and Disbursements Division within the District still reports to the Deputy Chancellor as opposed to the Chief Financial Officer/Treasurer.

Cause and Effect

The adjustments related to the receivables appear to be due to a lack of processes or controls in place to determine the collectability and validity of balances in the financial statements in accordance with U.S. GAAP. Additionally, the reporting of the Accounting and Disbursements Division to the Deputy Chancellor appears to be due to organizational changes made in prior years. The current design of controls related to the recording of financial transactions may lead to certain instances of financial information that does not conform to U.S. GAAP.

Criteria

A control deficiency 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet

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important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent a material weakness in internal control.

Recommendation

We recommend management reevaluate the controls in place over financial reporting to ensure that the issues leading to the adjustments noted above are included within their monthly and annual financial transaction review processes. We also recommend the District implement processes and controls to review accounts receivable balances for collectability and proper valuation. Also, we continue to recommend that the District consider changes to their organizational structure to have the Accounting and Disbursements Division report directly to the Chief Financial Officer/Treasurer.

Views of Responsible Officials and Planned Corrective Action

The District concurs with the findings. The District's Internal Audit Department will review the current accounts receivables controls and reconciliation processes to strengthen existing controls and processes in accounts receivables. Additionally, the District is reviewing if reorganization is necessary to have Accounting and Disbursements report directly to the Chief Financial Officer/Treasurer.

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

	<u>Finding numbers</u>
1 Student Financial Assistance – Special Tests and Provisions – Late Return of Title IV Funds	F-09-01
2 Student Financial Assistance – Special Tests and Provisions – Late Payment of Post-withdrawal Disbursements	F-09-02
3 Student Financial Assistance – Special Tests and Provisions – Late Reporting of Overpayment to National Student Loan Database System (NSLDS)	F-09-03
4 Student Financial Assistance – Special Tests and Provisions – Student Status Changes – Late Reporting to NSLDS	F-09-04
5 Student Financial Assistance – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – Late Reporting to Department of Education	F-09-05
6 Student Financial Assistance – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – Nonperformance of Monthly SAS Reconciliation	F-09-06
7 TRIO – Allowable Costs Principle – Nonpayroll Expenditures Charged to the Program	F-09-07
8 TRIO – Allowable Costs and Eligibility of Students Receiving Stipends	F-09-08
9 Higher Education – Equipment Management – Equipment Policies and Procedures	F-09-09
10 Higher Education – Procurement – Support for Price/Cost Analysis	F-09-10
11 CTE – Equipment Management – Equipment Policies and Procedures	F-09-11

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Finding F-09-01 – Special Tests and Provisions – Late Return of Title IV Funds

Federal Program Information

<i>Federal Catalog Number:</i>	84.063
<i>Federal Program Name:</i>	Student Financial Assistance Cluster: Federal Pell Grant Program
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles City College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00122300, July 1, 2008 to June 30, 2009, Federal Pell Grant ID: 001223

Criteria or Requirement

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

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

- (1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 30 days after the date it determines that the student withdrew;
- (2) The institution initiates an electronic funds transfer (EFT) no later than 30 days after the date it determines that the student withdrew;
- (3) The institution initiates an electronic transaction, no later than 30 days after the date it determines that the student withdrew, that informs an FFEL lender to adjust the borrower’s loan account for the amount returned; or
- (4) The institution issues a check no later than 30 days after the date it determines that the student withdrew. However, the Secretary considers that the institution did not satisfy this requirement if:
 - (i) The institution’s records show that the check was issued more than 30 days after the date the institution determined that the student withdrew; or
 - (ii) The date on the canceled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 45 days after the date the institution determined that the student withdrew.

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Year ended June 30, 2009

Condition Found

During our testing of the District's compliance with the timely requirements for return of Title IV funds, we noted that funds for 4 students from Los Angeles City College, of the total 60 students selected for testing, were not returned within the required time frames. The funds were returned 76 days after the District determined that the student withdrew instead of the required 30–45 days.

Total Direct Loan and Pell grant expenditures for the fiscal year ended June 30, 2009 amounted to \$5,146,637 and \$91,209,824, respectively. The total disbursement for the 4 students is \$729 of the \$3,944 returns sampled.

Questioned Costs

\$729.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District will review and revise the District Financial Aid Accounting policies and procedures to ensure that returns of Title IV funds are made in a timely manner. Training will be provided to District/Campus staff.

Finding F-09-02 – Special Tests and Provisions – Late Payment of Postwithdrawal Disbursements

Federal Program Information

<i>Federal Catalog Number:</i>	84.063
<i>Federal Program Name:</i>	Federal Pell Grant
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles City College, Los Angeles East College, Los Angeles Pierce College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00122300, July 1, 2008 to June 30, 2009, FFEL ID: 001223; Federal Direct Student Loan ID: G01223, and Federal Pell Grant ID: 001223

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OPE ID No. 02226000, July 1, 2008 to June 30, 2009,
FFEL ID: 0222601 Federal Direct Student Loan ID:
G022260, and Federal Pell Grant ID: 001222

OPE ID No. 0122600, July 1, 2008 to June 30, 2009,
FFEL ID: 01226; Federal Direct Student Loan ID:
G01226, and Federal Pell Grant ID: 001226

Criteria or Requirement

Title 34, Education, Subpart B, Standards for Participation in Title IV, HEA Programs, Section 668.22(a)(5)(ii)(B)(1).

Postwithdrawal disbursements of grant funds may be credited to the student's account, without the student's authorization, for current year outstanding charges for tuition, fees, and room and board (if contracted with the institution) on the student's account, up to the amount of those outstanding charges. For current year outstanding charges other than tuition, fees, and room and board (if contracted with the institution), the institution must have the student's authorization to credit the student's account with grant funds. Any grant funds not disbursed to the student's account must be disbursed to the student no later than 45 days after the date of the institution's determination that the student withdrew.

Condition Found

During our testing of the District's compliance with the timely payment of postwithdrawal disbursements, we noted 8 out of 60 students selected for testing were not paid within the required time frames. Postwithdrawal disbursements are required to be disbursed to students no later than 45 days after the date the District determined that the student withdrew. Details of exceptions are as follows:

- 4 exceptions (from Los Angeles East College) were disbursed after 142 days from determination date.
- 2 exceptions (from Los Angeles City College) were not yet disbursed as of examination date. Days lapsed from determination date to date of fieldwork is over 180 days.
- 2 exceptions (from Los Angeles Pierce College) were not yet disbursed as of examination date. Days lapsed from determination date to date of fieldwork is over 180 days.

Questioned costs

\$2,744 out of \$3,184 sampled.

Possible Asserted Cause and Effect

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

Recommendation

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

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Views of Responsible Officials and Planned Corrective Actions

The District will review and revise the District Financial Aid Accounting policies and procedures to ensure that postwithdrawal disbursements are made in a timely manner. Training will be provided to District/Campus staff.

Finding F-09-03 – Special Tests and Provisions – Late Reporting of Overpayment to National Student Loan Database System (NSLDS)

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 Trade-Tech College
Federal Award Number and Award Year: OPE ID No. 00122700, Direct Loan ID: N/A; July 1, 2008 to June 30, 2009

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General provisions, Subpart B. Standards for Participation in Title IV, HEA Programs, Sec. 668.22 Treatment of Title IV funds when a student withdraws, (h) Return of unearned aid, responsibility of the student (4) (iv).

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

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

Condition Found

Reporting to NSLDS of student overpayment of 9 students out of 25 samples selected at Los Angeles Trade-Tech College was not done within 45 days from notification. Reporting was done 54 to 174 days from the date the District notified the students.

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Questioned costs

\$5,203 out of \$11,177 sampled.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District/College subsequently did report the overpayments. The District/College will have a process in place to ensure the reporting function is done within the prescribed time.

Finding F-09-04 – Special Tests and Provisions – Student Status Changes – Late Reporting to National Student Loan Database System (NSLDS)

Federal Program Information

<i>Federal Catalog Number:</i>	84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster: Federal Direct Student Loan (Direct Loan)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Valley College, Los Angeles Pierce College
<i>Federal Award Number and Award Year:</i>	FFEL ID: 001228, OPE ID No. 00122800; July 1, 2008 to June 30, 2009 FFEL ID: 001226, OPE ID No. 00122600; July 1, 2008 to June 30, 2009, Federal Direct Student Loan ID: G01226

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Federal Family Education Loan (FFEL) Subpart F – Requirements, Standards, and Payments for Participating Schools, Section 682.610 (c) Administrative and Fiscal Requirements for Participating Schools – Student Status Confirmation Report (SSCRs).

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A school shall (1) upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate, and (2) unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days:

- (i) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis;
- (ii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
- (iii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or
- (iv) If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address.

Condition Found

During our testing of the District's compliance with the requirements for reporting student status changes, we noted 6 out of 50 students sampled with changes in status that occurred during the fiscal year were not reported within the required time frames. Details of exceptions are as follows:

- 3 exceptions noted (out of 25 students selected from Los Angeles Valley College) were reported to the NSLDS 66 to 92 days after receipt of the student status confirmation report.
- 3 exceptions noted (out of 25 students selected from Los Angeles Pierce College) were reported to the NSLDS 74 days after receipt of the student status confirmation report.

Total FFEL and Direct Loan expenditures for the fiscal year ended June 30, 2009 amounted to \$7,524,149 and \$5,146,637, respectively.

Questioned Costs

\$17,751 out of \$126,551 sampled.

Possible Asserted Cause and Effect

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

Recommendation

We recommend the District strengthen controls to ensure that student status changes are reported to the NSLDS on a timely basis.

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Views of Responsible Officials and Planned Corrective Actions

The District is working with the Clearinghouse on a schedule that will ensure that NSLDS Enrollment Reporting will have the latest enrollment status.

Finding F-09-05 – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – Late Reporting to the Department of Education

Federal Program Information

Federal Catalog Number: 84.268

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

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Campus: Los Angeles City College, Los Angeles Pierce College

Federal Award Number and Award Year: OPE ID No. 00122600, Direct Loan ID: G01223; July 1, 2008 to June 30, 2009

OPE ID No. 00122600, Direct Loan ID: G01226; July 1, 2008 to June 30, 2009

Criteria or Requirement

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

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

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

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Condition Found

We noted during our testing that Federal Direct Loan disbursements to 3 students out of 60 students sampled were not reported to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days from disbursement date. Details of exceptions are as follows:

- 2 exceptions noted (out of 30 students sampled from Los Angeles City College) – one was reported 34 days and the other one was reported 109 days, to the DLSS, from the date of disbursement.
- 1 exception noted (out of 30 students sampled from Los Angeles Pierce College) was reported to the DLSS 33 days from the date of disbursement.

Total Direct Loan expenditures for the fiscal year ended June 30, 2009 amounted to \$5,146,637.

Questioned Costs

The loans of the students with exceptions totaled \$6,858 of the \$133,047 disbursements sampled.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Each of the Los Angeles Community Colleges uses EDEXpress to process Direct Loans and record loan disbursements. Problems with transmissions via EdConnect are discovered and resolved during monthly reconciliations. To standardize reporting schedules, the District has centralized and automated the reporting of Direct Loan disbursements beginning with Fall 2009.

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Finding F-09-06 – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – Nonperformance of Monthly School Account Statement (SAS) Reconciliation

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 City College

Federal Award Number and Award Year: OPE ID N0. 00122300, Direct Loan ID: G01223; July 1, 2008 to June 30, 2009

Criteria or Requirement

Title 34 – Education, Chapter VI – Office of Post Secondary Education, Department of Education Part 685 – William D. Ford Federal Direct Loan Program Sections 685.102(b), 685.301, and 303:

Institutions must report all loan disbursements and submit required records to the DLSS via the COD within 30 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file, which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month.

Condition Found

We noted during performance of our audit procedures that Los Angeles City College did not prepare SAS reconciliation for the month of March 2009.

Questioned Costs

Not Applicable.

Possible Asserted Cause and Effect

Upon discussion with Los Angeles City College personnel, the SAS reconciliation report was not prepared during the month of March 2009 because the accountant was on vacation during that month. It appears that monitoring controls are not in place to ensure that monthly reconciliation is done.

Recommendation

We recommend that the District strengthen controls to ensure that requirements are complied with and that monthly SAS report is reconciled to the campuses' financial records.

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Views of Responsible Officials and Planned Corrective Actions

The Los Angeles Community Colleges will automate the reconciliation reports beginning with Fall 2009.

Finding F-09-07 – Allowable/Unallowable Cost Principle – Expenditures Charged to the Program

Federal program Information

<i>Federal Catalog Number:</i>	84.047
<i>Federal Program Name:</i>	TRIO Cluster: Upward Bound
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles City College
<i>Federal Award Number and Award Year:</i>	Award Number P047A070608-09 – September 1, 2008 to August 31, 2009

Criteria or Requirement

Per Code of Federal Regulations Title 34: Education Part 645 – Upward Bound

Allowable costs include the following if they are reasonably related to the objectives of the project:

- (a) In-service training of project staff.
- (b) Rental of space if space is not available at the host institution and the space rented is not owned by the host institution.
- (c) For participants in an Upward Bound residential summer component, room and board – computed on a weekly basis – not to exceed the weekly rate the host institution charges regularly enrolled students at the institution.
- (d) Room and board for those persons responsible for dormitory supervision of participants during a residential summer component.
- (e) Educational pamphlets and similar materials for distribution at workshops for the parents of participants.
- (f) Student activity fees for Upward Bound participants.
- (g) Admissions fees, transportation, Upward Bound T-shirts, and other costs necessary to participate in field trips, attend educational activities, visit museums, and attend other events that have as their purpose the intellectual, social, and cultural development of participants.
- (h) Costs for one project-sponsored banquet or ceremony.

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- (i) Tuition costs for postsecondary credit courses at the host institution for participants in the summer bridge component.
- (j) (1) Accident insurance to cover any injuries to a project participant while participating in a project activity and (2) Medical insurance and health service fees for the project participants while participating full-time in the summer component.
- (k) Courses in English language instruction for project participants with limited proficiency in English and for whom English language proficiency is necessary to succeed in postsecondary education.
- (l) Transportation costs of participants for regularly scheduled project activities.
- (m) Transportation, meals, and overnight accommodations for staff members when they are required to accompany participants in project activities such as field trips.
- (n) Purchase of computer hardware, computer software, or other equipment for student development, project administration, and recordkeeping, if the applicant demonstrates to the Secretary's satisfaction that the equipment is required to meet the objectives of the project more economically or efficiently.
- (o) Fees required for college admissions applications or entrance examinations if:
 - (1) A waiver of the fee is unavailable;
 - (2) The fee is paid by the grantee to a third party on behalf of a participant.

Condition Found

City College – During the course of our testing, we noted that 5 disbursements out of 60 disbursements sampled were unallowable expenditures. Those expenditures were for professional services paid to a vendor for technical assistance and grant writing services for the Trio Upward Bound grant project that serves Fairfax, Manual Arts, Belmont, and Hollywood High Schools.

Questioned Costs

Total payment was \$26,519 out of \$159,786 tested.

Possible Asserted Cause and Effect

Per review of the vendor agreement and inquiry with District Official, the above expenditures were both for technical assistance and grant writing services. Technical assistance, if directly related to implementation of the program, can be allowable costs. However, grant writing services are not allowable costs and, therefore, should not be charged to the program. The District was not able to provide evidence that technical assistance provided to Los Angeles City College was directly related to the objectives and implementation of the program.

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Recommendation

We recommend that the District implement stricter controls to ensure compliance with the requirements of the program specifically requirements on allowable/unallowable expenditures.

Views of Responsible Officials and Planned Corrective Actions

The District will implement stricter controls to ensure compliance with the requirements of the program specifically requirements on allowable/unallowable expenditures as follows: in order to rectify noncompliance, this expenditure is being transferred to a general fund account for the amounts indicated. Future expenditures paid to this vendor will not be paid from Upward Bound direct costs with the V.P. of Administrative Services and the Dean of Student Retention to identify alternate funding sources for this expenditure. In addition, the Dean of Student Retention and the Director of Upward Bound will work together to establish appropriate budget procedures, as well as monitor program funds to ensure compliance with federal regulations.

Finding F-09-08 – Allowable Costs and Eligibility of Students Receiving Stipends

Federal Program Information

<i>Federal Catalog Number:</i>	84.047
<i>Federal Program Name:</i>	TRIO Cluster: Upward Bound
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles City College
<i>Federal Award Number and Award Year:</i>	Award Number P047A070608-08, September 1, 2008 to August 31, 2009

Criteria or Requirement

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

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

Condition Found

During the course of our audit, we noted that at Los Angeles City College, 12 students (out of 24 total students to whom stipends were paid) during the fiscal year had incomplete attendance documentation.

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Possible Asserted Cause and Effect

Amounts of stipends paid to the above students are based on a counselor's advice as to the student's performance and attendance. Documentation for actual student attendance is incomplete and inconsistent. There were weeks in which a student received a stipend; however, there were no actual records of attendance for those weeks to support the payment. Hence, auditors were not able to verify attendance at the time of audit.

Questioned Costs

Total stipends paid to 12 students lacking attendance records were \$893 of the total amount sampled of \$1,989.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The District will implement stricter controls to ensure that attendance for students receiving stipend under the program are documented properly as follows: a form has been developed to chart each participant's participation on a weekly basis. This will form account for all types of contacts and activities, including the travel allowance awarded for Saturday Academy attendance. The Director will instruct Academic Advisors in proper and thorough use of this form so stipend awards will be fair, consistent, and well documented. The Director of Upward Bound will monitor the completion of records and ensure adequate record-keeping is maintained in the program offices. Records will be reviewed to ensure consistency in the submission of stipend requests. The Dean of Student Retention will work with the Director to ensure compliance with federal regulations.

Finding F-09-09 – Equipment Policies and Procedures

Federal Program Information

<i>Federal Catalog Number:</i>	84.031
<i>Federal Program Name:</i>	Higher Education Institutional Aid
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	West Los Angeles College, East Los Angeles College
<i>Federal Award Number and Award Year:</i>	Award Number: P031C080094, P031C080128, P031S070006, P031S060008; October 1, 2008 to September 30, 2009

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Criteria or Requirement

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Condition Found, Including Perspective

During control procedures performed over equipment management, we noted that insufficient controls over equipment management were identified at East Los Angeles College. There was no documentation or evidence that reconciliation of inventory listing to the District's cumulative inventory records was performed. In addition, we noted that at West Los Angeles College, a physical inventory count and reconciliation were performed, but the college was unable to provide evidence of review for the count and reconciliation.

Total amount of equipment purchased with Higher Education Institutional Aid grant fund as of June 30, 2009 is \$35,637 for West Los Angeles College and \$340,698 for Los Angeles East College. Proof of reconciliation of these assets to the District's general ledger was not available.

Questioned Costs

Not Applicable.

Possible Asserted Cause and Effect

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

Recommendations

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

Views of Responsible Officials and Planned Corrective Actions

The District will continue to strengthen policies and procedures to ensure that federal equipment management regulations are followed such as appropriate identification, tracking, physical inventories, and reconciliation to promote accurate reporting and reduce the risk of misappropriation of assets of the program. At West Los Angeles College, program managers will continue to work with the Receiving Department to ensure that equipment records are reconciled with the asset master data information in SAP. The Project Directors will sign off as verification that the inventory listing is reconciled with the District's inventory records. At East Los Angeles College, each Higher Education Institutional Aid Project Director has been given the responsibility to maintain equipment inventory records for respective programs on an ongoing basis. Inventory record kept by Project Directors will be reconciled with the District's cumulative inventory records yearly. The grant management staff of the College's Office of Institutional Development will be primarily responsible for reconciling equipment inventory records of all grant projects run by the office.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding F-09-10 – Procurement – Support for Price/Cost Analysis

Federal Program Information

Federal Catalog Number: 84.031
Federal Program Name: Higher Education Institutional Aid
Federal Agency: U.S. Department of Education
Pass-Through Entity: N/A
Campus: East Los Angeles College
Federal Award Number and Award Year: Award Number: P031C080094, P031C080128, P031S070006, P031S060008; October 1, 2008 to September 30, 2009

Criteria or Requirement

CFR 34 – EDUCATION, PART 74 – ADMINISTRATION OF GRANTS AND AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, AND OTHER NON-PROFIT ORGANIZATIONS, Subpart C – Post-Award Requirements, Sec. 74.45 Cost and price analysis.

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

Condition Found, Including Perspective

Competitive procurement was not performed or quotes were not obtained for 4 purchases of the 32 samples selected for testing at East Los Angeles College. A request for qualification (RFQ), which is also an applicable documentation requirement for purchases of professional services, was not performed. Alternative documentation as to reasons and justifications for not performing the requirements of the District’s procurement policy was not available for our inspection.

Questioned Costs

\$100,850 of the \$1,383,215 procurement transactions sampled.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Possible Asserted Cause and Effect

Through our discussion with the District, we noted each of its nine campuses is given autonomy to develop its own policies and procedures to comply with required cost and price analyses. The District office does not perform any monitoring to ensure that its campuses are complying with required policies.

The lack of clear prescriptive forms for use by campus personnel to support required procedures performed increases the risk that all appropriate documentation supporting the cost and price analysis will not be retained.

Recommendations

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

Views of Responsible Officials and Planned Corrective Actions

The District will continue to enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are uniform and in compliance with required cost and price analysis requirements. A competitive procurement process will be applied for all future purchases including training contracts. Also, a template for a sole source justification memo has been developed by the Office of Institutional Development and will be applied for all future contracts.

Finding F-09-11 – Equipment Management – Policies and Procedures

Federal Program Information

<i>Federal Catalog Number:</i>	84.048
<i>Federal Program Name:</i>	Career and Technical Education – Basic Grants to States (CTE)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	State of California Community College Chancellor’s Office
<i>College:</i>	Los Angeles City College, East Los Angeles College
<i>Federal Award Number and Award Year:</i>	Agreement No. 08-C01-027; July 1, 2008 to June 30, 2009

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Criteria or Requirement

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Condition Found, Including Perspective

- During control procedures performed over equipment management, we noted that insufficient controls over equipment management were identified at East Los Angeles College. There was no documentation or evidence that a reconciliation of the inventory listing to the District's cumulative inventory records was performed.
- We also noted that inadequate controls over equipment management were in place at Los Angeles City College. The following control deficiencies were noted:
 - The reconciliation of the inventory list to District records was not available.
 - The College did not perform an overall inventory of equipment acquired in previous years.
 - 7 out of 50 samples selected for equipment inspection were not tagged with CTE tags; 1 of 40 samples was tagged with a CTE tag just before the auditors inspected the equipment.
 - There were data elements missing from the equipment listings as required by the federal regulations. The equipment list does not include the cost of the equipment (for the assets acquired in fiscal year 2008-09), District Tag numbers or serial numbers, location and condition of the equipment.

Total cumulative amount of equipment purchased with Career and Technical Education grant fund as of June 30, 2009 at East Los Angeles College is \$769,762. Proof of reconciliation of these assets to the District's general ledger was not available.

Questioned Costs

At Los Angeles City College, total cumulative list and amount of equipment subject to equipment management is not available because the college did not perform a physical inventory of all equipment acquired with Career and Technical Education grant funds. Of the \$245,870 equipment sampled for physical inspection, equipment costing \$58,817 was not properly tagged.

Possible Asserted Cause and Effect

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

Recommendations

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Views of Responsible Officials and Planned Corrective Actions

The District continues to strengthen policies and procedures to ensure that federal equipment management regulations are followed such as appropriate identification, tracking, physical inventories, and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets. The District is coordinating with the Colleges the implementation of policies and procedures as follows: at East Los Angeles College, a notebook with copies of these documents is now located in the Workforce Education office to keep track of all equipment changes. In addition, a quarterly verification process was developed to ensure receipt of documents from IT and sent to the Workforce Education for equipment inventory. At Los Angeles City College, they are in the process of completing inventory lists for previous years along with completion of identifying and tagging of equipment purchased with Career and Technical Education (Perkins 1C VTEA).

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SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2009

(1) Summary of State Findings and Recommendations

	<u>Section</u>	<u>Finding numbers</u>
1 State General Apportionment Funding – Census Reporting	424	S-09-01
2 Concurrent Enrollment of K-12 Students in Community College Credit Courses and Open Enrollment – Course Advertisement	427 and 435	S-09-02
3 Concurrent Enrollment of K-12 Students in Community College Credit Courses – Teacher Minimum Qualifications	427	S-09-03
4 Concurrent Enrollment of K-12 Students in Community College Credit Courses – Approvals of Students to Attend Courses	427	S-09-04
5 50% Law – Salaries of Classroom Instructor – Unallowable Salaries	421	S-09-05

S-09-01 – State General Apportionment Funding (Section 424) – Census Reporting

State Criteria

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

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

Identified Condition

During the testwork performed to ensure the accuracy of the FTES generated by the student information system (SIS), we reviewed the census/exclusion rosters to ensure that the FTES per the roster agreed to the SIS report. We noted that the FTES per the SIS report for 11 of 70 class sections sampled did not agree with Los Angeles Community College District (the District) supporting documentation. These differences consisted of the following:

- 3 class sections at City (1) and Trade (2) colleges where the FTES per the census roster did not agree to the SIS report. These differences were attributed to timing from when the rosters were printed to the census date. As the census roster is printed several days prior to census date, the students listed

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2009

on the roster may not represent the student's active in the class at census date. Students could have added the class after the roster was printed but prior to census date. There may be students in the class that were not on the roster or vice versa. However, the District was unable to locate add/drop slips to support the change in the number of students after the rosters were printed but before the census date.

- 8 class sections at City (2), Mission (1), and Trade-Tech (5) colleges where the rosters supporting the FTES per SIS report cannot be located.

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

Total reported FTES on the 320 report submitted to the state for the fiscal year ended June 30, 2009 amounted to 103,417.

Full-Time Equivalent Students (FTES)

47.105 FTES of the 335 FTES sampled.

Questioned Costs

\$215,026.32 (47.105 FTES exceptions x \$4,564.83)

Recommendation for Corrective Action

We recommend the District strengthen its control processes to help ensure that FTES per the SIS report is adequately supported, accurate, and complete. The District should strengthen controls to ensure that add slips and other supporting documentation are properly retained.

District Response

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

S-09-02 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) & Open Enrollment (Section 435) – Course Advertisement

State Criteria or Requirement

Section 427

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the District under a concurrent enrollment arrangement.

- CCR, Title 5, Sections 51004, 51005, 51021, 53410, 55002, 55100, 58100 – 58108, 58050, 58051(a)(1), 58051.1, 58052, 58056(a), 58058, 58060, and 59300
- Education Code Sections 48800 – 48402, 76000 – 76002, and 84752

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2009

- Legal Opinions M 98-17 and M 02-20 issued by the Chancellor's Office, California Community College
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent Enrollment" – issued January 5, 2005 by the Chancellor's Office, California Community Colleges

Section 435

Community college districts shall comply with the provisions related to open enrollment by the general public for all the courses being submitted for state apportionment.

- CCR, Title 5, Sections 51006, 58050(a)(3), 58051(c)(f), 58051.5, 58051.6, 58102, 58104, 58106
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent Enrollment" – issued January 5, 2005 by the Chancellor's Office, California Community Colleges
- Legal Advisory 05-04, "Distance Education and Open Course Requirements" – issued May 10, 2005 by the Chancellor's Office, California Community Colleges

Identified Condition

During the testwork performed to ensure that all classes claimed for state apportionment were open to all admitted students unless specifically exempted, we noted exceptions on 10 (2 of which also relate to Open Enrollment under Section 435) of the 120 class sections sampled. The District was not able to provide appropriate supporting documentation indicating that the class was properly advertised/offered to the public. These exceptions were as follows:

- 1 section at East Los Angeles College and 8 sections at Trade Tech College were neither listed in the college's schedule of classes, nor was the college able to provide documentation that supported that the classes were alternatively posted on the college Web site. Therefore, we were unable to determine whether the classes were properly advertised to the public.
- 1 section of Computer Science at Los Angeles City College was offered to the public after the publication of the regular schedule of classes. The courses were advertised solely via electronic media and, therefore, needed to be advertised to the public for at least 30 continuous days prior to the first meeting of the class. However, we noted that the class was advertised online on June 26, 2008, but the class commenced on July 11, 2008, which was only 15 days after the online advertisement.

California Community Colleges Chancellor's Office Legal Advisory 05-01 recommends that Districts maintain dated hardcopy printouts of the Web postings on file for audit purposes for a period of at least three years. However, the campus personnel did not appear to be adequately trained to ensure that proper documentation is retained. In addition, there appeared to be a lack of monitoring by the District to ensure the campuses comply with the state requirements on advertising courses to the public.

Full-Time Equivalent Students (FTES) Impact

73.3 FTES exceptions of the 726.19 FTES sampled.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2009

Questioned Costs

\$334,602.04 (73.3 FTES exceptions x \$4,564.83)

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure supporting documentation for public notification of all courses including retaining any Web site postings for the required document retention period. The District should retain paper copies of all online course postings or addendums to the schedule of classes. For classes that were advertised solely via electronic media, the District should also ensure that the classes are advertised for 30 continuous days prior to the start of the class.

District Response

The District will continue to work with the colleges to strengthen controls to ensure supporting documentation for public notification of all courses including retaining any Web site postings for the required document retention period. The District will also retain paper copies of all online course postings or addendums to the schedule of classes. For classes that were advertised solely via electronic media, the District will also note the date the advertisement commences and ends.

S-09-03 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications

State Criteria or Requirement

Employees of the District who teach credit courses must meet the minimum qualifications for community college instructors. In most cases, the minimum qualification is the possession of a master's degree in the discipline of the instructor's assignment, or the equivalent.

- CCR, Title 5, Section 53430

Identified Condition

During testwork performed to ensure that instructors met minimum qualification requirements to teach class sections with concurrently enrolled students, we noted 3 of 60 instructors sampled did not meet the minimum qualification requirements for the course.

Those 3 instructors consisted of: 2 from Harbor College who taught Theater and Engineering Technician courses, and 1 instructor from Valley College who taught Speech Communication. We learned that one of the instructors misrepresented his qualification to the College to allow him to teach on the course.

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

Full-Time Equivalent Students (FTES) Impact

29.01 FTES of the 391.19 FTES sampled.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

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Questioned Costs

\$132,425.72 (29.01 FTES exceptions x \$4,564.83).

Recommendation for Corrective Action

We recommend the District strengthen the controls to ensure that documentations, supporting instructor qualifications are verified and compared against the District's minimum qualification standards before the courses are scheduled to begin. The review and approval process has to be documented and retained in the District records in accordance with District policy.

District Response

The District will implement policies and procedures to ensure that instructors meet the minimum credential qualifications before the courses are scheduled to begin. The District will implement a process of management review over the employment application process. Management at the District will review applications and verify that instructors meet the minimum qualifications (i.e., transcripts and work experience) prior to approving the application. Furthermore, document retention policies will be strengthened to ensure that personnel files are complete.

S-09-04 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approvals of Students to Attend Courses

State Criteria or Requirement

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

- California Education Code, Section 48800.

Identified Condition

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

In our sample of 60 K-12 student participants, we noted that the approved K-12 applications for 4 of the K-12 student participants cannot be located. These 4 K-12 students attended Trade Tech College (2), Harbor College (1), and Pierce College (1).

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2009

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

Full-Time Equivalent Students (FTES) Impact

0.553 FTES exceptions of the 391.19 FTES sampled.

Questioned Costs

\$2,524.35 (0.553 FTES exceptions x \$4,564.83).

Recommendation for Corrective Action

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

District Response

The District will strengthen existing controls to ensure that all applications are completed with the required approvals before the students enroll at the colleges. The colleges will review the applications to ensure that all necessary information has been provided. District personnel will ensure that only the properly completed applications are approved.

S-09-05 – 50% Law – Salaries of Classroom Instructor (Section 421) – Unallowable Salaries

State Criteria or Requirement

Each district's salaries of classroom instructors shall equal or exceed 50% of the District's current expense of education.

Salaries of classroom instructors means (i) that portion of salaries paid for purposes of instruction of students by full-time and part-time instructors employed by the District and (ii) 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.

- CCR Title 5, Section 59204
- Education Code Section 84362(c)

Identified Condition

We noted that the salary of classroom instructors (SCI) reported by the District in its CFS-311(50% Law Analysis) included retirement payment of a former employee who opted out of the District retirement system. We learned that the payment was incorrectly posted to GL Account 221100 under Instructional Aides. The amount paid to the former employee of \$29,432 should no longer form part of SCI since it was already reported as part of SCI in prior years.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2009

Questioned Costs

\$29,432 of the \$241,966 expenditures sampled.

Recommendation for Corrective Action

We recommend that the District strengthen its existing controls to ensure that Instructional salary cost accounts comprised only salaries of classroom instructors as defined in CCR Title 5, Section 59204.

District Response

This expenditure was for a retired Performing Arts Technician that withdrew his CalPERS retirement pension and caused a retro-active posting in the District's financial system (SAP). The SAP system correctly posted this expenditure under the Instructional Aides – Regular (staff) (GL #22211), but it should have been a prior period adjustment. However, the questioned cost does not have a bearing on the result of the 50% law calculation for the current fiscal year since elimination of this expenditure would still have the District above the 50% law threshold. The District will review the process for making changes in the SAP system that affect prior fiscal years to ensure postings are in the correct fiscal year.

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SCHEDULE OF PRIOR YEAR FINDINGS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2009

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-08-01	Student Financial Aid Cluster: Federal Family Education Loan (FFEL) – Special Tests and Provisions – Disbursements to or on behalf of Students – Late Disbursement of FFEL Funds to Student or Parent	We recommend the Los Angeles Community College District (the District) strengthen controls to ensure that FFEL payments to students or parents are made within the required time frames.	Implemented	Not applicable
F-08-02	Student Financial Aid Cluster: Direct Loan and FFEL – Special Tests and Provisions – Student Status Changes – Late Reporting to National Student Loan Database System (NSLDS)	We recommend the District strengthen controls to ensure that student status changes are reported to the NSLDS on a timely basis.	Not implemented	The District is working with the Clearinghouse to ensure that student status changes are reported to NSLDS on a timely basis.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2009

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-08-03	Student Financial Aid Cluster: Direct Loan – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – Late Reporting to the Department of Education	We recommend the District strengthen monitoring controls to ensure that loan disbursement information is reported to Common Origination and Disbursement (COD) on a timely basis.	Not implemented	The District has strengthened monitoring controls to ensure that loan disbursement information is reported to COD on a timely basis.
F-08-04	Student Financial Aid Cluster: FSEOG, FFEL, Work Study Program, Perkins Loan Program, Pell Grant and Direct Loan – Reporting – Failure to Report to the NSLDS	We recommend the District strengthen monitoring controls to ensure that student’s portion of the overpayment is reported to the NSLDS on a timely basis, after sending the notification to the students.	Not implemented	The District has strengthened monitoring controls to ensure that student’s portion of the overpayment is reported to the NSLDS on a timely basis, after sending the notification to the students.
F-08-05	Higher Education Institutional Aid – Allowable Costs – Payroll Expenditures Charged to the Program	We recommend the District strengthen existing policies, procedures, and controls to ensure that salary expenditures charged to the program are accurate and adequately supported.	Implemented	Not applicable

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2009

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-08-06	Higher Education Institutional Aid – Equipment Management – Equipment Policies and Procedures	We recommend the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include appropriate identification and tracking and physical inventories and reconciliation to promote accurate reporting and reduce the risk of misappropriation of assets of the program.	Partially implemented	The District has strengthened policies and procedures by issuing an updated Asset Management Policy and Procedure manual to the colleges. In addition, the District is in the process of hiring an asset management firm to help provide a strategic asset management plan, technological solution, and implementation of this plan including a physical inventory and reconciliation to help ensure that that federal equipment management regulation are followed. The District is also working closely with the Bond Program Manager (Build LACCD) to help with database management for asset tracking.
F-08-07	Higher Education Institutional Aid – Allowable Costs – Time and Effort Requirement	We recommend the District strengthen policies and procedures to ensure that documentation to support grant agreement requirements are retained for the required period of time.	Implemented	Not applicable

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2009

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-08-08	Higher Education Institutional Aid – Procurement – Support for Price/Cost Analysis and Suspension and Debarment	We recommend that the District enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are in compliance with required cost and price analysis and suspension and debarment requirements.	Partially implemented	The District is planning to implement best practices and standard/uniform documentation requirements that comply with federal procurement requirements.
F-08-09	Higher Education Institutional Aid – Reporting – Annual Performance Reports	We recommend the District strengthen policies and procedures to ensure that appropriate individuals involved with the program at each campus are properly monitoring and reviewing the annual performance reports and that evidence is retained regarding this control process.	Implemented	Not applicable
F-08-10	TRIO Cluster: Student Support Services, Talent Search, Upward Bound, Educational Opportunity Centers – Allowable Costs – Payroll Expenditures Charged to the Program	We recommend the District strengthen existing policies, procedures, and controls to ensure that salary expenditures charged to the program are accurate and adequately supported.	Implemented	Not applicable

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-08-11	TRIO Cluster: Student Support Services, Talent Search, Upward Bound, Educational Opportunity Centers – Earmarking – Student Participation Requirement	We recommend that the District strengthen controls and provide technical training to program personnel to ensure that accurate and updated students data are reported and to ensure compliance with student participation requirements for the program. Furthermore, the District should also provide training on how to use and operate student data systems.	Implemented	Not applicable
F-08-12	TRIO Cluster: Student Support Services, Talent Search, Upward Bound, Educational Opportunity Centers – Procurement, Suspension, and Debarment – Support for Price and Cost Analysis	We recommend that the District enhance current policies, procedures, forms, and monitoring controls to ensure that its campuses are in compliance with required cost and price analysis requirements.	Implemented	Not applicable
F-08-13	TRIO Cluster: Student Support Services, Talent Search, Upward Bound, Educational Opportunity Centers – Reporting – Annual Performance Reports	We recommend the District strengthen policies and procedures to ensure that information reported is reviewed against supporting documentation. (i.e., student files) to ensure accuracy.	Implemented	Not applicable

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-08-14	Career and Technical Education – Basic Grants to State – Allowable Costs – Salary Expenditures Charged to the Program	We recommend the District strengthen existing policies, procedures, and controls to ensure that salary expenditures charged to the program are accurate and adequately supported.	Implemented	Not applicable
F-08-15	Career and Technical Education – Basic Grants to State – Equipment Management – Equipment Policies and Procedures	We recommend that the District enhance current policies, procedures and monitoring controls to ensure that campuses are in compliance with equipment management requirements.	Partially implemented	The District will continue to provide additional training on inspections and reconciliation of purchased fixed assets to ensure full compliance with federal equipment management regulations.
F-08-16	Career and Technical Education – Basic Grants to State – Procurement – Support for Price/Cost Analysis and Suspension and Debarment	We recommend that the District enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are in compliance with required cost and price analysis and suspension and debarment requirements.	Implemented	Not applicable

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-08-01	State General Apportionment (Section 424) – Census Reporting	We recommend the District strengthen its control processes to help ensure that Full-Time Equivalent Students (FTES) per the Student Information System (SIS) report is accurate and complete. The District should strengthen controls to ensure that add slips and other supporting documentation are properly retained.	Partially implemented	The District continues to work with the colleges to strengthen its control processes to help ensure that the FTES per the SIS report is accurate and complete. The District will also work with the colleges to strengthen controls to ensure that add slips and other supporting documentation are properly retained.
S-08-02	Students Actively Enrolled (Section 426) – Census Reporting	We recommend the District strengthen its control processes to help ensure that FTES per the 320 Report is accurate and complete. The District should also strengthen controls to ensure that add slips and other supporting documentation are retained for a period of three years.	Substantially implemented	The District has strengthened its controls and processes to ensure full compliance to Section 426 – Student Actively Enrolled (Census Reporting).

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-08-03	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Advertised & Open Enrollment (Section 435) – Course Advertisement	We recommend that the District strengthen controls to ensure supporting documentation for public notification of all courses including retaining any Web site postings for the required document retention period. The District should retain paper copies of all online course postings or addendums to the schedule of classes. For classes that were advertised solely via electronic media, the District should also note the date the advertisement commences and ends.	Partially implemented	The District will continue to work with the colleges to strengthen controls to ensure supporting documentation for public notification of all courses including retaining any Web site postings for the required document retention period. The District will also retain paper copies of all online course postings or addendums to the schedule of classes. For classes that were advertised solely via electronic media, the District will also note the date the advertisement commences and ends.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-08-04	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications	We recommend the District implement policies and procedures to ensure that instructors meet the minimum credential qualifications before the courses are scheduled to begin. The District should implement a process of management review over the employment application process. Management at the District should review applications and verify that instructors meet the minimum qualifications (i.e., transcripts and work experience) prior to approving the application. Furthermore, document retention policies should be strengthened to ensure that personnel files are complete.	Partially implemented	The District will implement policies and procedures to ensure that instructors meet the minimum credential qualifications before the courses are scheduled to begin. The District will implement a process of management review over the employment application process. Management at the District will review applications and verify that instructors meet the minimum qualifications (i.e., transcripts and work experience) prior to approving the application. Furthermore, document retention policies will be strengthened to ensure that personnel files are complete.
S-08-05	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Supervision	We recommend the District implement policies and procedures to ensure that employees are able to provide immediate instructional supervision and control. The District should review and approve instructor schedules prior to commencement of instruction. Any scheduling conflicts should be resolved before the start of instruction.	Implemented	The District has strengthened policies and procedures to ensure full compliance with Section 427 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Teacher Supervision).

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-08-06	Concurrent Enrollment of K-12 Students in Community College Credit Courses – Approvals of Students to Attend Courses	We recommend that the District strengthen existing controls to ensure that all applications are completed with the required approvals before the students enroll at the colleges. The colleges should review the applications to ensure that all necessary information has been provided. District personnel should ensure that only the properly completed applications are approved.	Partially implemented	The District will strengthen existing controls to ensure that all applications are completed with the required approvals before the students enroll at the colleges. The colleges will review the applications to ensure that all necessary information has been provided. District personnel will ensure that only the properly completed applications are approved.
S-08-07	Enrollment Fees (Section 432) – Netting of Accounts Receivable	We recommend the District strengthen existing control process to ensure that enrollment fee write-offs are accounted for as an expense of the District and not as an abatement of enrollment fee revenues. The District should account for enrollment fee receivable write-offs as bad debt expense.	Implemented	The District does write off accounts receivable as a prior year expense of the District and not as an abatement of enrollment fee revenues.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-08-08	CalWORKS – Use of State and Federal TANF Funds (Section 433) – Allowable Fund Sources for Matching	We recommend that the District strengthen existing control process to ensure that only allowable funds are used to match CalWORKS expenditures. We also recommend that District management perform a detailed review of the CalWORKS Annual Expenditure Report prior to submission to the state.	Implemented	The District has strengthened policies and procedures to ensure full compliance with Section 433 CalWORKS – Use of State and Federal TANF Funds (Allowable Fund Sources for Matching).
S-08-09	California Works Opportunity and Responsibility to Kids (CalWORKS) Use of CalWORKS State Funds and CalWORKS Federal Temporary Assistance for Needy Families (TANF) Funds (Section 433) – Payroll	We recommend the District periodically review employee remuneration against the pay rate tables established by the personnel department for the various positions to ensure accurate payment.	Implemented	The District has strengthened policies and procedures to ensure full compliance with Section 433 – California Works Opportunity and Responsibility to Kids (CalWORKS) Use of CalWORKS State Funds and CalWORKS Federal Temporary Assistance for Needy Families (TANF) Funds (payroll).
S-08-10	Student Fees – Instructional Materials Fees and Health Fees (Section 437) – Instructional Materials Fees	We recommend the District provide additional trainings to familiarize the accounting personnel at each of the campuses with the chart of accounts to ensure that instructional material fees are recorded correctly.	Implemented	The District has strengthened policies and procedures to ensure full compliance with Section 437 – Student Fees – Instructional Materials Fees and Health Fees.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-08-11	Use of Matriculation Funds (Section 428) – Matching	We recommend the District provide training at the campuses to ensure that the proper expenditures are classified as Matriculation matching expenses. The District management should also review the expenses used for matching for appropriateness.	Implemented	The District has strengthened policies and procedures to ensure full compliance with Section 428 – Use of Matriculation Funds (Matching).
S-08-12	50% Law – Salaries of Classroom Instructor (Section 421) – Equipment Replacement	We recommend that the District strengthen controls to ensure that documents are retained in order to support expenditures reported.	Implemented	The District has strengthened policies and procedures to ensure full compliance with Section 421 – 50% Law – Salaries of Classroom Instructor (Equipment Replacement).

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Prior Year Comments

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

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
FS-08-01	Financial Statements Reported in Accordance with Government Standards – Payroll	We recommend that management establish formal procedures and internal controls to ensure that payrolls are processed accurately. Further, we recommend that management retain manual supporting documentation for payroll payments until the SAP-HR module controls are operating effectively.	Partially implemented	The District continues to document new business processes and internal controls to ensure the integrity of data entered into the SAP system either directly or through the PCR and protocol systems. The District’s internal audit department has identified several areas for improvement, which are being addressed.
FS-08-02	Financial Statements Reported in Accordance with Government Standards – Capital Assets	We recommend that the District work with BuildLACCD (the Program Manager) to design and implement internal controls to ensure that completed projects are appropriately classified in a depreciable capital asset category and all furniture and equipment are properly recorded and reconciled. We also recommend that management also implement processes and controls to determine that capital asset transactions are recorded and disclosed in accordance with	Partially implemented	A. The District does not currently reconcile furniture and equipment purchased with bond proceeds to the actual equipment received and tagged. The District and BuildLACCD have decided to utilize the District’s current accounting and financial system, SAP, for all procurements, and subsequent asset recording for Bond purchases. SAP is currently being configured to accommodate all Bond purchase orders, and asset inventories. The District intends to upgrade their

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<u>Finding reference</u>	<u>Finding description</u>	<u>Recommendation</u>	<u>Current status</u>	<u>Explanation if not fully implemented</u>
		U.S. GAAP.		<p>existing bar code asset tracking to an RFID system within SAP. After the RFID upgrade implementation, a baseline inventory will be completed at all campuses, and will be imported into SAP. When all items are complete, the District will be able to accurately report on all District assets.</p> <p>B. The District does not record the disposal of assets in the District's Asset Management system. Refer to item "A." above.</p> <p>C. The District was tracking certain projects that have costs associated with multiple projects as a single project. Therefore, there were costs incurred that were not appropriately allocated to the respective capital asset being constructed. Costs (e.g., temporary trailers, swing spaces, or demolition costs) associated with multiple projects have either been spread or linked to their respective capital asset being constructed.</p> <p>D. The District does not currently have policies or procedures in place that</p>

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<u>Finding reference</u>	<u>Finding description</u>	<u>Recommendation</u>	<u>Current status</u>	<u>Explanation if not fully implemented</u>
				<p>allow them to identify a comprehensive list of completed capital asset projects by year completed in accordance with U.S. GAAP. A \$47.6 million adjustment was subsequently identified, which represented projects that were completed and ready for its intended use during the current year but were not appropriately transferred to a depreciable capital asset category. An adjustment was subsequently made to the District's financial statements to properly classify the capital assets by depreciable capital asset category. The policies implemented and followed for fiscal year 2008-09 were the following: BuildLACCD Program Controls personnel toured each campus and reviewed with the Campus Project Manager (CPM) a listing of all projects to identify prior and current year occupied or canceled projects. Upon full review of the campus project list, a signed letter by the CPM was generated to document the dates of occupied and canceled</p>

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
FS-08-03	Financial Statements Reported in Accordance with Government Standards – Financial Reporting	We recommend management implement processes and controls to determine that transactions are recorded and disclosed in accordance with U.S. GAAP. The District should also strengthen its process and procedures to ensure that the financial statements and the schedule of expenditures of federal awards are reviewed and approved for proper classification and that all grant activities are included. Finally, we recommend the District consider reorganizing to have the Accounting and Disbursements Division report directly to the Chief Financial Officer/Treasurer.	Partially implemented	<p>projects. This information is tracked in the BuildLACCD financial and reporting systems.</p> <p>The District has implemented processes and controls to ensure a more timely review of the analysis of accounts receivable and accounts payable occurs. The District has strengthened its process and procedures to ensure that the financial statements and the schedule of expenditures of federal awards are reviewed and approved for proper classification and that all grant activities are included. The District has strengthened procedures to help ensure that FTES per the SIS report is accurate and complete. The District is reviewing if reorganization is necessary to have Accounting and Disbursements report directly to the Chief Financial Officer/Treasurer.</p>

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
FS-08-04	Financial Statements Reported in Accordance with Government Standards – Information Technology	We recommend that management design and implement adequate access control and change management procedures to help ensure that the District’s business systems are adequately controlled and secured. These procedures should also include periodic reviews of both roles within the organization and of user access for the SAP system in order to remove user access that generates segregation-of-duties conflicts within application processes.	Partially implemented	The District has fully implemented a workflow approval processes to help ensure access is terminated when an employee is terminated. The District has implemented Security Weaver for the SAP Developer team to help ensure proper user access for SAP and the next phase is to include the basis and security teams to ensure proper user access for SAP. The District has implemented the HP Mercury Quality Control tool for the SAP Developer team to ensure proper documentation and change management occurs to SAP. The next phase is to include the basis and security teams to ensure proper documentation and change management occurs to SAP.

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