



Los Angeles Community College District

Basic Financial Statements and Supplemental Information

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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INTRODUCTION



LOS ANGELES COMMUNITY COLLEGE DISTRICT

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OFFICE OF THE CHANCELLOR

December 11, 2013

Members, Board of Trustees
Los Angeles Community College District

Dear Members of the Board of Trustees:

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, 2013. This report is presented in four sections: Introduction, Required Supplemental Information, Supplemental Financial Information and Other Supplemental Information. The report also includes all funds of the Los Angeles Community College District as well as those of student organizations.

The introductory section includes this letter which provides a brief summary of the District's employment and enrollment. This section also includes the Independent Auditors' Report which provides the auditor's opinion on the audit as well as Management's Discussion and Analysis which 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 consolidation of the different individual funds and account group financial statements and schedules; a description of the organization of the District; a schedule of full-time equivalent students and apprenticeship clock hours; and a reconciliation of the financial statements to the Annual Financial and Budget report submitted to the State of California. Also included in this section are the independent auditors' reports on the internal accounting and administrative controls of the District as well as the State and Federal compliance required by the California State Department of Finance and the Single Audit Act of 1984. The final section provides the current year's audit findings and recommendations as well as the implementation status of the auditor's prior year recommendations.

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

The District and its nine colleges 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 132,000 students, employs approximately 3,580 full-time and 5,852 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, 2013 decreased by 4.1% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2012-13 fiscal years were as follows:

	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	26,160	26,442
Los Angeles City College	18,580	17,833
Los Angeles Harbor College	9,525	9,365
Los Angeles Mission College	9,613	9,045
Pierce College	19,951	19,425
Los Angeles Southwest College	6,728	7,060
Los Angeles Trade-Technical College	13,119	13,751
Los Angeles Valley College	18,000	17,935
West Los Angeles College	9,954	9,676
Instructional Television	971	1,038
Total districtwide	<u>132,601</u>	<u>131,570</u>

The Los Angeles Community College District's FTES (Full time equivalent student) figures for the fiscal year ended June 30, 2013 the measure by which the State of California funds Community Colleges, decreased by 5.48% from the previous year as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	20,787	1,136
Los Angeles City College	12,300	1,084
Los Angeles Harbor College	6,487	44
Los Angeles Mission College	5,609	290
Pierce College	13,611	257
Los Angeles Southwest College	4,402	498
Los Angeles Trade-Technical College	11,179	477
Los Angeles Valley College	11,860	541
West Los Angeles College	6,546	228
Instructional Television	522	—
	<u>93,303</u>	<u>4,555</u>
Total districtwide		

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,



Adriana Barrera, Ph.D.
Interim Chancellor



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

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Community College District (the District), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 7 through 17 and the schedule of other postemployment benefits funding progress and employer contribution on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management's discussion and analysis does not include a discussion of 2012 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 required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental financial information on pages 49 through 64 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental financial information on pages 49 through 64 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental financial information on pages 49 through 64 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information on page 49 to 64 is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 11, 2013

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2013 and 2012

This section presents Management's Discussion and Analysis (MD&A) of the Los Angeles Community College District's (the District) financial activities for the fiscal year ended June 30, 2013. 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, 2013 by \$723.1 million (net position). Of this amount, \$42.26 million (unrestricted net assets) may be used to meet the District's ongoing obligations and \$238 million (restricted net position) may be used for the District's ongoing obligations related to programs with external restrictions. The remaining component of the District's net position represents \$442.86 million of amounts invested in capital assets, net of related debt.
- On March 14, 2013, the District issued the 2012-2013 Tax Revenue Anticipation Notes in the amount of \$80 million bearing interest of 2% and maturing on December 31, 2013. The note is issued to provide operating cash for the District's current working capital expenditures prior to the receipt of anticipated tax payments and other revenues.
- On June 11, 2013, the District issued the 2013 Series F G.O. Bonds (Measure J) in the amount of \$250 million with interest rates ranging from 2% to 5%, maturing in 2038.
- On June 11, 2013, the District issued the 2013 Refunding Bonds (Proposition AA) in the amount of \$55.7 million with interest rates ranging from 2% to 5%, maturing in 2028. This issuance refunded \$62.9 million of the 2003 Series B G.O. Bonds (Proposition AA).
- On June 24, 2013, the District received \$76.2 million of Education Protection Account amounts (EPA) as a result of the November 2012 election.
- The principal apportionment that was deferred by the State for the current fiscal year is \$50.0 million less compared to prior year.
- Redevelopment Agency (RDA) dissolution and residual income for FY 2012-13 was \$11.7 million.

Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These statements require the District to report its basic financial statements at an entity wide level under the business-type activity reporting model. This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include four components: (1) balance sheets; (2) statements of revenues, expenses, and changes in net position; (3) statements 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 position, including Associated Student Organization's financial information. Changes in total net position as presented on the balance sheet are based on the activities presented in the statement of revenues, expenses, and changes in net position. The statement of revenues, expenses, and changes in net position represents the revenues received,

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2013 and 2012

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

Balance Sheet

The balance sheet presents the assets, liabilities, and net position of the District as of the end of the 2013 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 position (assets minus liabilities) and their availability for expenditure by the institution. Net position is 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 expendable restricted net position, which is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final net position category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose of the institution.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the balance sheet are based on the activities presented in the statement of revenues, expenses, and changes in net position. 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, 2013 and 2012

Financial Analysis of the District as a Whole

As of June 30, 2013, the District's net position has decreased by \$11.4 million or 1.6% from \$734.5 million at June 30, 2012 to \$723.1 million at June 30, 2013. Current and other assets increased by \$147.1 million and capital assets increased by \$200.8 million. Current liabilities increased by \$145.5 million and noncurrent liabilities increased by \$213.8 million.

Summary Schedule of Net Position

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 1,199,236,340	1,052,173,045	147,063,295
Capital assets, net	<u>3,821,586,520</u>	<u>3,620,765,994</u>	<u>200,820,526</u>
Total assets	<u>5,020,822,860</u>	<u>4,672,939,039</u>	<u>347,883,821</u>
Liabilities:			
Current liabilities	441,328,079	295,856,238	145,471,841
Noncurrent liabilities	<u>3,856,381,869</u>	<u>3,642,540,933</u>	<u>213,840,936</u>
Total liabilities	<u>4,297,709,948</u>	<u>3,938,397,171</u>	<u>359,312,777</u>
Net position:			
Invested in capital assets, net of related debt	442,859,846	516,526,356	(73,666,510)
Restricted – expendable	237,995,845	143,739,468	94,256,377
Unrestricted	<u>42,257,221</u>	<u>74,276,044</u>	<u>(32,018,823)</u>
Total net assets	<u>\$ 723,112,912</u>	<u>734,541,868</u>	<u>(11,428,956)</u>

In fiscal 2013, the District added \$275.0 million of capital assets, capitalized interest of \$43.8 million, depreciated \$111.1 million of capital assets, and disposed of \$6.9 million of furniture, fixtures and equipment net of accumulated depreciation.

The \$147.1 million increase in current and other assets is a result of a \$85.4 million increase in cash and investments primarily due to new General Obligation Bond issuances, \$105.1 million increase in deposits with trustees, \$5.5 million increase in prepaid expenses and inventory primarily due to the new People soft 5-year maintenance agreement, \$50.8 million decrease in various receivables primarily due to the decreased deferral of principal apportionment, and \$1.9 million increase in bond issuance costs.

The \$145.5 million increase in current liabilities is primarily due to a \$27.4 million increase in accounts payable of which \$17.5 million was a result of increased construction-related payables, the \$80.0 million increase in Tax Anticipation Revenue Notes payable, and a \$39.1 million increase in current portion of long-term debt.

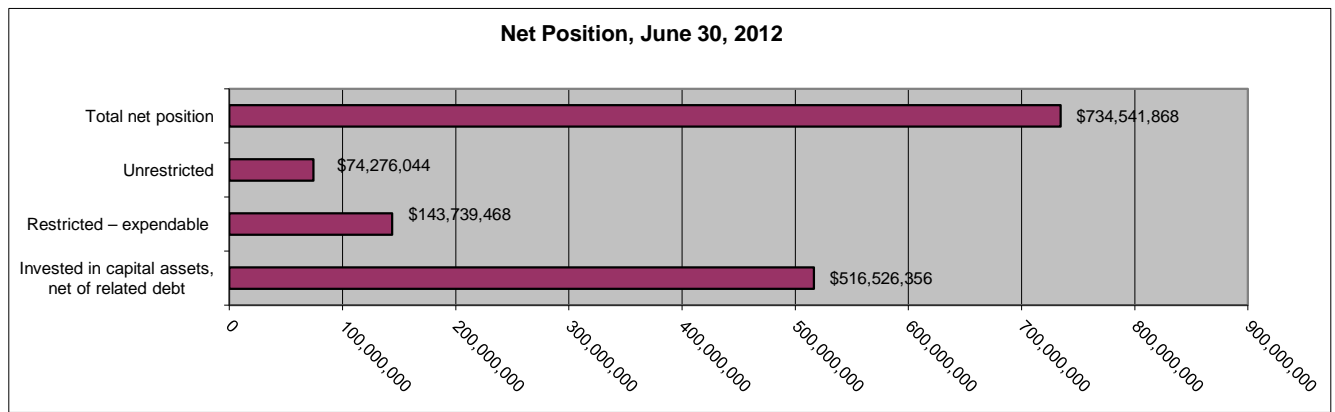
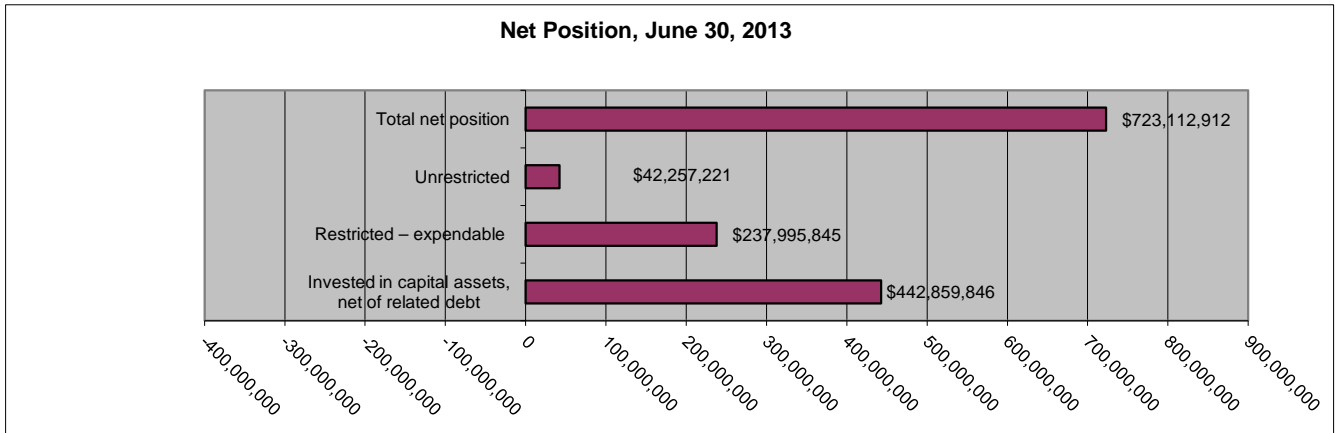
The \$213.8 million increase in noncurrent liabilities is primarily due to a \$19.6 million net increase in unamortized bond issue premium related to new a GO bond issuance, a \$35.2 million payment of matured G.O. bonds, a \$62.9 million advance refunding of a GO bonds, a \$305.7 million new GO bond issuance, a

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2013 and 2012

\$34.8 million increase in the current portion of G.O. bonds payable, a \$0.3 million increase in capital lease obligations, a \$14.6 million increase in net other post employment benefits (OPEB) obligations, and a \$6.5 million increase in accrued vacation benefits, general liability, and workers' compensation. 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, 2013 and 2012

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The assets of the District exceeded its liabilities as of June 30, 2013 by \$723.1 million (net position). A significant portion of the District's net position represents \$442.86 million of investment in capital assets, net of related debt, \$186.8 million of cash and receivables to pay GO bonds. The \$42.26 million of unrestricted net position represents the net of \$57.5 million of unfunded OPEB and \$99.76 million of other unrestricted net position.

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

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:			
Operating revenues:			
Net tuition and fees	\$ 48,304,953	48,621,889	(316,936)
Grants and contracts, noncapital	114,312,345	117,464,938	(3,152,593)
Other	23,418,295	23,709,013	(290,718)
Nonoperating revenues:			
State apportionments, noncapital	281,588,453	313,245,356	(31,656,903)
Property taxes	170,628,250	145,692,486	24,935,764
Investment income	10,992,433	16,836,960	(5,844,527)
Federal financial aid grants, noncapital	187,698,047	193,109,034	(5,410,987)
State financial aid grants, noncapital	8,681,266	9,357,553	(676,287)
Other	11,046,620	21,626,598	(10,579,978)
Other revenues:			
State apportionments, capital	5,459,896	25,053,697	(19,593,801)
Federal subsidy	21,131,250	10,565,625	10,565,625
Local tax for G.O. Bonds	289,910,288	208,208,423	81,701,865
Local property taxes and revenues, capital	1,069,987	928,655	141,332
Total revenues	<u>1,174,242,083</u>	<u>1,134,420,227</u>	<u>39,821,856</u>
Expenses:			
Operating expenses:			
Salaries	372,940,777	383,261,749	(10,320,972)
Employee benefits	155,781,100	152,131,778	3,649,322
Supplies, materials, and other operating expenses and services	136,017,620	114,931,452	21,086,168
Student Grant	235,934,984	239,816,005	(3,881,021)
Other	122,640,823	99,519,154	23,121,669
Total operating expenses	<u>1,023,315,304</u>	<u>989,660,138</u>	<u>33,655,166</u>
Nonoperating expenses:			
Interest expense	161,514,052	166,988,861	(5,474,809)
Other	841,683	1,203,536	(361,853)
Total expenses	<u>1,185,671,039</u>	<u>1,157,852,535</u>	<u>27,818,504</u>
Change in net position	\$ <u>(11,428,956)</u>	<u>(23,432,308)</u>	<u>12,003,352</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2013 and 2012

The summary of revenues, expenses, and changes in net position reflects a decrease of \$11.4 million in the net position at the end of the year as explained below.

Operating revenue for tuition and fees, grants, and contracts – noncapital resulted in a net decrease of \$3.8 million is primarily due to decrease in federal, state and other grants.

Nonoperating revenues decreased \$29.2 million, due to:

- (1) State apportionment is made up of state general revenue less local property tax and 98% of the enrollment fees. The \$31.7 million decrease in state apportionments is primarily due to a \$24.9 million increase in property tax, a \$2.5 million tax relief and subvention, a \$1.9 million increase in enrollment fee income, and a \$2.0 million decrease in lottery revenue.
- (2) The \$24.9 million increase in property tax is primarily due to a \$10.5 million increase in second and unsecured property taxes and an \$8.1 million increase in Redevelopment Agency (RDA) residual and dissolution income.
- (3) The \$5.8 million decrease in investment income is primarily due to lower interest rates and a lower monthly cash balance throughout the fiscal year until year-end when the \$250 million new GO Bond was issued and the \$76 million EPA was received.
- (4) The \$5.4 million decrease in federal financial aid grants, noncapital is primarily due to a decrease in recipients of Pell grants.
- (5) The \$0.7 million decrease in state and financial aid grants, noncapital is due to a decrease in Cal grants awarded to students.
- (6) The \$10.6 million decrease in other nonoperating revenue is primarily due to no new incentives received associated with the Photovoltaic Energy projects.

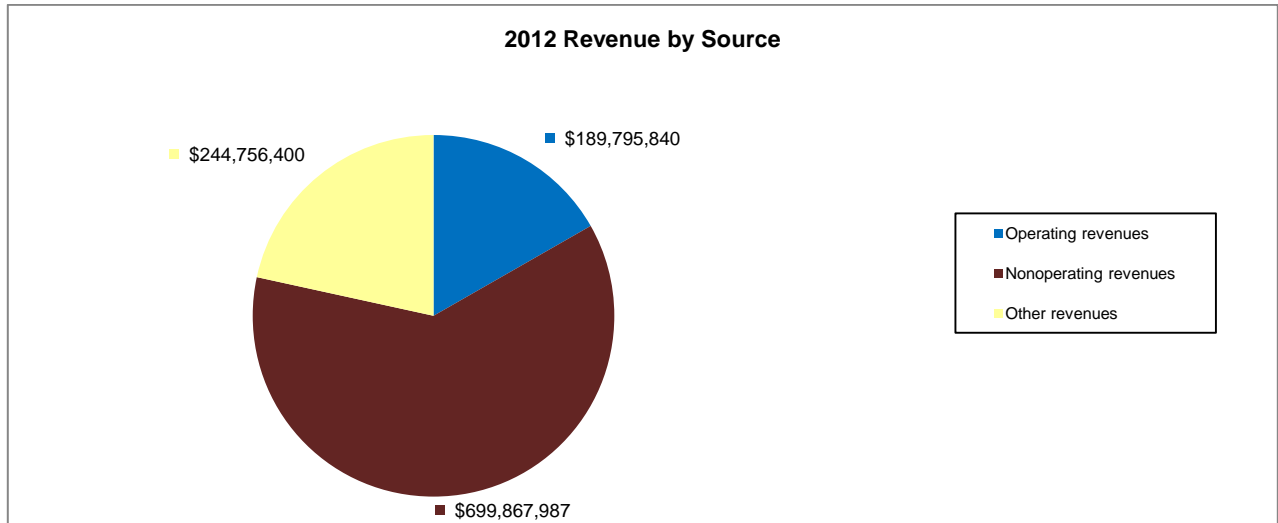
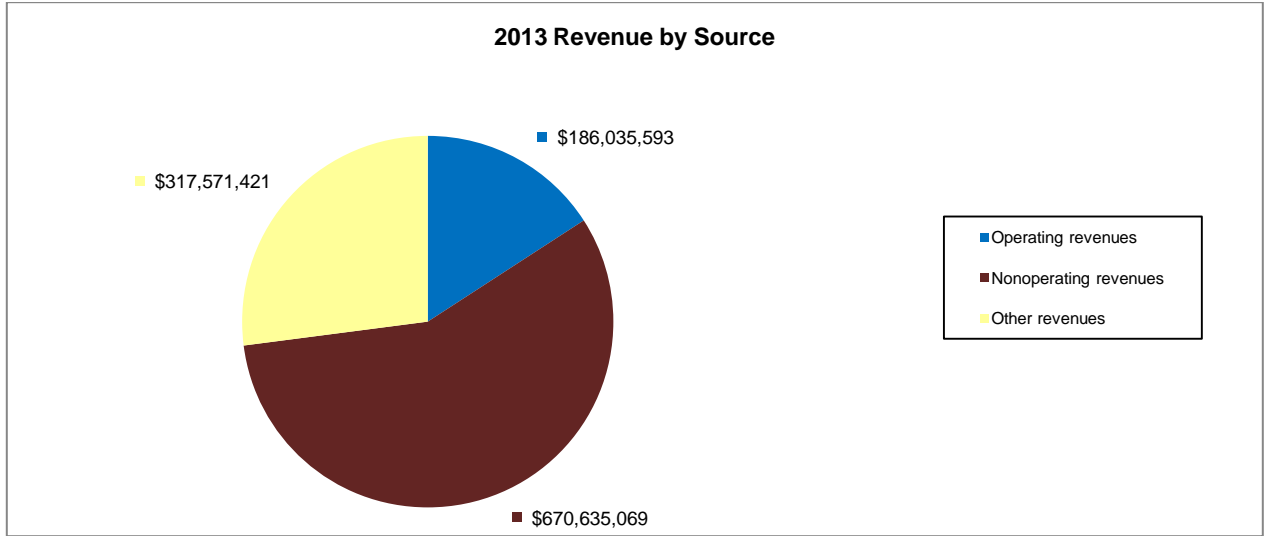
Other revenue increased \$72.8 million, due to:

- (1) A \$19.6 million decrease in state apportionment, capital which is primarily related to decreased spending of State funded capital outlay projects.
- (2) A \$10.6 million increase in federal subsidy due to the nonrecognition of the Build America Bond subsidy receivable at fiscal year-end June 30, 2012.
- (3) A \$81.7 million increase in Local tax for G.O. Bonds due to the property taxes levied associated with G.O. Bonds issued for Proposition A, Proposition AA, and Measure J.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2013 and 2012



Operating expenses increased \$33.2 million, due to:

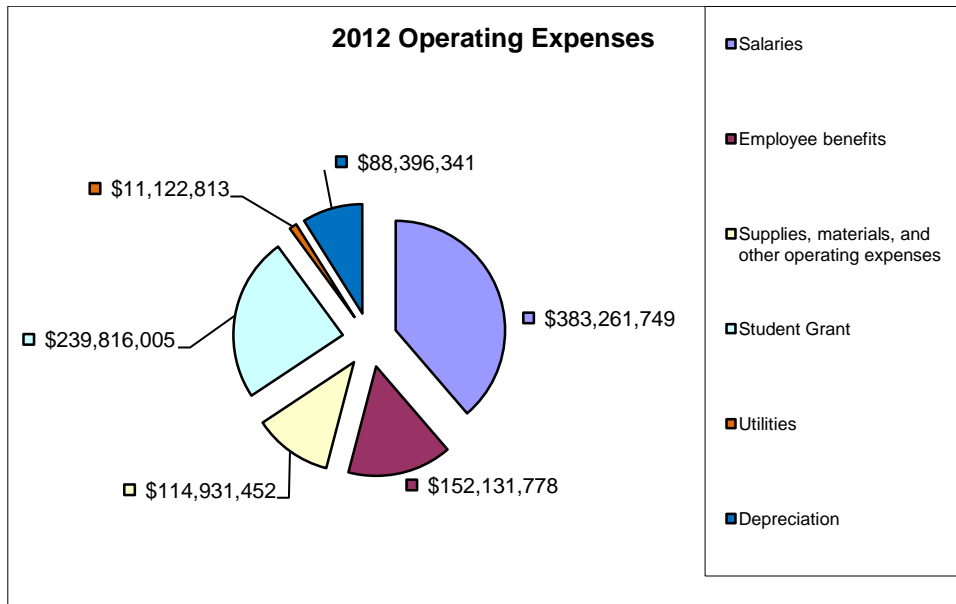
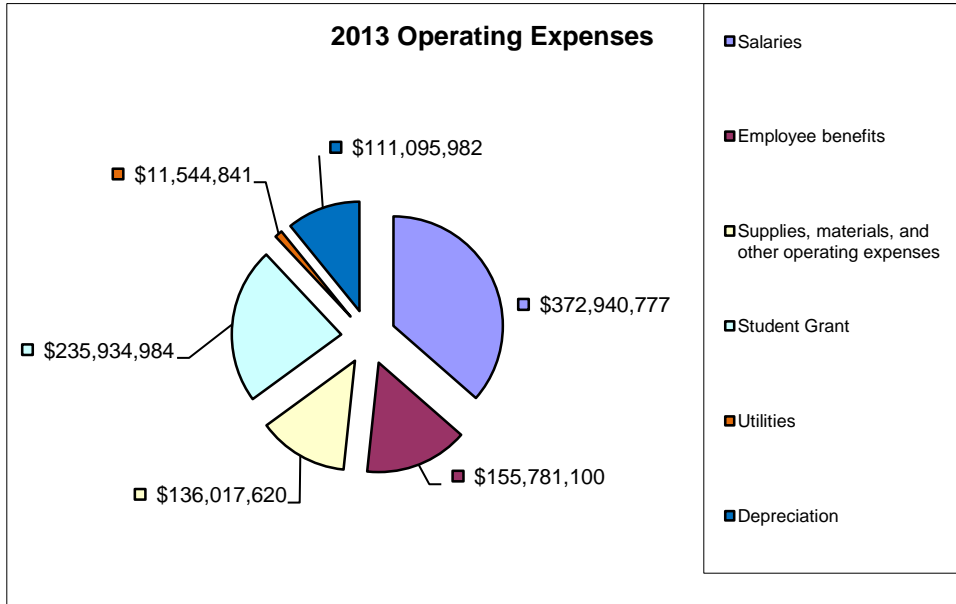
- (1) A \$10.3 million decrease in salaries due to a reduction in instructional salaries and substitute and relief and hourly salaries.
- (2) A \$3.6 million increase in employee benefits which is primarily attributable to increases in health insurance costs, higher CalPERS contribution costs and higher Annual OPEB costs.
- (3) A \$21.1 million increase in supplies, materials, and other operating expenses and services is due to \$4.50 million increase in election expense, a \$6.07 million increase in general liability accrual and a \$9.8 million increase in cancelled construction projects
- (4) A \$3.9 million decrease in student grants.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2013 and 2012

- (5) A \$0.4 million increase in utilities and a \$22.7 million increase in depreciation expense.



Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2013 and 2012 totaled \$3,821.6 million and \$3,620.8 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2013 and 2012

improvements, and furniture and equipment. The following schedule summarizes the District's capital assets as of June 30, 2013 and 2012:

Capital Assets, Net

	Balance at June 30	
	2013	2012
Land	\$ 191,644,452	191,638,756
Land improvements	401,927,638	374,157,571
Buildings	2,980,642,674	2,539,077,378
Construction in progress	754,328,256	925,558,076
Works of art	518,000	518,000
Furniture and equipment	98,708,195	85,344,686
Infrastructure	4,214,474	4,214,474
Total	4,431,983,689	4,120,508,941
Less accumulated depreciation	(610,397,169)	(499,742,947)
Net capital assets	\$ 3,821,586,520	3,620,765,994

In fiscal 2013, the District added \$275.0 million of capital assets, capitalized interest of \$43.8 million, depreciated \$111.1 million of capital assets, and disposed of \$6.9 million of furniture, fixtures and equipment net of accumulated depreciation. During the year ended June 30, 2013, 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 funds.

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

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

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

The District is in the twelfth year of the Proposition A, the tenth year of Proposition AA, and the fifth year of the Measure J Bond construction programs. Approximately, \$3.8 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2013 and 2012

outstanding debt 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 authorized amounts for Proposition A and Proposition AA Bonds, and \$1.875 billion of the Measure J authorization amounts.

Long-Term Debt

At June 30, 2013 and 2012, the District had \$3,712.6 million and \$3,504.9 million in long-term debt, respectively. The District’s long-term debt increased during the year ended June 30, 2013 as a result of the \$35.2 million debt services payments to matured G.O. Bonds, the \$62.9 million advance refunding of GO bond, and the \$305.70 million new GO bond issuance.

Summary of Outstanding Long-Term Debt

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
G.O. Bonds:		
G.O. Bonds Proposition AA, 2003 Series	\$ 3,100,000	68,950,000
G.O. Bonds Proposition A and AA, 2004 Series	86,425,000	89,625,000
G.O. Bonds Proposition A, 2005 Series	417,695,000	430,410,000
G.O. Bonds Proposition AA, 2006 Series	275,300,000	284,050,000
G.O. Bonds Proposition A, 2007 Series	382,160,000	382,575,000
G.O. Bonds Proposition A and AA, 2008 Series	617,175,000	624,300,000
G.O. Bonds Measure J, 2009 Series	425,000,000	425,000,000
G.O. Bonds Measure J, 2010 Series	1,200,000,000	1,200,000,000
G.O. Bonds Measure J, 2013 Series	250,000,000	—
G.O. Bonds Measure J, 2013 Refunding Bond	55,700,000	—
	<u>\$ 3,712,555,000</u>	<u>3,504,910,000</u>

The District’s debt rating from Moody’s and Standard and Poor’s was Aa1 and AA in fiscal years 2013 and 2012.

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

Economic Factors

State Economy

On June 27, 2013, the Governor signed the balanced state budget (AB 110) for fiscal year 2013-14 totaling \$96.3 billion. With the new temporary tax revenues provided by the passage of Proposition 30 in November 2012 and the economy recovery, the State’s Budget, which includes a reserve of \$1.1 billion, is projected to remain balanced in the foreseeable future. The State’s Budget reinvests in education funding. From 2011-12 through 2016-17, the Proposition 98 minimum funding guarantee is projected to increase from \$47.2 billion to \$67.1 billion, an increase of about \$20 billion, for K-12 and Community Colleges. In 2013-14, the Proposition 98 guarantee is \$55.3 billion, an increase of more than \$8 billion over 2011-12 level.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

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California Community Colleges received approximately \$7 billion for general fund purposes under Proposition 98 and other funds. This includes \$87.5 million for COLA (1.57%) and \$89.4 million for enrollment growth and restoration (1.63%). The 2013-14 State Budget of \$7 billion for California Community Colleges represents a \$594 million increase in funds for COLA, growth/access, deferral buy-down, state funded categorical programs including funding for student success and support program, adult education, energy efficiency, block grants for instructional equipment and physical plan, and funding for expanding the delivery of online course through technology.

Overall, the State Budget is legitimately balanced for the first time since 2002 and has set aside \$1.1 billion reserve. The economy is improving steadily. For 2013 and 2014, the forecast for California is for personal income growth of 4.3% and 5.5% respectively. The State's unemployment rate, however, is forecasted to continue to be above the national average during this period, dropping from 9.6% in 2013 to 8.7% in 2014.

Student Enrollment and State Funding

The student enrollment fee remained at \$46 per unit in 2013-14. The State provided a 1.63% or \$89.4 million enrollment growth for apportionments for California Community Colleges. The District will receive an additional \$7.2 million in enrollment growth revenue for the 2013-14 fiscal year.

Fiscal year 2012-13 started with a funding deficit that was restored with the passage of Proposition 30. The District's share of the tax revenue from Proposition 30 was \$76 million in Education Protection Act funds which provided restoration funding of the deficit and allowed the reinstatement of the several classes that were originally eliminated due to the shortfall. With the restoration funding from fiscal 2012-13 and the \$65 million of Education Protection Act funds in fiscal 2013-14, the District plans to achieve at least 3.63% in enrollment growth by restoring and offering more classes in the Winter 2014 and Summer 2014 intersession.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents (note 3)	\$ 174,383,702	73,096,852
Accounts receivable, net of allowance (note 4)	116,054,731	168,625,961
Student loans receivable, net-current portion (note 4)	212,555	191,564
Deposit with trustee – current portion (note 3)	205,573,339	134,350,409
Inventory	4,986,770	5,729,821
Prepaid expenses and other assets	46,598,818	40,359,566
Total current assets	547,809,915	422,354,173
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	7,584,847	4,240,905
Restricted investment (note 3)	533,301,461	552,561,013
Student loans receivable, net of allowance – noncurrent portion (note 4)	3,721,107	2,007,272
Deposit with trustee – noncurrent portion (note 3)	82,563,596	48,663,504
Bond issuance cost, net	24,255,414	22,346,178
Capital assets (note 6):		
Land	191,644,452	191,638,756
Land improvements	401,927,638	374,157,571
Buildings	2,980,642,674	2,539,077,378
Construction in progress	754,328,256	925,558,076
Works of art	518,000	518,000
Machinery and equipment	98,708,195	85,344,686
Infrastructure	4,214,474	4,214,474
Accumulated depreciation	(610,397,169)	(499,742,947)
Capital assets, net	3,821,586,520	3,620,765,994
Total assets	\$ 5,020,822,860	4,672,939,039

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2013 and 2012

Liabilities and Net Position	2013	2012
	2013	2012
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 173,452,927	146,065,733
Deferred revenue	6,358,861	5,935,650
Compensated absences (note 10)	7,791,688	7,813,291
General liability (notes 10 and 12)	2,338,221	2,040,943
Workers' compensation (notes 10 and 12)	5,454,895	5,334,321
Accrued interest and other accrued liabilities	85,447,310	87,274,876
Amounts held in trust for others	534,194	536,026
Notes payable (note 11)	80,000,000	—
Long-term debt – current (note 10)	79,419,495	40,342,985
Capital leases – current (note 10)	530,488	512,413
	441,328,079	295,856,238
Total current liabilities		
Noncurrent liabilities:		
Compensated absences (note 10)	7,483,784	7,771,755
General liability (notes 10 and 12)	6,845,779	1,072,057
Workers' compensation (notes 10 and 12)	27,691,105	26,673,679
Net OPEB obligation (note 8)	57,451,272	42,798,605
Long-term debt, net of current portion (note 10)	3,756,151,082	3,563,740,446
Capital leases, net of current portion (note 10)	758,847	484,391
	3,856,381,869	3,642,540,933
Total noncurrent liabilities		
Total liabilities	4,297,709,948	3,938,397,171
Net position:		
Net investment in capital assets	442,859,846	516,526,356
Restricted for:		
Expendable:		
Scholarships and loans	6,758,990	7,048,643
Debt service	186,755,666	90,077,567
Other special purposes	12,940,305	12,909,445
Capital projects	31,540,884	33,703,813
Unrestricted	42,257,221	74,276,044
	723,112,912	734,541,868
Total net position		
Total liabilities and net position	\$ 5,020,822,860	4,672,939,039

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Statements of Revenues, Expenses, and Changes in Net Position
 Years ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Tuition and fees	\$ 122,839,730	109,698,504
Less scholarship discounts and allowances	(74,534,777)	(61,076,615)
Net tuition and fees	48,304,953	48,621,889
Grants and contracts, noncapital:		
Federal	71,395,469	72,486,531
State	30,073,050	30,717,027
Local	12,843,826	14,261,380
Net grants and contracts, noncapital	114,312,345	117,464,938
Auxiliary enterprise sales and charges	23,418,295	23,709,013
Total operating revenue	186,035,593	189,795,840
Operating expenses:		
Salaries	372,940,777	383,261,749
Employee benefits	155,781,100	152,131,778
Supplies, materials, and other operating expenses and services	136,017,620	114,931,452
Student grants	235,934,984	239,816,005
Utilities	11,544,841	11,122,813
Depreciation	111,095,982	88,396,341
Total operating expenses	1,023,315,304	989,660,138
Operating loss	(837,279,711)	(799,864,298)
Nonoperating revenues (expenses/losses):		
State apportionments, noncapital	281,588,453	313,245,356
Local property taxes	170,628,250	145,692,486
State taxes and other revenue	4,232,847	1,738,940
Investment income – noncapital	981,068	763,342
Investment income – capital	10,011,365	16,073,618
Interest expense – noncapital	(520,168)	—
Interest expense on capital asset-related debt	(153,117,857)	(166,988,861)
Federal financial aid grants, noncapital	187,698,047	193,109,034
State financial aid grants, noncapital	8,681,266	9,357,553
Other nonoperating revenue	6,813,773	19,887,658
Other nonoperating expense	(841,683)	(1,203,536)
Investment loss	(7,876,027)	—
Total nonoperating revenues, net	508,279,334	531,675,590
Loss before other revenues	(329,000,377)	(268,188,708)
State apportionments, capital	5,459,896	25,053,697
Federal subsidy	21,131,250	10,565,625
Local tax for G.O. Bonds	289,910,288	208,208,423
Local property taxes and revenues, capital	1,069,987	928,655
Decrease in net position	(11,428,956)	(23,432,308)
Net position:		
Beginning of year	734,541,868	757,974,176
End of year	\$ 723,112,912	734,541,868

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Tuition and fees	\$ 48,866,173	49,033,698
Grants and contracts	113,703,120	118,131,932
Payments to suppliers	(127,441,368)	(127,276,591)
Payments for student grants	(236,765,284)	(239,816,005)
Payments for utilities	(11,544,841)	(11,122,813)
Payments to employees	(369,227,731)	(381,843,059)
Payments for benefits	(138,303,462)	(139,113,870)
Bookstore and cafeteria sales	24,008,566	25,082,381
Net cash used in operating activities	<u>(696,704,827)</u>	<u>(706,924,327)</u>
Cash flows from noncapital financing activities:		
State apportionments	318,256,390	287,169,725
Property taxes	170,628,250	145,692,486
State taxes and other revenues	4,232,847	1,738,940
Federal financial aid grants	187,698,047	193,109,034
State financial aid grants	8,681,266	9,357,553
Proceeds from notes payable	80,000,000	—
Interest expense	(53,501)	—
Other receipts	6,054,979	17,683,985
Net cash provided by noncapital financing activities	<u>775,498,278</u>	<u>654,751,723</u>
Cash flows from capital financing activities:		
Proceeds from capital debt	272,370,392	—
Capital appropriations, local property tax, grants, gifts, and capital	12,659,928	32,219,175
Local tax for general obligation bonds	216,099,937	224,263,434
Purchases of capital assets	(256,646,801)	(442,985,638)
Principal paid on capital debt and leases	(35,728,820)	(33,007,099)
Interest paid on capital debt and leases	(196,247,457)	(197,713,803)
Bond issuance costs	(2,993,324)	—
Net cash provided by (used in) capital financing activities	<u>9,513,855</u>	<u>(417,223,931)</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	315,781,827	473,154,859
Interest and losses on investments	1,261,226	13,311,468
Purchase of investments	(300,719,567)	(80,261,110)
Net cash provided by investing activities	<u>16,323,486</u>	<u>406,205,217</u>
Net increase (decrease) in cash and cash equivalents	104,630,792	(63,191,318)
Cash and cash equivalents – beginning of the year	<u>77,337,757</u>	<u>140,529,075</u>
Cash and cash equivalents – end of year	\$ <u>181,968,549</u>	\$ <u>77,337,757</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (837,279,711)	(799,864,298)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	111,095,982	88,396,341
Changes in operating assets and liabilities:		
Receivables, net	(1,887,746)	4,521,583
Inventories	743,051	(104,058)
Other assets	696,956	(5,595,830)
Accounts payable	9,899,435	(7,629,562)
Deferred revenue	423,211	166,068
General liability	6,071,000	314,000
Workers' compensation	1,138,000	58,000
Compensated absences	(309,574)	(139,678)
Net OPEB Obligation	14,652,667	10,970,651
Other liabilities	(1,948,098)	1,982,456
Net cash used in operating activities	\$ <u>(696,704,827)</u>	\$ <u>(706,924,327)</u>
Noncash capital financing activity:		
Equipment acquired through new capital lease obligations	\$ 866,352	131,722
Additions to capital assets included in accounts payable	17,473,842	(25,283,293)
Bond proceeds wired directly to escrow account for refunding	(7,200,000)	—
Amortization of accrued original issue premium	5,728,246	5,187,985
Amortization of deferred issuance costs and prepaid interest	(1,084,088)	(1,432,516)

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

(1) Organization and Reporting Entity

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Reporting

The basic financial statements required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, include a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The District is considered a special-purpose government under the provisions of GASB Statement No. 35. Accordingly, the District has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the District to be reported in a single column. In accordance with the business-type activities reporting model, the District prepares its statements of cash flows using the direct method. The effect of internal activities between funds or groups of funds has been eliminated from these basic financial statements. 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, 2013 and 2012

(c) *Net Position*

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

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

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

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

(d) *Cash and Cash Equivalents*

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

(e) *Inventory*

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

(f) *Properties and Depreciation*

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

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

The District's capitalization threshold is as follows:

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

(g) *Accrued Employee Benefits*

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

(h) *Deferred Revenue*

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

(i) *Income Taxes*

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

(j) *Estimates*

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

(k) *Reclassifications*

Certain amounts were reclassified for the year ended June 30, 2012 to conform to the June 30, 2013 presentation.

(l) *New Accounting Standards*

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the District's fiscal year beginning July 1, 2012. This Statement requires the District to report the activities for certain public-private partnerships as service concession arrangements in the financial statements. Service concession arrangements are recorded when the arrangements meet certain criteria which include building and operating a facility, obtaining the right to collect fees from third parties, and transferring ownership of the facility to the District at the end of the arrangement. Implementation of Statement No. 60 had no effect on the District's net position or changes in net position for the year ended June 30, 2013.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for the District's fiscal year beginning July 1, 2012. This Statement modifies the existing requirements for the assessment of component units that should be included in the financial statements of the District. Implementation of Statement No. 61 had no effect on the District's net position or changes in net position for the year ended June 30, 2013.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the District's fiscal year beginning July 1, 2012. GASB Statement No. 63 changed the title net assets to net position.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the District's fiscal year beginning July 1, 2013. This Statement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of Statement No. 65 would result in the (a) recognition of unamortized loss on debt refunding previously reported net of long-term debt obligations as deferred outflows of resources and (b) bond-issuance costs, except any portion related to prepaid insurance costs, being recognized as expense in the period incurred. As of June 30, 2013, the District has not determined the impact of GASB No. 65 on its financial statements or financial position.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, effective for the Districts' fiscal year beginning July 1, 2013. This statement amends GASB 10 (Risk Financing and Related Insurance Issues) by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund. It also amends GASB 62 by modifying the specific guidance on accounting for operating lease payments that vary from a straight-line basis. As of June 30, 2013, the District has not determined the impact of GASB No. 66 on its financial statements or financial position.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the District's fiscal year beginning July 1, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures related to pensions. As of June 30, 2013, the District has not determined the impact of GASB No. 68 on its financial statements or financial position.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

(3) Cash and Investments

Cash and investments at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents in County Treasury	\$ 154,287,085	44,464,311
Cash in banks	27,681,464	32,873,446
Total cash and cash equivalents	<u>181,968,549</u>	<u>77,337,757</u>
Investments:		
Investments in County Treasury	533,199,549	549,318,121
Other	101,912	3,242,892
Total investments	<u>533,301,461</u>	<u>552,561,013</u>
Deposit with trustee:		
Investments in County Treasury	276,260,726	169,893,353
Other	11,876,209	13,120,560
	<u>288,136,935</u>	<u>183,013,913</u>
Total cash, and investments and deposit with trustee	<u>\$ 1,003,406,945</u>	<u>812,912,683</u>

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

As provided for by the State of California Education Code, amounts are also deposited by the District in the Los Angeles County Treasurer's Pool (the County Pool) for the purpose of increasing interest earnings through the County's investment activities. At June 30, 2013 and 2012, the District's cash and investments consist primarily of deposits and investments in the County Pool. The District reports amounts involuntarily invested in the County Pool as unrestricted cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from the pool without notice or penalty. The District reports amounts involuntarily invested in the County Pool (such as unspent bond proceeds and local property tax collected to pay bond principal and interest) as restricted investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments. Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, federal agencies, municipalities, commercial paper rated A – by Standard & Poor's Corporation or A3 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

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

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Chief Administrative Officer, and a non-County representative. Investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. At June 30, 2013 and 2012, the District had \$963,747,360 and \$763,675,785 invested in the County Pool, respectively.

The County Treasurer mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to 1.5 years. The weighted average maturity of cash and investments in the Los Angeles Treasurer's Pool was 1.73 years and 1.69 years at June 30, 2013 and 2012, respectively. The County Pool does not maintain a credit rating.

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Tax delinquencies	\$ 16,144,192	23,702,817
Federal and state programs	16,812,881	12,366,433
Local tax for general obligation bonds	16,143,472	26,324,893
State lottery	8,179,111	8,358,420
Interest receivable	955,810	631,584
Accounts receivable – principal apportionment	65,990,203	102,466,673
Accounts receivable – campus students	329,057	2,779,352
Accounts receivable – student loan programs	3,997,557	4,078,688
Bookstore	1,502,600	272,099
State of California – capital outlay	2,612,368	8,742,413
Other	4,194,953	6,783,178
Sub-total	<u>136,862,204</u>	<u>196,506,550</u>
Less allowance for doubtful accounts	<u>(16,873,811)</u>	<u>(25,681,754)</u>
Total, net	<u>\$ 119,988,393</u>	<u>170,824,796</u>

The allowance for doubtful accounts is maintained at an amount sufficient to reserve for possible uncollectible receivable balances. Tax delinquencies represent prior and current year unpaid/unreceived property taxes that were assessed and billed by the County during the 2012-2013 year and prior. The District receives tax revenues from the County biannually in December and April. Any amounts that remain unpaid and not received by the District within the fiscal year are considered delinquent. The County's board of supervisors is the taxing authority that levies and collects tax revenues.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

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(5) Accounts Payable and Accrued Liabilities

Accounts payable at June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Vendors payable	\$ 23,028,626	18,791,680
Capital outlay and program management	127,044,262	109,570,420
Payroll accrual	14,703,977	11,309,302
Grants	6,431,526	6,215,328
Financial aid payable	380,228	179,003
Election expense payable	1,864,308	—
Total	\$ 173,452,927	146,065,733

(6) Capital Assets

A summary of changes in capital assets is as follows:

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

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

Capitalized Interest

Included in additions to capital assets is \$43,867,553 and \$31,622,062 of capitalized interest for the years ended June 30, 2013 and 2012, respectively.

(7) Lease Commitments

The District leases various assets, as lessee, under operating and capital lease agreements. Lease payments under these leases (including month-to-month leases) approximating \$7,090,954 have been reported in the accompanying statements of revenues, expenses, and changes in net position.

At June 30, 2013, minimum lease commitments under long-term lease contracts were as follows:

Year ending June 30:	
2014	\$ 592,412
2015	266,534
2016	216,134
2017	181,627
2018-2019	<u>161,524</u>
Total	<u>\$ 1,418,231</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. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System (STRS). In addition, certificated employees not participating in the State Teachers' Defined Benefit Plan may participate in the California State Teachers' Cash Balance Benefit Program, the Public Agency Retirement Systems (PARS ARS), or Social Security. Classified employees not participating in the Public Employees' Retirement System participate in (PARS-ARS), which is not a defined-contribution plan. On September 2, 2003, Los Angeles Community College District offered to every adjunct faculty member who is not a mandatory CalSTRS Defined Benefit Program member the CalSTRS Cash Balance Benefit Program.

(a) Plan Descriptions and Provisions

State Teachers' Retirement System (CalSTRS) – Full-time certificated employees and hourly adjuncts who permissively elect participate in CalSTRS, 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, who were hired prior to January 1, 2013, 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 highest year if member has more than 25 years of CalSTRS Service Credit. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90% of final compensation are available to members with 5 years of service. A family benefit is available if the deceased member had at least 1 year of service and was an active member or on disability leave. After 5 years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, only the accumulated member contributions and interest earned on those contributions are refundable.

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

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

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Notes to Basic Financial Statements

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California Public Employees' Retirement System (CalPERS) – Full-time classified employees and hourly employees who exceed 1,000 hours in a fiscal year participate in CalPERS, an agent multiple-employer contributory public employee retirement system defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State. The District is part of a cost-sharing pool within CalPERS. An actuarial valuation by employer is not available. One actuarial valuation is performed for those employers participating in the pool and the same contribution rate applies to each.

Employees, who were hired prior to January 1, 2013, are eligible for retirement at the age of 50 and are entitled to a monthly benefit of 1.1% of final compensation for each year of service credit. The rate is increased if retirement is deferred beyond the age of 50, up to age 63.

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

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

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

- Pensionable Compensation Cap – Caps the annual salary that can be used to calculate final compensation for all new School members, at \$113,700 (2013 Social Security Contribution and Benefit Base) for employees that participate in Social Security or \$136,440 (120% of the 2013 Contribution and Benefit Base) for those employees that do not participate in Social Security. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.
- Equal Sharing of Normal Cost – For schools employers a new member's initial contribution rate will be at least 50% of the total normal cost rate or the current contribution rate of similarly situated employees, whichever is greater.

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

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

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

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

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

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

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

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

(b) *Contributions Required and Contributions Made*

For fiscal year 2012-13, the District was required by statute to contribute 8.25%, 11.417%, 4.25%, and 4.00% of gross salary expenditures to CalSTRS, CalPERS (pooled), Cash Balance, and PARS-ARS, respectively. Participants are required to contribute 8.00%, 3.75%, and 3.50% of gross salary to STRS, Cash Balance, and PARS, respectively, for the year ended June 30, 2013. CalPERS participants who were hired prior to January 1, 2013 are required to contribute 7% of gross salary to CalPERS, and CalPERS participants who were hired on or after January 1, 2013 are required to contribute 6% of gross salary to CalPERS in fiscal year 2012-13.

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The District's contributions for the years ended June 30, 2013, 2012, and 2011 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
CalSTRS:		
2013	\$ 16,089,500	100%
2012	15,925,376	100
2011	15,827,894	100
CalPERS:		
2013	\$ 15,109,137	100%
2012	14,360,463	100
2011	14,039,142	100
Cash balance STRS:		
2013	\$ 1,305,749	100%
2012	1,354,573	100
2011	1,388,971	100
PARS-ARS:		
2013	\$ 488,395	100%
2012	532,942	100
2011	657,301	100

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

(c) Other Postemployment Benefits (OPEB)

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

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

Employees that are not eligible for District-paid 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; and accordingly, no liabilities are calculated.

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

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

Actuarial Methods and Assumptions

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

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

Funding Policy

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

The Trust is to be funded with annual contributions by the District of approximately 1.92% of the total full-time salary expenditures in the District. Additionally, the District will direct an amount equivalent to the federal Medicare Part D subsidy returned to the District each year into the trust fund. The District deposited \$5,177,653 and \$7,174,244 into the irrevocable trust with CalPERS during the years ended June 30, 2013 and 2012, respectively.

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Annual OPEB Costs and Net OPEB Obligation

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

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 42,786,000	41,511,000
Interest on net OPEB obligation	2,469,000	1,847,000
Adjustment to annual required contribution	<u>(2,025,000)</u>	<u>(1,515,000)</u>
Annual OPEB cost	43,230,000	41,843,000
Contributions made	<u>(28,577,333)</u>	<u>(30,872,349)</u>
Increase in net OPEB obligation	14,652,667	10,970,651
Net OPEB obligation, beginning of year	<u>42,798,605</u>	<u>31,827,954</u>
Net OPEB obligation, end of year	<u>\$ 57,451,272</u>	<u>42,798,605</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, 2013	\$ 43,230,000	66.10%	\$ 57,451,272
June 30, 2012	41,843,000	73.78	42,798,605

Funded Status Information

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

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 2011	\$ 34,185	593,389	559,203	5.76%	\$ 272,400	205.29%
July 1, 2009	8,926	545,041	536,115	1.64	251,957	212.78

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As of June 30, 2013 and 2012, the District has set aside approximately \$42.7 million and \$35.5 million, respectively, in an external trust fund. The fair value of the trust fund as of June 30, 2013 and 2012 was approximately \$51.8 million and \$41.7 million, respectively.

Other Benefits

Effective January 1, 2010, the District provided an annual contribution of \$1,500 to benefited active employees and pre-Medicare retirees into a health reimbursement account for the next five years. Contributions made by the District are \$6,051,000 and \$5,932,500 for fiscal years ended in June 30, 2013 and 2012, respectively.

(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, 2013. 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, 2013, the total value of these outstanding commitments is \$693,641,830.

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(10) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2013 and 2012:

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

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June 30, 2013 and 2012

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

(a) G.O. Bonds

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

On June 7, 2001, the District issued the 2001 Series A G.O. Bonds (Proposition A) in the amount of \$525,000,000 with an average interest rate of 4.63% maturing in 2012. The proceeds of this first Series of G.O. Bonds are being used to finance the construction, equipping, and improvement of college and support facilities at the District's nine colleges. As of June 30, 2012, the 2001 Series A G.O. Bonds (Proposition A) had been fully repaid.

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

On July 29, 2003, the District issued the 2003 Series A, B, and C G.O. Bonds (Proposition AA) in the amount of \$189,685,000, with interest rates ranging from 2% to 5% maturing in 2028. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District. On June 11, 2013, \$62,900,000 was refunded by issuing the 2013 refunding G.O. Bond. After the refunding, the outstanding balance at June 30, 2013 was \$3,100,000. The refunding was done to reduce the District's debt service payment over the next 14 years by \$975,000 a year. The refunding resulted in an economic gain of \$11,637,386. The outstanding principal of these defeased bonds at June 30, 2013 was \$62,900,000.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

Debt service requirements to maturity of the remaining G.O. Bonds at June 30, 2013 are as follows:

	2003 Series A, B and C		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 3,100,000	3,195,713	6,295,713
Total	<u>\$ 3,100,000</u>	<u>3,195,713</u>	<u>6,295,713</u>

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2004 Series A and B		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2014	\$ 3,340,000	4,495,676	7,835,676
2015	3,490,000	4,340,480	7,830,480
2016	3,650,000	4,173,514	7,823,514
2017	3,820,000	3,994,773	7,814,773
2018	4,005,000	3,804,179	7,809,179
2019-2023	23,300,000	15,626,740	38,926,740
2024-2028	30,260,000	8,453,271	38,713,271
2029-2030	14,560,000	843,663	15,403,663
Total	<u>\$ 86,425,000</u>	<u>45,732,296</u>	<u>132,157,296</u>

On March 22, 2005, the District issued the 2005 Series A G.O. Refunding Bonds (Proposition A) in the amount of \$437,450,000 with interest rates ranging from 3% to 5.25%, maturing in 2026. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2005 Series A		
	Principal	Interest	Total
Year(s) ending June 30:			
2014	\$ 14,375,000	20,629,168	35,004,168
2015	16,190,000	19,826,837	36,016,837
2016	18,140,000	18,925,675	37,065,675
2017	20,220,000	17,944,000	38,164,000
2018	22,390,000	16,878,750	39,268,750
2019 – 2023	149,890,000	64,217,500	214,107,500
2024 – 2026	176,490,000	18,160,250	194,650,250
Total	\$ 417,695,000	176,582,180	594,277,180

On October 11, 2006, the District issued the 2006 Series E G.O. Bonds (Proposition AA) in the amount of \$350,000,000 with interest rates ranging from 3.4% to 5.0%, maturing in 2032. The bond 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, 2013 are as follows:

	2006 Series E		
	Principal	Interest	Total
Year(s) ending June 30:			
2014	\$ 9,115,000	13,302,849	22,417,849
2015	10,895,000	12,885,902	23,780,902
2016	9,940,000	12,450,590	22,390,590
2017	10,420,000	11,979,625	22,399,625
2018	10,890,000	11,474,250	22,364,250
2019 – 2023	63,165,000	48,422,375	111,587,375
2024 – 2028	80,615,000	30,534,375	111,149,375
2029 – 2032	80,260,000	8,270,250	88,530,250
Total	\$ 275,300,000	149,320,216	424,620,216

On October 23, 2007, the District issued the 2007 Series A G.O. Bonds (Proposition A) in the amount of \$400,000,000 with interest rates ranging from 4% to 5%, maturing in 2033. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2007 Series A		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2014	\$ 575,000	19,052,625	19,627,625
2015	705,000	19,025,263	19,730,263
2016	820,000	18,990,950	19,810,950
2017	4,565,000	18,858,375	23,423,375
2018	4,880,000	18,637,500	23,517,500
2019-2023	25,320,000	89,334,000	114,654,000
2024-2028	54,535,000	84,215,625	138,750,625
2029-2033	290,760,000	37,883,000	328,643,000
Total	<u>\$ 382,160,000</u>	<u>305,997,338</u>	<u>688,157,338</u>

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2008 Series E-1 and F-1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2014	\$ 7,720,000	29,815,250	37,535,250
2015	9,490,000	29,545,238	39,035,238
2016	10,795,000	29,229,100	40,024,100
2017	12,130,000	28,870,063	41,000,063
2018	13,605,000	28,332,825	41,937,825
2019-2023	92,800,000	129,922,725	222,722,725
2024-2028	143,710,000	100,727,000	244,437,000
2029-2033	241,690,000	55,968,500	297,658,500
2034	84,685,000	2,117,125	86,802,125
Total	<u>\$ 616,625,000</u>	<u>434,527,826</u>	<u>1,051,152,826</u>

On September 23, 2008, the District issued the 2008 Taxable Series E-2 G.O. Bonds (Proposition A) in the amount of \$15,000,000 and the 2008 Taxable Series F-2 G.O. Bonds (Proposition AA) in the amount of \$20,000,000 with interest rates ranging from 3.049% to 4.316%, maturing in 2014. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at various campuses of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2008 Series E-2 and F-2		
	Principal	Interest	Total
Year ending June 30:			
2014	\$ 550,000	11,869	561,869
Total	\$ 550,000	11,869	561,869

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

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

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2009 Series A and B		
	Principal	Interest	Total
Year(s) ending June 30:			
2014	\$ —	26,247,663	26,247,663
2015	—	26,247,663	26,247,663
2016	—	26,247,663	26,247,663
2017	—	26,247,663	26,247,663
2018	—	26,247,663	26,247,663
2019-2023	4,175,000	131,094,850	135,269,850
2024-2028	63,450,000	122,887,896	186,337,896
2029-2033	229,135,000	77,525,436	306,660,436
2034	128,240,000	3,847,200	132,087,200
Total	\$ 425,000,000	466,593,697	891,593,697

On July 22, 2010, the District issued \$900,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series E Build America Bonds with 6.60% and 6.75% interest rates maturing in 2050. On August 10, 2010, the District issued \$175,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series C with 5.25% interest rate maturing in 2040. On August 10, 2010, the District issued \$125,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Taxable Series D with 6.68% interest rate maturing in 2037. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2010 Series C, D, and E		
	Principal	Interest	Total
Year(s) ending June 30:			
2014	\$ —	77,912,500	77,912,500
2015	—	77,912,500	77,912,500
2016	—	77,912,500	77,912,500
2017	—	77,912,500	77,912,500
2018	—	77,912,500	77,912,500
2019-2023	—	389,562,500	389,562,500
2024-2028	—	389,562,500	389,562,500
2029-2033	—	389,562,500	389,562,500
2034-2038	215,340,000	363,033,935	578,373,935
2039-2043	346,285,000	274,153,001	620,438,001
2044-2048	435,540,000	144,538,763	580,078,763
2049-2050	202,835,000	13,841,719	216,676,719
Total	\$ 1,200,000,000	2,353,817,418	3,553,817,418

On June 11, 2013, the District issued the 2013 Series F G.O. Bonds (Measure J) in the amount of \$250,000,000 with interest rates ranging from 2% to 5%, maturing in 2038. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2013 Series F		
	Principal	Interest	Total
Year(s) ending June 30:			
2014	\$ 30,000,000	6,270,972	36,270,972
2015	3,500,000	9,615,000	13,115,000
2016	3,500,000	9,457,500	12,957,500
2017	4,000,000	9,270,000	13,270,000
2018	4,000,000	9,070,000	13,070,000
2019-2023	23,000,000	42,560,000	65,560,000
2024-2028	39,000,000	34,625,000	73,625,000
2029-2033	45,000,000	24,280,000	69,280,000
2034-2038	98,000,000	13,000,000	111,000,000
Total	\$ 250,000,000	158,148,472	408,148,472

On June 11, 2013, the District issued the 2013 Refunding Bonds (Proposition AA) in the amount of \$55,700,000 with interest rates ranging from 2% to 5%, maturing in 2028. The bond measure was

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

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

The net proceeds from the sale of the 2013 Refunding Bonds in the amount of \$55,700,000 plus the original issue premium of \$9,250,607 will be applied to advance refunding of the refunded bonds of \$64,469,763 and to pay the cost of issuance for these bonds in the amount of \$480,844.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2013 are as follows:

	2013 Refunding Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2014	\$ 1,220,000	1,582,019	2,802,019
2015	2,905,000	2,427,325	5,332,325
2016	2,990,000	2,338,900	5,328,900
2017	3,080,000	2,232,450	5,312,450
2018	3,200,000	2,090,850	5,290,850
2019-2023	18,585,000	7,821,875	26,406,875
2024-2028	23,720,000	2,611,200	26,331,200
Total	<u>\$ 55,700,000</u>	<u>21,104,619</u>	<u>76,804,619</u>

Lease Purchase Financing

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 530,488	61,924	592,412
2015	231,575	34,959	266,534
2016	196,267	19,867	216,134
2017	172,261	9,366	181,627
2018-2019	158,744	2,780	161,524
Total	<u>\$ 1,289,335</u>	<u>128,896</u>	<u>1,418,231</u>

(11) Tax Revenue Anticipation Notes (TRAN)

On March 14, 2013, the District issued the 2012-2013 note Participations Series E in the amount of \$80,000,000 with interest rate of 2% maturing on December 31, 2013. The note is issued to provide operating cash for the District's current working capital expenditures prior to the receipt of anticipated tax payments and other revenues. The TRAN was issued with original issue premium of \$1,139,200 and issuance cost of \$145,217.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

Debt service requirements to maturity of the TRAN at June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 80,000,000	1,275,556	81,275,556
Total	\$ 80,000,000	1,275,556	81,275,556

(12) Risk Management

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

The District currently reports all of its risk management activities in the accompanying balance sheets. The balance of all outstanding workers' compensation and incurred general liability claims is estimated based on information provided by an outside actuarial study performed in 2013. The amount of the outstanding liability at June 30, 2013 and 2012 includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases, which occurred through that date.

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

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2013 and 2012 were as follows:

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2013 and 2012

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

During the years ended June 30, 2013 and 2012, the District made total premium payments of approximately \$2,455,776 and \$3,342,932, respectively, for general liability and property claims.

(13) Subsequent Events

The District evaluated events or transactions that occurred subsequent to the balance sheet date through December 11, 2013, the date the accompanying financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

Year ended June 30, 2013

Schedule of Funding Progress

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

The District funding progress information is illustrated as follows:

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

See accompanying independent auditors' report.

SUPPLEMENTAL FINANCIAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Balance Sheet Accounts

June 30, 2013

Assets

Cash in county treasury	\$	99,420,416
Cash in banks		8,564,580
Cash in revolving fund		163,217
Accounts, notes, interest and loans receivable, net		90,553,423
Cash held with trustee		65,402
Due from other funds		5,413,900
Prepaid expenses and other assets		7,244,955
		<hr/>
Total assets	\$	<u><u>211,425,893</u></u>

Liabilities and Fund Balance

Liabilities:		
Accounts payable	\$	41,044,564
Due to other funds		2,251,702
Amounts held in trusts		534,194
Deferred revenue		6,332,330
Notes payable		80,000,000
Other liabilities		466,667
		<hr/>
Total liabilities		<u>130,629,457</u>
Fund balance:		
Restricted		12,571,381
Unrestricted		68,225,055
		<hr/>
Total fund balance		<u>80,796,436</u>
Total liabilities and fund balance	\$	<u><u>211,425,893</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2013

Revenues:

Federal revenues:

Higher Education Acts	\$ 14,230,346
Job Training Partnership Act	3,727,105
Temporary Assistance for Needy Families (TANF)	1,009,947
Vocational Education Act	5,174,334
Veterans Education	32,372
College Work Study	2,301,497
Federal Supplementary Educational Opportunity Grants (FSEOG)	109,568
Federal Pell Grant	273,095
Other	<u>5,841,335</u>
Total federal revenues	<u>32,699,599</u>

State revenues:

State apportionments	181,945,859
Tax relief subvention	4,232,847
State lottery	14,813,933
CA Works Oppor. & Responsibility to Kids	3,379,034
Extended opportunity program	5,301,804
Matriculation program	4,047,072
Disabled Students Programs and Services	3,784,795
Other	<u>96,242,594</u>
Total state revenues	<u>313,747,938</u>

Local revenues:

Local property taxes	170,628,251
Enrollment fees	22,957,761
Tuition and fees, net of scholarship discounts and allowance	11,479,647
Community service fees	5,866,865
Parking fees	2,516,049
Health service fees	4,533,862
Student fees and charges	2,020,334
Interest	1,530,482
Other	<u>11,390,795</u>
Total local revenues	<u>232,924,046</u>

Total revenues 579,371,583

Expenditures:

Current:

Academic salaries	226,600,822
Classified salaries	136,456,992
Employee benefits	132,254,199
Books and supplies	8,943,796
Contract services, student grants, and other operating expenditures	70,583,361
Capital outlay and equipment replacement:	5,377,494
Other	<u>758,099</u>
Total expenditures	<u>580,974,763</u>

Deficiency of revenues under expenditures (1,603,180)

Other financing uses:

Operating transfers out (6,637,321)

Net decrease in fund balance (8,240,501)

Fund balances at July 1, 2012 89,036,937

Fund balances at June 30, 2013 \$ 80,796,436

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2013

Assets	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Cash in county treasury	\$ 56,159,737	—	118,785	—	56,278,522
Cash in banks	1,510,550	33,021	201,825	861,200	2,606,596
Cash in revolving fund	—	2,889	—	93,321	96,210
Accounts, notes, interest and loans receivable, net of allowance for doubtful accounts	2,680,935	6,313	1,203,727	2,150,034	6,041,009
Due from other funds	—	152,722	482,717	588,722	1,224,161
Prepaid expenses	—	—	—	1,886	1,886
Inventory	—	97,224	—	4,877,123	4,974,347
Total assets	\$ 60,351,222	292,169	2,007,054	8,572,286	71,222,731
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 21,584	39,682	271,077	453,437	785,780
Due to other funds	483,468	6,710	1,367,053	571,761	2,428,992
Deferred revenue	—	400	—	8,067	8,467
Total liabilities	505,052	46,792	1,638,130	1,033,265	3,223,239
Fund balance:					
Capital projects	59,846,170	—	—	—	59,846,170
Unrestricted	—	245,377	368,924	3,906,838	4,521,139
Reserve for facility improvements and inventory	—	—	—	3,632,183	3,632,183
Total fund balance	59,846,170	245,377	368,924	7,539,021	67,999,492
Total liabilities and fund balance	\$ 60,351,222	292,169	2,007,054	8,572,286	71,222,731

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

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

Year ended June 30, 2013

	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Revenues:					
Federal revenues:					
Tuition and fees	\$ —	234	257	—	491
Other	1,757,260	57,493	2,107,937	—	3,922,690
Total federal revenues	1,757,260	57,727	2,108,194	—	3,923,181
State revenues:					
State apportionment	5,459,896	—	—	—	5,459,896
Other	—	—	4,354,806	—	4,354,806
Total state revenues	5,459,896	—	4,354,806	—	9,814,702
Local revenues:					
Food service sales	—	1,987,794	—	—	1,987,794
Bookstore sales	—	—	—	21,197,187	21,197,187
Interest	264,776	—	9,335	—	274,111
Other	30,598	206,566	277,529	23,998	538,691
Total local revenues	295,374	2,194,360	286,864	21,221,185	23,997,783
Total revenues	7,512,530	2,252,087	6,749,864	21,221,185	37,735,666
Expenditures:					
Current:					
Academic salaries	—	—	3,384,080	—	3,384,080
Classified salaries	—	426,518	2,379,540	3,692,816	6,498,874
Employee benefits	—	62,503	1,368,275	1,437,375	2,868,153
Books and supplies	41,225	1,555,789	567,924	15,531,311	17,696,249
Contract services, student grant, and other operating expenditures	225,887	121,134	448,616	382,178	1,177,815
Utilities	—	—	—	210,877	210,877
Capital outlay	8,967,504	564	20,530	358,325	9,346,923
Total expenditures	9,234,616	2,166,508	8,168,965	21,612,882	41,182,971
Excess (deficit) of revenues over (under) expenditures	(1,722,086)	85,579	(1,419,101)	(391,697)	(3,447,305)
Other financing sources – operating transfers in	—	107,105	1,330,150	35,757	1,473,012
Net increase (decrease) in fund balances	(1,722,086)	192,684	(88,951)	(355,940)	(1,974,293)
Fund balances at July 1, 2012	61,568,256	52,693	457,875	7,894,961	69,973,785
Fund balances at June 30, 2013	\$ 59,846,170	245,377	368,924	7,539,021	67,999,492

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2013

Assets

Cash held with trustee	\$ 254,365,814
Accounts, notes, interest and loans receivable, net	<u>16,143,472</u>
Total assets	<u><u>\$ 270,509,286</u></u>

Liabilities and Fund Balance

Liabilities:	
Deferred revenue	\$ 16,143,472
Other liabilities	<u>81,766,919</u>
Total liabilities	<u>97,910,391</u>
Fund balance:	
Restricted	<u>172,598,895</u>
Total fund balance	<u>172,598,895</u>
Total liabilities and fund balance	<u><u>\$ 270,509,286</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2013

Revenue:		
Total revenues		\$ <u> —</u>
		<u> —</u>
Expenditures:		
Current:		
Debt service		35,155,000
Interest expense on capital asset-related debt		<u>195,954,823</u>
Total expenditures		<u>231,109,823</u>
Deficit of revenues over expenditures		<u>(231,109,823)</u>
Other financing sources		
Local tax for G.O. Bonds		339,956,044
Total other financing sources		<u>339,956,044</u>
Net decrease in fund balance		108,846,221
Fund balances at July 1, 2012		<u>63,752,674</u>
Fund balances at June 30, 2013		\$ <u><u>172,598,895</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Post Retirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2013

Assets

Total assets \$ —

Liabilities and Deficit

Liabilities:

Unfunded OPEB payable \$ 57,451,272

Total liabilities 57,451,272

Fund deficit:

Restricted (57,451,272)

Total fund deficit (57,451,272)

Total liabilities and fund deficit \$ —

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Post Retirement Health Insurance Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Year ended June 30, 2013

Revenue:		
Interest	\$	14,381
Total local revenues		14,381
Expenditures:		
Current:		
Employee benefits		19,830,322
Total expenditures		19,830,322
Deficit of revenues over expenditures		(19,815,941)
Other financing sources		
Operating transfers in		5,164,309
Total other financing sources		5,164,309
Net increase in fund deficit		(14,651,632)
Fund deficit at July 1, 2012		(42,799,640)
Fund deficit at June 30, 2013	\$	(57,451,272)

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2013

Assets

Cash in County Treasury	\$ 537,396,841
Cash in banks	6,576,180
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	876,457
Due from other funds	516,137
Prepaid expenses and other assets	39,351,977
Deposit with trustee	35,972,602
	<hr/>
Total assets	\$ 620,690,194
	<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 127,044,262
Due to other funds	213,832
	<hr/>
Total liabilities	127,258,094
	<hr/>
Fund balance:	
Reserved for capital expenditures	493,432,100
	<hr/>
Total fund balance	493,432,100
	<hr/>
Total liabilities and fund balance	\$ 620,690,194
	<hr/> <hr/>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2013

Local revenues:	
Interest	\$ 4,438,048
Other	<u>1,154,054</u>
Total revenue	<u>5,592,102</u>
Expenditures:	
Other Operating Expenses and Services	20,995,279
Capital outlay	<u>275,709,133</u>
Total expenditures	<u>296,704,412</u>
Deficit of revenues over expenditures	<u>(291,112,310)</u>
Other financing sources:	
Proceeds from issuance of debt	<u>250,000,000</u>
Total other financing sources	<u>250,000,000</u>
Net decrease in fund balance	(41,112,310)
Fund balances at July 1, 2012	<u>534,544,410</u>
Fund balances at June 30, 2013	<u>\$ 493,432,100</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2013

Assets

Cash in banks	\$	2,089,833
Accounts, notes, interest and loans receivable, net		7,019,068
Due from other funds		367,733
		<u> </u>
Total assets	\$	<u><u>9,476,634</u></u>

Liabilities and Fund Balance

Liabilities:		
Accounts payable	\$	4,474,949
Due to other funds		2,627,407
		<u> </u>
Total liabilities		<u>7,102,356</u>
Fund balance:		
Restricted		<u>2,374,278</u>
Total fund balance		<u>2,374,278</u>
Total liabilities and fund balance	\$	<u><u>9,476,634</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

Year ended June 30, 2013

Revenues:

Federal revenues:

Federal Supplemental Educational Opportunity Grants (FSEOG)	\$ 2,261,735
Pell	182,752,152
Direct loan	37,055,765
Other	401,575
Total federal revenues	<u>222,471,227</u>

State revenues:

Extended opportunity program	3,343,442
Cal Grant	8,681,266
Other	30,875
Total state revenues	<u>12,055,583</u>

Local revenues:

Interest	1,148
Other	94,833
Total local revenues	<u>95,981</u>

Total revenues	<u>234,622,791</u>
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Expenditures:

Student grant	<u>235,188,044</u>
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Total expenditures	<u>235,188,044</u>
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Deficiency of revenues under expenditures	(565,253)
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Fund balances at July 1, 2012	<u>2,939,531</u>
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Fund balances at June 30, 2013	<u><u>\$ 2,374,278</u></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
 ASO Trust Fund – Combined Schedule of Balance Sheet Accounts
 June 30, 2013

Assets	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Cash in banks	\$ 1,509,014	368,394	350,645	439,505	1,124,539	174,122	1,605,384	1,276,408	127,564	6,975,575
Investments	—	—	—	—	—	—	100,154	1,758	—	101,912
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	1,775	—	6,128	—	—	12,785	—	—	20,688
Inventory	—	—	—	—	—	—	12,423	—	—	12,423
Capital Assets	67,646	—	—	—	32,688	—	162,986	274,144	54,685	592,149
Total assets	<u>\$ 1,576,660</u>	<u>370,169</u>	<u>350,645</u>	<u>445,633</u>	<u>1,157,227</u>	<u>174,122</u>	<u>1,893,732</u>	<u>1,552,310</u>	<u>182,249</u>	<u>7,702,747</u>
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	\$ 44,769	2,785	—	—	46,966	5,496	3,265	—	89	103,370
Deferred revenue	13,081	—	—	—	—	—	3,304	—	1,679	18,064
Other liabilities	1,035,881	6,600	151,733	151,623	528,634	118,120	888,307	260,759	72,067	3,213,724
Total liabilities	<u>1,093,731</u>	<u>9,385</u>	<u>151,733</u>	<u>151,623</u>	<u>575,600</u>	<u>123,616</u>	<u>894,876</u>	<u>260,759</u>	<u>73,835</u>	<u>3,335,158</u>
Fund balance:										
Investment in fixed assets	67,646	—	—	—	32,688	—	162,986	274,144	54,685	592,149
Fund balances – designated for future expenditures	415,283	360,784	198,912	294,010	548,939	50,506	835,870	1,017,407	53,729	3,775,440
Total fund balance	<u>482,929</u>	<u>360,784</u>	<u>198,912</u>	<u>294,010</u>	<u>581,627</u>	<u>50,506</u>	<u>998,856</u>	<u>1,291,551</u>	<u>108,414</u>	<u>4,367,589</u>
Total liabilities and fund balance	<u>\$ 1,576,660</u>	<u>370,169</u>	<u>350,645</u>	<u>445,633</u>	<u>1,157,227</u>	<u>174,122</u>	<u>1,893,732</u>	<u>1,552,310</u>	<u>182,249</u>	<u>7,702,747</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 ASO Trust Fund – Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Year ended June 30, 2013

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Revenues:										
Other	\$ 208,846	92,608	21,012	247,856	117,358	23,634	82,081	127,468	19,776	940,639
Total revenues	<u>208,846</u>	<u>92,608</u>	<u>21,012</u>	<u>247,856</u>	<u>117,358</u>	<u>23,634</u>	<u>82,081</u>	<u>127,468</u>	<u>19,776</u>	<u>940,639</u>
Expenditures:										
Contract services and other operating expenditures	189,935	78,676	43,732	168,444	96,036	140	69,082	(11,285)	61,168	695,928
Total expenditures	<u>189,935</u>	<u>78,676</u>	<u>43,732</u>	<u>168,444</u>	<u>96,036</u>	<u>140</u>	<u>69,082</u>	<u>(11,285)</u>	<u>61,168</u>	<u>695,928</u>
Net increase (decrease) in fund balance	18,911	13,932	(22,720)	79,412	21,322	23,494	12,999	138,753	(41,392)	244,711
Fund balances at July 1, 2012	<u>464,018</u>	<u>346,852</u>	<u>221,632</u>	<u>214,598</u>	<u>560,305</u>	<u>27,012</u>	<u>985,857</u>	<u>1,152,798</u>	<u>149,806</u>	<u>4,122,878</u>
Fund balances at June 30, 2013	<u>\$ 482,929</u>	<u>360,784</u>	<u>198,912</u>	<u>294,010</u>	<u>581,627</u>	<u>50,506</u>	<u>998,856</u>	<u>1,291,551</u>	<u>108,414</u>	<u>4,367,589</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 Student Representation Fee Trust Fund – Combined Schedule of Balance Sheet Accounts
 June 30, 2013

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	\$ 20,461	145,067	81,325	27,550	191,763	1,885	10,826	90,819	39,576	609,272
Total assets	<u>\$ 20,461</u>	<u>145,067</u>	<u>81,325</u>	<u>27,550</u>	<u>191,763</u>	<u>1,885</u>	<u>10,826</u>	<u>90,819</u>	<u>39,576</u>	<u>609,272</u>
Liabilities and Fund Balance										
Fund balance:										
Fund balances – designated for future expenditures	\$ 20,461	145,067	81,325	27,550	191,763	1,885	10,826	90,819	39,576	609,272
Total fund balance	<u>20,461</u>	<u>145,067</u>	<u>81,325</u>	<u>27,550</u>	<u>191,763</u>	<u>1,885</u>	<u>10,826</u>	<u>90,819</u>	<u>39,576</u>	<u>609,272</u>
Total liabilities and fund balance	<u>\$ 20,461</u>	<u>145,067</u>	<u>81,325</u>	<u>27,550</u>	<u>191,763</u>	<u>1,885</u>	<u>10,826</u>	<u>90,819</u>	<u>39,576</u>	<u>609,272</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 Student Representation Fee Trust Fund – Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Year ended June 30, 2013

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Revenues:										
Other	\$ 29,858	30,543	14,380	12,727	31,372	1,885	26,342	25,185	16,835	189,127
Total revenues	<u>29,858</u>	<u>30,543</u>	<u>14,380</u>	<u>12,727</u>	<u>31,372</u>	<u>1,885</u>	<u>26,342</u>	<u>25,185</u>	<u>16,835</u>	<u>189,127</u>
Expenditures:										
Contract services and other operating expenditures	9,397	25,726	18,939	11,636	7,537	—	27,488	32,208	(4,370)	128,561
Total expenditures	<u>9,397</u>	<u>25,726</u>	<u>18,939</u>	<u>11,636</u>	<u>7,537</u>	<u>—</u>	<u>27,488</u>	<u>32,208</u>	<u>(4,370)</u>	<u>128,561</u>
Net increase (decrease) in fund balance	20,461	4,817	(4,559)	1,091	23,835	1,885	(1,146)	(7,023)	21,205	60,566
Fund balances at July 1, 2012	—	140,250	85,884	26,459	167,928	—	11,972	97,842	18,371	548,706
Fund balances at June 30, 2013	<u>\$ 20,461</u>	<u>145,067</u>	<u>81,325</u>	<u>27,550</u>	<u>191,763</u>	<u>1,885</u>	<u>10,826</u>	<u>90,819</u>	<u>39,576</u>	<u>609,272</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization
June 30, 2013

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, 2013 comprised the following members:

Board of Trustees		
Name	Office	Term expires
Steve Veres	President	June 30, 2015
Tina Park	First Vice President	June 30, 2013
Nancy Pearlman	Second Vice President	June 30, 2013
Kelly G. Candaele	Member	June 30, 2013
Mona Field	Member	June 30, 2015
Miguel Santiago	Member	June 30, 2015
Scott J. Svonkin	Member	June 30, 2015
Michael J. Griggs	Student Trustee	May 31, 2014

Administration

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

* Effective July 1, 2013, Dr. Daniel J. LaVista resigned and Dr. Adriana D. Barrera was appointed Interim Chancellor.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2013

Presidents

Mr. Farely Herzek *
Ms. Renee Martinez *
Mr. Marvin Martinez
Dr. Monte Perez
Dr. Kathleen Burke
Dr. Jack E. Daniels III
Dr. Roland J. Chapdelaine
Dr. A. Susan Carleo
Mr. Nabil Abu-Ghazaleh

College

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

* Interim

Los Angeles Community College District
 FTES Workload Measures for State General Apportionment
 Annual 2012-13 Apportionment Attendance Report

<u>Categories</u>	<u>Reported data</u>
A. Summer intersession (Summer Seg 2 only):	
1. Noncredit	\$ 809.34
2. Credit	2,298.32
B. Summer intersession (Summer Seg 1 only):	
1. Noncredit	69.52
2. Credit	2,752.72
C. Primary terms (exclusive of summer intersessions)	
1. Census procedure courses	
a. Weekly census contact hours	71,183.78
b. Daily census contact hours	5,254.88
2. Actual hours of attendance procedure courses	
a. Noncredit	3,675.87
b. Credit	4,481.49
3. Independent study/work experience education courses	
a. Weekly census procedure crs	5,542.02
b. Daily census procedure crs	1,789.88
c. Noncredit independent study	—
D. Total FTES =	<u>97,857.82</u>
Supplemental Information	
E. In-service training courses	2,107.08
F. For future use	
G. For future use	
H. Basic skills courses	
1. Noncredit	2,877.50
2. Credit	5,332.90
I. CCFS-320 Addendum CDCP Noncredit FTES	2,705.46
J. Centers FTES	
a. Noncredit	NA
b. Credit	NA

See accompanying independent accountants' report on state compliance requirements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Annual Financial and Budget Report (CCFS 311)
 Year ended June 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Retirees' Health Insurance Fund	Building Fund	Student Financial Aid Fund	ASO Fund	General Long-term Fixed Assets	Other GASB Adj to general long-term Debt	Total
June 30, 2013 total fund balances per annual financial budget report	\$ 79,270,864	64,367,309	—	(57,456,928)	489,271,727	2,972,176	4,976,861	—	—	583,402,009
Audit adjustments to fund balance:										
Adjustments to cash with bond trustee	—	—	254,365,814	—	—	—	—	—	—	254,365,814
Adjustments to accrued interest expense	—	—	(81,766,919)	—	—	—	—	—	—	(81,766,919)
Adjustments to receivables	(1,857)	—	—	—	1,362,781	—	—	—	—	1,360,924
Adjustments to payables	(372,571)	—	—	—	2,797,592	(597,898)	—	—	—	1,827,123
Adjustments to GASB45 with actuarial study	—	—	—	5,656	—	—	—	—	—	5,656
Adjustments to bookstore's reserve for inventory and facility improvements	—	3,632,183	—	—	—	—	—	—	—	3,632,183
Adjustments to worker's compensation payable reserve	1,900,000	—	—	—	—	—	—	—	—	1,900,000
Adjustments and reclass	1,525,572	3,632,183	172,598,895	5,656	4,160,373	(597,898)	—	—	—	181,324,781
June 30, 2013 unaudited ending fund balance	80,796,436	67,999,492	172,598,895	(57,451,272)	493,432,100	2,374,278	4,976,861	—	—	764,726,790
Current assets:										
Adjustment to receivables	(665,724)	—	16,143,472	—	—	—	—	—	—	15,477,748
Adjustment to cash and deposit with trustee	(1,411,852)	—	(1,986,701)	—	(4,477,474)	—	—	—	—	(7,876,027)
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	(592,149)	3,821,586,520	—	3,820,994,371
Other assets:										
Deferred issuance cost	—	—	—	—	—	—	—	—	—	—
Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	24,255,414	24,255,414
Long-term liabilities are not booked as part of fund balances:										
G.O. Bonds	—	—	—	—	—	—	—	—	(3,712,555,000)	(3,712,555,000)
Unamortized premiums bond	—	—	—	—	—	—	—	—	(123,015,577)	(123,015,577)
Workers' compensation claims payable	—	—	—	—	—	—	—	—	(33,146,000)	(33,146,000)
General liability	—	—	—	—	—	—	—	—	(9,184,000)	(9,184,000)
Vacation benefits payable	—	—	—	—	—	—	—	—	(15,275,472)	(15,275,472)
Capital lease payable	—	—	—	—	—	—	—	—	(1,289,335)	(1,289,335)
June 30, 2013 audited net assets	\$ 78,718,860	67,999,492	186,755,666	(57,451,272)	488,954,626	2,374,278	4,384,712	3,821,586,520	(3,870,209,970)	723,112,912

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of 50% Law Calculation to the District's Accounting Records

Year ended June 30, 2013

Academic Salaries	Object Code	Activity (ECSA) ECS 84362 A			Activity (ECSB) ECS 84362 B		
		Instructional Salary Cost AC 0100-5900 & AC 6110			Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Instructional Salaries							
Contract or Regular	1100	92,850,258	0	92,850,258	93,670,212	0	93,670,212
Other	1300	66,485,725	0	66,485,725	68,497,275	0	68,497,275
Total Instructional Salaries		159,335,983	0	159,335,983	162,167,487	0	162,167,487
Non-Instructional Salaries							
Contract or Regular	1200				39,830,830	0	39,830,830
Other	1400				3,149,197	0	3,149,197
Total Non-Instructional Salaries		0	0	0	42,980,027	0	42,980,027
Total Academic Salaries		159,335,983	0	159,335,983	205,147,514	0	205,147,514
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100				85,849,809	0	85,849,809
Other	2300				3,361,577	0	3,361,577
Total Non-Instructional Salaries		0	0	0	89,211,386	0	89,211,386
Instructional Aides							
Regular Status	2200	8,768,270	0	8,768,270	9,502,124	0	9,502,124
Other	2400	934,361	0	934,361	1,111,809	0	1,111,809
Total Instructional Aides		9,702,631	0	9,702,631	10,613,933	0	10,613,933
Total Classified Salaries		9,702,631	0	9,702,631	99,825,319	0	99,825,319
Employee Benefits	3000	54,407,942	0	54,407,942	118,455,969	0	118,455,969
Supplies and Materials	4000				3,158,248	0	3,158,248
Other Operating Expenses	5000	2,645,419	0	2,645,419	60,991,131	0	60,991,131
Equipment Replacement	6420						
Total Expenditures Prior to Exclusions		226,091,975	0	226,091,975	487,578,181	0	487,578,181

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of 50% Law Calculation to the District's Accounting Records

Year ended June 30, 2013

Exclusions		Activity (ECSA) ECS 84362 A			Activity (ECSB) ECS 84362 B		
		Instructional Salary Cost AC 0100-5900 & AC 6110			Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
		TOP Code	Object Code				
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900						
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				64,798	0	64,798
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740				23,399,678	0	23,399,678
Objects to Exclude							
Rents and Leases	5060				1,856,986	0	1,856,986
Lottery Expenditures							
Academic Salaries	1000				9,426,109	0	9,426,109
Classified Salaries	2000				573,995	0	573,995
Employee Benefits	3000				2,246,648	0	2,246,648
Supplies and Materials	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional, Supplies & Materials	4400						
Total Supplies and Materials		0	0	0	0	0	0
Other Operating Expenses and Services	5000						
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment		0	0	0	0	0	0
Total Capital Outlay		0	0	0	0	0	0
Other Outgo	7000						
Total Exclusions		0	0	0	37,568,214	0	37,568,214
Total for ECS 84362, 50% Law		226,091,975	0	226,091,975	450,009,967	0	450,009,967
Percent of CEE (Instructional Salary Cost / Total CEE)		50.24%	0	50.24%	100.00%	0	100.00%
50% of Current Expense of Education					225,004,984	0	225,004,984

The 50% Law Calculation reported in CCFS311 for the year ended June 30, 2013 reconciles with the District's accounting records. As shown above, there were no audit adjustments or reclassifications noted.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of Education Protection Account (EPA) Expenditures to the District's Accounting Records
Year ended June 30, 2013

	Activity Code	Amount
EPA Proceeds Received	8630	\$ 76,198,032

		Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 - 5000)	Capital Outlay (6000)	Total
Activity	Activity Code				
Instructional Activities					
Total Instructional Activities	0100-5900	\$ 75,519,785	\$ -	\$ -	\$ 75,519,785
Other Support Activities					
Total Other Support Activities	6XXX	551,577	-	-	551,577
Total Expenditures for EPA		\$ 76,071,362	\$ -	\$ -	\$ 76,071,362
Revenues less Expenditures					\$ 126,670
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

The above information reconciles with the District's accounting records. There were no audit adjustments or reclassifications noted.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA or project number</u>	<u>Award or pass-through identification number</u>	<u>Expenditures</u>
U.S. Department of Agriculture :			
Direct programs :			
Summer Food Service	10.559	USDA-SFSP-03-2010	\$ 57,493
Borlaug Fellowship Program-Feed the Future	10.777	58-3148-2-259	22,019
Agricultural Marketing Service:			
Sylmar Farmers Market at Mission College	10.168	12-25-G-1136	440
Subtotal direct programs			<u>79,952</u>
Pass-through California Department of Education:			
Child Care Food Programs	10.558	19-2432-2A	655,056
Pass-through California Department of Health Services:			
Network for a Healthy California	10.561	08-85119	931,843
Network for a Healthy California	10.561	07-65327	<u>805,266</u>
Total U.S. Department of Agriculture			<u>2,472,117</u>
U.S. Department of Labor:			
Direct programs:			
Community-Based Job Training	17.269	CB-18241-09-60-A-6	2,162
Los Angeles Valley College Green Pilot	17.261	EA-21338-11-60-A-6	64,552
Pathways to 21st Century Careers	17.261	EA-21335-11-60-A-6	82,033
H-1B Technical Skills Training Grants	17.268	HG-22731-12-60-A-6	1,290,866
H-1B Technical Skills Training Grants	17.268	HG-22706-12-60-A-6	295,909
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23756-12-60-A-6	333,771
Workforce Investment Act and the American Recovery and Reinvestment Act:			
Recovery Act-Pathways Out of Poverty	17.275	GJ-20026-10-60-A-6	16,823
Pass-through City of Long Beach:			
H-1B Technical Skills Training Grants	17.268	HG-22609-12-60-A-6 (PC)	19,327
Pass-through City of Los Angeles:			
Boyle Heights Youth Opportunity	17.259	13100220466	2,997
Youth Worksource Center	17.259	121578	375,775
Sector Workforce Intermediaries	17.258	C-121422	45,000
Sector Workforce Intermediaries	17.278	C1-121422	30,000
Teacher Pathways	17.259	T5250	2,519
Pass-through Community Career Development, Inc/ Wilshire-Metro WorkSource Center:			
Healthcare/Biomed Sector Initiative Program	17.258	C-120925	72,944
Healthcare/Biomed Sector Initiative Program	17.278	C-120925	30,227
Healthcare/Biomed Sector Initiative Program	17.277	C-120925	2,706
Pass-through County of Los Angeles:			
Workforce Investment Act – Com Career Title I – Adult	17.258	A091010	55,122
Workforce Investment Act – Com Career Title I -Dislocated	17.278	DW091010	171,484
Multi-Sector Workforce Partnership	17.275	ADW091010-NO.4	68,619
Pass-through Employment Development Department:			
Digital Arts Certification Program	17.258	K183467	257,194
Urban Teacher Fellowship Program	17.261	K182086	57,893
Pass-through San Bernardino Community College District:			
American Recovery and Reinvestment Act (ARRA):			
Southern California Logistics Training Collaborative	17.275	GJ-20040-10-60-4-6	183,248
Pass-through Forsyth Technical Community College:			
Consortium for Bioscience Credentials	17.282	FTCC-LAVC	113,351
Pass-through Jewish Vocational Service:			
Community-Based Job Training Grants	17.269	CB-20561-10-60-A-6	337,548
Pass-through Managed Career Solutions, Inc/Hollywood Work Source Center:			
Entertainment Industry Sector Grant	17.258	TS205	133,924
Entertainment Industry Sector Grant	17.278	TS205	91,888
American Recovery and Reinvestment Act (ARRA):			
A Plus Computer Training Program	17.258	4500144488	1,306
Northern Virginia Community College:			
Credential Career Program	17.282	NW#TC-23776-12-60-A-51	<u>25,792</u>
Total U.S. Department of Labor			<u>4,164,980</u>
National Science Foundation:			
Direct programs:			
A 2+2+2 Model for an Environmental Science and Technology Program	47.076	1003563	21,734
Academic and Student Support to Improve STEM Transfers	47.076	1068483	445,858
Riding the Road Map to Transfer Program	47.076	1154552	67,784
Consortium for Undergraduate Research Experiences	47.049	AST-1156756	<u>99,235</u>
Total National Aeronautics and Space Administration			<u>634,611</u>
U.S. Department of Energy:			
Pass-through Employment Development Department:			
American Recovery and Reinvestment Act (ARRA):			
LATTC Weatherization and Energy Efficiency Training Center	81.042	DE-EE0004134	115,482

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or project number	Award or pass-through identification number	Expenditures
Pass-through Stanford Transportation Group LLC: Solar Instructor Training	81.041	LATTC PV S&M Grant	\$ 14,939
Total U.S. Department of Energy			<u>130,421</u>
U.S. Department of Education:			
Direct programs:			
Higher Education Act :			
Higher Education Institutional Aid	84.031		7,722,154
Student Support Services	84.042		1,883,977
Talent Search	84.044		430,543
Upward Bound	84.047		2,124,216
Educational opportunity centers	84.066		237,004
Fund for the Improvement of Postsecondary Education	84.116		217,051
Strengthening Minority-Serving Institutions-Flying into the Future	84.382		1,251,421
Student financial assistance :			
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007		2,374,957
Federal Work Study Program	84.033		2,411,740
Federal Perkins Loan Program	84.038		147,511
Federal Pell Grant Program	84.063		182,616,328
Federal Direct Student Loans	84.268		37,310,451
Subtotal direct programs			<u>238,727,353</u>
Pass-through California Community College's Chancellors Office:			
Perkins Title I-C	84.048	12-C01-027	4,716,653
Career Technical Education Transitions - Los Angeles City College	84.048	12-112-741	49,389
Career Technical Education Transitions - East Los Angeles College	84.048	12-112-748	49,389
Career Technical Education Transitions - Los Angeles Harbor College	84.048	12-112-742	49,389
Career Technical Education Transitions - Los Angeles Mission College	84.048	12-112-743	48,626
Career Technical Education Transitions - Los Angeles Pierce College	84.048	12-112-744	49,389
Career Technical Education Transitions - Los Angeles Southwest College	84.048	12-112-745	49,389
Career Technical Education Transitions - Los Angeles Trade Technical College	84.048	12-112-746	49,389
Career Technical Education Transitions - Los Angeles Valley College	84.048	12-112-747	49,389
Career Technical Education Transitions - West Los Angeles College	84.048	12-112-749	49,389
Pass-through California Department of Education:			
Adult Education and Family Literacy & English Literacy	84.002	12-6474-00	1,740,292
Pass-through San Mateo County Community College District/Canada College:			
California Alliance for the Long-term Strengthening of Transfer Engineering Programs	84.031	P031C110159	47,511
Pass-through Los Angeles Unified School District:			
GEAR UP	84.334	1200250	65,237
GEAR UP	84.334	1200251	92,898
GEAR UP	84.334	1000340	9,170
Pass-through Marymount College/Project GRAD Los Angeles:			
GEAR UP	84.334	PGLA 2011-18	148,589
Pass-through California State University Dominguez Hills:			
Title V Hispanic Serving Institution Cooperative	84.031	P031S110042	315,281
Subtotal pass-through programs			<u>7,579,369</u>
Total U.S. Department of Education			<u>246,306,722</u>
U.S. Department of Health and Human Services:			
Pass-through State of California Department of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	1,009,947
Pass-through California Department of Education:			
Family Child Care Homes	93.575	CFCC-2011	99,873
Family Child Care Homes	93.596	CFCC-2011	191,635
California State Preschool	93.575	CSPP-2206	296,624
California State Preschool	93.596	CSPP-2206	503,103
General Child Care and Development Program	93.575	CCTR-2108	363,579
General Child Care and Development Program	93.596	CCTR-2108	200,032
Pass-through County of Los Angeles:			
System Involved Youth Project	93.674	SIP091010	7,178
Pass-through Los Rios Community College District:			
American Recovery and Reinvestment Act (ARRA):			
Educating Information Technology Professionals in Health Care	93.721	90CC076/01 - 759100	178,769
Pass-through University of California, Los Angeles:			
UCLA Bridges to the Baccalaureate Program	93.859	5 R25 GM050067	39,338
UCLA Bridges to the Baccalaureate Program	93.859	2 R25 GM050067	79,530
Pass-through South Bay Workforce Investment Board:			
Transitional Employment Program	93.558	12-H157	176,941
Total U.S. Department of Health and Human Services			<u>3,146,549</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

June 30, 2013

<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 Homeland Security:			
Direct programs:			
Homeland Security-Computer Bridge Project	97.062	2011-ST-062-000044	\$ 100,362
Pass-through California Emergency Management Agency:			
FY 10 Homeland Security Grant Program	97.067	037-91130	<u>70,804</u>
Total U.S. Department of Homeland Security			<u>171,166</u>
Environmental Protection Agency:			
Pass-through Los Angeles Conservation Corps:			
American Recovery and Reinvestment Act (ARRA):			
Brownfields Job Training Program	66.815	PO7140	<u>18,064</u>
Total Environmental Protection Agency			<u>18,064</u>
U.S. Department of Transportation:			
Federal Highway Administration:			
Dwight David Eisenhower Transportation Fellowship Program	20.215	DTS-TP-20	15,000
Federal Transportation Administration:			
Pass-through Los Angeles County Metropolitan Transportation Authority:			
Metro University	20.514	CA-26-7100	<u>277,174</u>
Total U.S. Department of Transportation			<u>292,174</u>
Corporation for National and Community Service:			
American Recovery and Reinvestment Act (ARRA):			
Americorps	94.006	N/A	<u>401,595</u>
Total Corporation for National and Community Service			<u>401,595</u>
Total Expenditures of Federal Awards			\$ <u><u>257,738,399</u></u>

See accompanying notes to schedule of expenditures of federal and state financial awards.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Financial Awards

June 30, 2013

Program Name	Cash received	Accounts receivable	Deferred income	Total program revenues	Total program expenditures
Disabled Students Program and Services	\$ 3,784,795	—	—	3,784,795	5,919,283
State Matriculation (Credit)	3,519,622	—	—	3,519,622	3,543,295
State Matriculation (Non Credit)	527,450	—	—	527,450	527,871
Student Financial Aid Administration	5,657,771	—	—	5,657,771	5,667,323
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	—	—	—	—	133,182
Basic Skills	1,250,202	—	—	1,250,202	1,362,706
Extended Opportunity Program and Services (EOPS)	7,812,649	—	—	7,812,649	7,825,939
Cooperative Agencies Resource for Education (CARE)	832,597	—	—	832,597	832,597
CalWORKS Program	3,420,206	—	—	3,420,206	3,377,360
Telecommunication & Technology Infrastructure Program	—	—	—	—	27,305
Foster and Kinship Care Education Program	922,005	303,918	—	1,225,923	1,225,923
Equal Employment Opportunity	33,732	—	—	33,732	78,115
Staff Development	—	—	—	—	9,727
After School Education and Safety Program	282,420	31,349	—	313,769	313,769
ESL/Basic Skills Professional Development	702,682	581,400	39,265	1,244,817	1,244,817
Career Technical Education	3,189,634	—	1,491,350	1,698,284	1,698,278
Economic and Workforce Development	1,509,156	296,940	338,449	1,467,647	1,467,647
Math, Engineering and Science Achievement (MESA)	30,300	—	11,048	19,252	19,252
Nursing Program	1,989,686	191,071	537,366	1,643,391	1,643,391
Youth Empowerment Strategies for Success	205,127	67,165	—	272,292	272,292
Other State Assistance Programs	692,577	1,316,816	36,728	1,972,665	1,972,666
California State Preschool Program	1,788,407	525,564	—	2,313,971	2,456,127
General Child Care and Development Programs	514,670	35,224	—	549,894	559,947
Family Child Care Homes	213,647	59,413	—	273,060	285,413
Cal Grants	8,691,340	—	—	8,691,340	8,678,820
Osher Scholar	25,875	—	—	25,875	25,875
Total state programs	\$ 47,596,550	3,408,860	2,454,206	48,551,204	51,168,920

See accompanying notes to schedule 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, 2013

(1) General

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

(2) Basis of Accounting

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

(3) Reconciliations to Basic Financial Statements

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

State revenues in fund financial statements:

General Fund	\$ 313,747,938
Special Revenue Fund	9,814,702
Student Financial Aid Fund	<u>12,055,583</u>
Total state revenues in fund financial statements	<u>\$ 335,618,223</u>

Total state revenues in accompanying schedule \$ 48,551,204

Add:

General Fund:	
Basic and equalization aid	256,893,689
State lottery	14,813,933
Tax relief subvention	4,232,847
Other state funds	<u>5,666,654</u>
Total other General Fund revenues	<u>281,607,123</u>

Special Revenue Fund:

Community College Construction Act	5,459,896
Scheduled Maintenance Program	<u>—</u>
Total other Special Revenue Fund revenues	<u>5,459,896</u>

Total state revenues in fund financial statements \$ 335,618,223

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2013

(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, 2013. 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>Advances made</u>	<u>Balances outstanding</u>
Student financial aid cluster:			
Federal Family Education Laons (FFEL)	84.032	\$ —	—
Federal Perkins Loans (FPL)	84.038	147,536	3,919,899
Federal Direct Student Loans	84.268	37,310,451	—
Nursing Student Loans	93.364	—	77,658

(5) Administrative Cost Allowances

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

Federal Supplemental Educational Opportunity Grant	\$ 109,568
Federal Work-Study Program	<u>96,898</u>
	<u>\$ 206,466</u>

(6) Federal Clusters of Programs

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

	<u>CFDA Number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplementary Educational Opportunity Grants (FSEOG)	84.007	\$ 2,374,957
Federal Work Study (FWS)	84.033	2,411,740
Federal Perkins Loan (FPL)	84.038	147,511
Federal Direct Student Loans (Direct Loan)	84.268	37,310,451
Federal Pell Grant Program (PELL)	84.063	<u>182,616,328</u>
		<u>\$ 224,860,987</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2013

	<u>CFDA Number</u>	<u>Expenditures</u>
Child Care Cluster:		
Family Child Care Homes	93.575	\$ 99,873
Family Child Care Homes	93.596	191,635
California State Preschool	93.575	296,624
California State Preschool	93.596	503,103
General Child Care and Development Program	93.596	200,032
General Child Care and Development Program	94.575	363,579
		<u>\$ 1,654,846</u>
TRIO Cluster:		
Student Support Services	84.042	\$ 1,883,977
Talent Search	84.044	430,543
Upward Bound	84.047	2,124,216
Educational Opportunity Centers	84.066	237,004
		<u>\$ 4,675,740</u>
TANF Cluster:		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 1,009,947
Transitional Employment Program	93.558	176,941
		<u>\$ 1,186,888</u>
Workforce investment Act (WIA) Cluster:		
Boyle Heights Youth Opportunity	17.259	\$ 2,997
Youth Worksource Center	17.259	375,775
Sector Workforce Intermediaries	17.258	45,000
Sector Workforce Intermediaries	17.278	30,000
Teacher Pathways	17.259	2,519
Healthcare/Biomed Sector Initiative Program	17.258	72,944
Healthcare/Biomed Sector Initiative Program	17.278	30,227
Workforce Investment Act – Corn Center Title I – Adult	17.258	55,122
Workforce Investment Act – Corn Center Title I – Dislocate	17.278	171,484
Digital Arts Certification Program	17.258	257,194
Entertainment Industry Sector Grant	17.258	133,924
Entertainment Industry Sector Grant	17.278	91,888
A Plus Computer Training Program	17.258	1,306
		<u>\$ 1,270,380</u>

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

Independent Accountants' Report on State Compliance Requirements

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

We have examined the compliance by the Los Angeles Community College District's (the District) with the following state laws and regulations for the year ended June 30, 2013 in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- Salaries of Classroom Instructors: 50% Law (421)
- Apportionment for Instructional Service Agreements/Contracts (423)
- State General Apportionment Funding System (424)
- Residency Determination for Credit Courses (425)
- Students Actively Enrolled (426)
- Concurrent Enrollment of K-12 Students in Community College Credit Courses (427)
- Gann Limit Calculation (431)
- California Work Opportunity and Responsibility to Kids (CalWORKS) – Use of State and Federal Temporary Assistance for Needy Families (TANF) Funding (433)
- Open Enrollment (435)
- Student Fees – Instructional and Other Materials (437)
- Student Fees – Health Fees and Use of Health Fee Funds (438)
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (474)
- Disabled Student Programs and Services (DSPS) (475)
- To be Arranged Hours (TBA) (479)
- Proposition 1D State Bond Funded Projects (490)
- Proposition 30 Education Protection Account Funds (491)

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

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

In our opinion, except for findings S-13-01 through S-13-07 described in the accompanying schedule of state findings and recommendations, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2013.

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

Vargay + Company LLP

Los Angeles, California
December 11, 2013

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

**Report of Independent Auditors on Compliance for Each Major Federal 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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Los Angeles Community College District (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Los Angeles Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings F-13-01 and F-13-02. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings F-13-01 and F-13-02, that we consider to be significant deficiencies.

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

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

Vargay + Company LLP

Los Angeles, California
December 11, 2013

Independent Auditors' Report on Schedule of Expenditures of Federal Awards

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

Report on the Schedule of Expenditures of Federal Awards

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, 2013.

Management's Responsibility for the Schedule of Expenditures of Federal Awards

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

Auditors' Responsibility

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

Opinion on the Schedule of Expenditures of Federal Awards

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, 2013, in conformity with accounting principles generally accepted in the United States of America.

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

Vargus + Company LLP

Los Angeles, California
December 11, 2013



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

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

The Honorable Board of Trustees
Los Angeles Community College District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Los Angeles Community College District (the District) which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

FS-13-001: Information Technology

Condition and Context

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



2013 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the audit.

LACCD 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 2013.

LACCD implemented the Security Weaver tool to control access to the SAP environment, and a formal process for change management and the Mercury Quality Center application to manage its change management process. Certain legacy control weaknesses, however, continue to exist. The sharing of user accounts in the database environment and operating system underlying SAP, extensive administrative access in SAP and weaknesses in the change management process were found during the 2013 audit.

Cause and Effect

During 2006-07, LACCD 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 significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiencies described above continue to represent a significant deficiency in internal controls.

Recommendation

We recommend that management evaluate and define the IT internal controls starting with a baseline of appropriate users that should have administrative and other elevated levels of access within SAP, the underlying database and operating systems. Each user should be assigned a unique user ID, whenever possible. In the rare cases where user IDs must be shared, controls should be established to monitor their usage. Additionally controls should be established to periodically review users and their access rights to validate the access rights assigned to users continue to be commensurate with their current job responsibilities. We recommend that the evaluation of the controls and baseline of users and their access rights be completed as soon as possible.



View of Responsible Officials

During the last year we reviewed SAP IT security access to ensure that user access is appropriate to their role. We assigned unique IDs to users and moved shared IDs to Security Weaver a technology tool that we use to control and monitor the usage of shared IDs. This included the elimination of IT security access outside of SAP IT and the establishment of a self service password reset function.

We agree with the recommendations and we plan to establish a baseline of appropriate IT users and their security levels. We will be conducting a review and evaluation of our Security Weaver tool and our security review and monitoring procedures. We will also be reviewing our IT organizational structure to ensure segregation of duties and assignment of data security responsibilities and make appropriate recommendations as needed for improvement.

Compliance and Other Matters

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

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

Purpose of this Report

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

KPMG LLP

Los Angeles, California
December 11, 2013

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(1) Summary of Auditors' Results

Financial Statement

- (a) The type of report issued on the financial statements: **Unmodified**
- (b) Internal control over financial reporting:
- Material weakness(es) identified **No**
 - Significant deficiencies identified? **Yes – See Finding FS-13-001**
- (c) Noncompliance which is material to the basic financial statements? **No**

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See Items F-13-01 and F13-02.**
- (e) The type of report issued on compliance for major programs:
- Student Financial Assistance Cluster – **Unmodified**
- State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Network for a Healthy California) – **Unmodified**
- H-1B Job Training Grants – **Unmodified**
- Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants – **Unmodified**
- Strengthening Minority-Serving Institutions – **Unmodified**
- Adult Education – State Grant Program – **Unmodified**
- Child Care Development Fund Cluster – **Unmodified**
- Americorps – **Unmodified**
- (f) Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$986,322.**

LOS ANGELS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(h) Major programs:

U.S. Department of Education

- Student Financial Assistance Cluster:
 - 84.007 Federal Supplementary Educational Opportunity Grants (FSEOG)
 - 84.003 Federal Work Study (FWS)
 - 84.038 Federal Perkins Loan (FPL)
 - 84.268 Federal Direct Student Loans (Direct Loan)
 - 84.063 Federal Pell Grant Program (PELL)
 - 84.375 Academic Competitiveness Grant (ACG)
- Strengthening Minority-Serving Institutions – CFDA 84.382
- Adult Education – State Grant Program – CFDA 84.002

U.S. Department of Agriculture

- State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – CFDA 10.561

U.S. Department of Labor

- H-1B Job Training Grants – CFDA 17.268
- Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants – CFDA 17.282

U.S. Department of Health and Human Services

- Child Care Development Fund Cluster
 - 93.575 Child Care and Development Block Grant
 - 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Corporation for National and Community Service

- AmeriCorps – CFDA 94.006
- (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **No.**

LOS ANGELS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

	<u>Finding number</u>
1. Student Financial Assistance – Eligibility	F-13-01
2. Strengthening Minority-Serving Institutions – Passage Program Allowable Costs/Costs Principles, Time and Effort Documentation	F-13-02

Finding F-13-01 – Eligibility

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 Southwest College, East Los Angeles College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00704708, July 1, 2012 to June 30, 2013 Federal Pell Grant ID: P063P125261 OPE ID No. 02226000, July 1, 2012 to June 30, 2013 Federal Pell Grant ID: P063P110036

Criteria or Requirement

Title 34, Education, Chapter VI – Part 690 – Federal Pell Grant Program – Subpart F – Determination of Federal Pell Grant Awards,

Section 690.62 – Calculation of Federal Pell Grant (a) states the following:

The amount of a student’s Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

Section 690.63 – Calculation of a Federal Pell Grant for a payment period further states that:

(a)(1) Programs using standard terms with at least 30 weeks of instructional time. A student’s Federal Pell Grant for a payment period is calculated under paragraphs (b) or (d) of this section if:

- (i) The student is enrolled in an eligible program that:
 - (A) Measures progress in credit hours;
 - (B) Is offered in semesters, trimesters, or quarters; and

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- (C) Requires the student to enroll for at least 12 credit hours in each term in the award year to qualify as a full-time student; and
- (ii) The program uses an academic calendar that provides at least 30 weeks of instructional time in:
 - (A) Two semesters or trimesters in the fall through the following spring, or three quarters in the fall, winter, and spring, none of which overlaps any other term (including a summer term) in the program; or
 - (B) Any two semesters or trimesters, or any three quarters where:
 - (1) The institution starts its terms for different cohorts of students on a periodic basis (e.g., monthly);
 - (2) The program is offered exclusively in semesters, trimesters, or quarters;
- (b) Programs using standard terms with at least 30 weeks of instructional time. The Federal Pell Grant for a payment period, i.e., an academic term, for a student in a program using standard terms with at least 30 weeks of instructional time in two semesters or trimesters or in three quarters as described in paragraph (a)(1)(ii)(A) of this section, is calculated by–
 - (1) Determining his or her enrollment status for the term;
 - (2) Based upon that enrollment status, determining his or her annual award from the Payment Schedule for full-time students or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students;

Identified Condition

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

- 2 out of 40 students sampled from Los Angeles Southwest College received grant awards that were in excess of the eligible amount either due to incorrect enrollment status or incorrect Expected Family Contribution (EFC) used in the calculation of the Pell grant for a payment period.
- 1 out of 25 students sampled from East Los Angeles College received grant awards that were in excess of the eligible amount due to incorrect enrollment status used in the calculation of the Pell grant for a payment period.

Questioned Costs

\$2,219

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure that calculations of Federal Pell grant payments made to students are based on correct enrollment status or Expected Family Contribution (EFC).

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Recommendation

We recommend that the District implement stricter controls to ensure that information used in the calculation of Federal Pell grant payments is accurate.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

Los Angeles Southwest College has strengthened its internal procedures so that any outstanding rosters are followed up on by the Academic Affairs Deans. The system is working well and the College currently has a 100% return rate for mandatory exclusion rosters.

East Los Angeles College

Identified student was a no-show for the winter term. As a result of the processed exclusion roster, student enrollment status was changed; therefore, student became overpaid. LACCD will implement an overpayment review report at the end of the winter term to re-evaluate student enrollment status and compare with the amount disbursed. This will help identify and notify student who was overpaid as a result of enrollment status changed.

Finding F-13-02 – Allowable Costs/Cost Principles, Time and Effort Documentation

Federal Program Information

<i>Federal Catalog Number:</i>	84.382
<i>Federal Program Name:</i>	Strengthening Minority-Serving Institutions – Passage Program
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Southwest College
<i>Federal Award Number and Award Year:</i>	P382A110019 – 12

Criteria or Requirement

Title 2, Grants and Agreements – Part 220 – Cost Principles for Educational Institutions (OMB Circular A-21), Appendix A Part 220 – Principles for Determining Costs Applicable To Grants, Contracts, And Other Agreements With Educational Institutions

After-the-fact Activity Records: Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.

- (a) Activity reports will reflect the distribution of activity expended by employees covered by the system (compensation for incidental work as described in subsection a need not be included).

LOS ANGELS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- (b) These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.
- (c) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.
- (d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subSection J.10.b.(2)(c) of this Appendix.
- (e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.
- (f) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subSections J.10.c.(2)(a) through (e) of this Appendix.

Identified Condition

During our testing of payroll expenditures charged to the program we noted the following:

- 17 out of 22 employees tested did not have time and effort documentation signed by the employees and approved by the Vice President of Administrative Affairs to support payroll charged to the program.
- 1 out of 22 employees tested did not have documentation to support payroll charged to the program.

Questioned Costs

\$46,104 of \$57,049 payroll expenditures tested.

Possible Asserted Cause and Effect

Adequate procedures do not appear to be in place to ensure that payroll charged to the program is supported by signed and approved time and effort documentation.

LOS ANGELS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Recommendation

We recommend that the District implement stricter controls to ensure that payroll charged to the program is supported by signed and approved time and effort documentation.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The following procedures will be implemented immediately:

Timesheet Procedure

- Passage Director will collect all timesheets prior to payroll deadline.
- Passage Director will require all Passage employees to sign and date their timesheets at the end of each of week.
- Passage Director will review and confirm the completed hours on each timesheet.
- Passage Director will sign and date all timesheets and submit to payroll.
- Passage Director will collect and file all timesheets in a binder weekly.

Time and Effort Procedure

- Passage Director will require all salaried employees paid by the Passage program budget to fill out a time and effort sheet weekly.
- Passage Director will review and confirm the timesheet is completed weekly.
- Passage Director will sign and date all timesheets and submit to payroll.
- Passage Director will collect and file all time and effort sheets in a binder weekly.

SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2013

(3) Summary of State Findings and Recommendations

	<u>Section</u>	<u>Finding number</u>
1. State General Apportionment Funding and Concurrent Enrollment of K-12 Students in Community College Credit Courses – Board Approvals	424,427	S-13-01
2. To Be Arranged Hours – Attendance Documentation	479	S-13-02
3. To Be Arranged Hours – Course Outline of Record	479	S-13-03
4. Concurrent Enrollment of K-12 Students in Community College Credit Courses Teacher Minimum Qualifications	427	S-13-04
5. Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) – Eligibility	474	S-13-05
6. Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) – Advisory Committee Meetings	474	S-13-06
7. Disabled Student Programs and Services (DSPS) – Eligibility	475	S-13-07

S-13-01 – State General Apportionment Funding (Section 424) and Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Board Approvals

State Criteria or Requirement

The governing board of each community college district shall establish policies for, and may approve individual degree-applicable credit courses which are offered as part of an educational program approved by the Chancellor pursuant to Section 55130. Such courses need not be separately approved by the Chancellor. A community college district may, until January 1, 2014, approve and offer nondegree-applicable credit courses and degree-applicable credit courses which are not part of an approved educational program without separate approval by the Chancellor, provided that the district continuously complies with the requirement that the college curriculum committee and district governing board approve each such course pursuant to Section 55002, among other requirements.

Reference

- CCR, Title 5, Sections 55100

Identified Condition

During the test work performed to ensure compliance with the course approvals, we noted that approval by the Board of 64 of 120 credit courses (includes 12 of 60 for K-12 courses) sampled has not been verified by listing in the Board agenda. We were informed that these courses were approved by the Board prior to 2000. We determined that all courses sampled were verified in the State Chancellor’s Curriculum Inventory and have received the course approval code from the Chancellor’s office to be eligible for State Apportionment. The District appears to have all the copies of the Board Agendas; however, course approval dates provided by the District did not agree to the Board agenda of the corresponding date. Therefore, we were unable to identify or inspect the appropriate agendas supporting the courses we sampled.

Full-Time Equivalent Students (FTES) Impact

308.76 FTES exceptions of the 550.12 FTES sampled. This includes 49.60 of 281.19 FTES pertaining to K-12 courses.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2013

Questioned Costs

Not applicable – Courses were verified in the State Chancellor’s Curriculum Inventory

Recommendation for Corrective Action

We recommend the District work with its colleges to review the course approval dates and affect the necessary corrections in the current Protocol system so that the District can have an accurate and readily verifiable support for its credit course approvals. Moving forward, we recommend that the District strengthen its controls to ensure that records of Board agenda course approvals are properly maintained.

District Response:

There is a disjuncture between what is in our course database and what actually shows on Board agendas for the following reasons:

1. LACCD had an IBM student/course database in use around 1974-75, which then
2. Transitioned to a Honeywell database in 1980, which then
3. Transitioned to the DEC sometime in the late 1980’s or 1990, which then
4. Transitioned to Protocol in 2005.

During early iterations of the course database and during various subsequent conversions, information was hand-entered from paper documents. It is unclear as to whether the campuses or the District office was the custodian of those documents. Our current e-Reg requiring Board approval of courses only began in 1983. The discrepancies identified by Vasquez during last year’s audit appear to have been a direct result of numerous system conversions.

One potential solution that the District explored was having the Board of Trustees re-authorize all courses in the database. However, that solution could cause potential problems due to an over-write of existing data with the new data; future audits could reveal that we were offering courses in advance of actual Board approval when we do not believe that is the fact.

Therefore, our solution for the current situation is to re-program the Protocol system, adding a field for “Board Reauthorization” in addition to the original [sometimes incorrect] Board approval date. That will allow us to preserve the initial (presumed) date while we go through system conversion, but will also allow us to move forward with re-authorization.

The District is currently in the process of a massive conversion to a new SIS system, which will necessitate reloading all course data. We anticipate being able to do a massive reformat and correction by the time of implementation in 2016. At that time the ‘reauthorization date’ will be brought forward, or revised to a new Board date.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Recommendations

Year ended June 30, 2013

S-13-02 – To Be Arranged Hours (Section 479) – Attendance Documentation

State Criteria or Requirement

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

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

References

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

Identified Condition

During the test work performed to ensure that apportionment claimed for TBA courses is adequately supported, we noted that 8 TBA courses (3 from Los Angeles Southwest College, 3 from Pierce College and 2 from City College) of 86 TBA courses sampled did not have census rosters or similar attendance forms.

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

Full-Time Equivalent Students (FTES) Impact

Los Angeles Southwest: 7.41 FTES exceptions of the 35.68 FTES sampled, or 20.77% of the total samples at the campus.

Pierce College: 15.65 FTES exceptions of the 137.27 FTES sampled, or 11.40% of the total samples at the campus.

City College: 1.70 FTES exceptions of the 36.97 FTES sampled, or 4.60% of the total samples at the campus.

Questioned Costs

\$113,025.19 (24.76 FTES exceptions x \$4,564.83 credit FTES reimbursement rate)

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Extrapolated Finding

Based on the schedule of FY 2013 FTES claimed for the TBA portion of credit courses of those campuses where the samples are obtained, the following are the extrapolated FTES for the above finding:

Southwest: 45.94 FTES (20.77% x 221.23 total FTES claimed for the TBA courses at the campus)

Pierce College: 68.07 FTES (11.40% x 597.07 total FTES claimed for the TBA courses at the campus)

City College: 14.35 FTES (4.60% x 312.04 total FTES claimed for the TBA courses at the campus)

These findings have not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2013.

Recommendation for Corrective Action

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

District Response:

Los Angeles Southwest College

During this audit, Admissions and Records incurred a finding as a result of failing to provide TBA rosters for all of the requested samples. Even after we notified all faculty that these documents were due, we were unable to provide the rosters to the auditors. As a result of these findings, Admissions and Records, in consultation and in cooperation with Academic Affairs, will take the following corrective action:

- Admissions and Records will inform faculty personally, via email, that they are required to submit TBA hours online and provide the deadline for such submission.
- Admissions and Records will work with Academic Affairs to recommend a consistent means for faculty to provide the supporting documentation required for all courses that have TBA hours.
- Admissions and Records will keep Academic Affairs department chairs and Deans apprised of outstanding TBA documentation and TBA hours via a weekly report. (Depending on the method of completing the TBA hours, faculty may not be able to submit documentation until the end of the term).
- To minimize confusion and provide a source of reference, Admissions and Records will make presentations at faculty orientations on the need for faculty to provide documentation and, provide on the campus website, on the Faculty and Staff site, a timeline with explanation for submission of this documentation.
- It should be noted that as of the fall 2013 submission period, LASC faculty were 100% compliant in submission of exclusions. This required campus-wide effort and cooperation. We

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will put the same level of effort into collecting TBA rosters and documentation this semester and from this point on.

Pierce College

Those departments with incomplete TBA attendance rosters will no longer offer their courses TBA. The college does inform faculty on the requirement for TBA rosters. There may be an opportunity for strengthening of controls.

City College

The Admissions Office used the District Office TBA list and followed up with the departments for their TBA rosters. Any attendance accounting coding discrepancies between the District and the Campus TBA list will be brought to the attention of Academic Affairs to be resolved. In addition and effective Fall 2013, Admissions will check all submitted rosters for a TBA class and compare this to a list of active students in DEC (student information system) to ensure all TBA rosters are complete. By establishment of this procedure this will help to strengthen our controls and achieve full compliance for TBA classes.

S-13-03 – To Be Arranged Hours (Section 479) –Course Outline of Record

State Criteria or Requirement

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

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

References

- To Be Arranged (TBA) Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- Courses with To Be Arranged (TBA) Hours, Memorandum from the California Community Colleges Chancellor’s Office dated March 8, 2013
- Education Code Sections 84040 and 88240
- CCR, Title 5, Section 58102, 58104 and 55100

Identified Condition

During the test work performed to ensure that the TBA courses are included in the official course outlines, we noted that 2 of 60 TBA courses sampled do not have an approved course outline. The finding occurred at Los Angeles Southwest College.

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

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Full-Time Equivalent Students (FTES) Impact

8.26 FTES exceptions of the 35.68 FTES sampled, or 23.15% of the total samples at Southwest College.

Questioned Costs

\$37,705.50 (8.26 FTES exceptions x \$4,564.83 credit FTES reimbursement rate)

Extrapolated Finding

51.22 FTES (23.15% x 221.23 total FTES claimed based on the schedule of FY 2013 FTES claimed for the TBA portion of credit courses at Southwest).

This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2013.

Recommendation for Corrective Action

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

District Response:

Los Angeles Southwest College

Los Angeles Southwest College no longer uses the family of classes name "Physical Education." The new family of classes' title is Kinesiology. If a search is done under the old title, there will be no updated course outline of record to be found. In addition, several of the course numbers have changed. In this instance P.E. 230 is now Kinesiology 250, and P.E. 304 is now Kinesiology 287. This transition has been taking place over the last few semesters, and all courses have been through transition or are currently in the curriculum process to ensure course outlines are up to date.

S-13-04 – 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.

Reference

- CCR, Title 5, Section 53430

Identified Condition

During testwork performed to ensure that instructors met minimum qualification requirements to teach class sections with concurrently enrolled K-12 students, we noted that 1 of 60 instructors sampled did not meet the minimum qualifications for the course taught. The minimum qualification to teach the course was a Masters degree in Sociology or a Bachelors degree in Sociology and a Masters degree in Anthropology

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and Ethnic Studies, Social Work or Psychology, or the equivalent. However, the instructor has a Doctorate in Education and a Masters in Education (Counseling). The District Academic Senate Equivalency Advisory Committee has also subsequently determined that the instructor did not meet the minimum qualifications to teach the course. The instructor was notified to stop teaching the course in September 2013.

There appeared to be a lack of controls in place to ensure that instructors meet the minimum qualifications for their assigned courses.

Full-Time Equivalent Students (FTES) Impact

3.85 FTES of the 337.77 FTES sampled or 1.14% of the total FTES sampled. Samples were obtained from the Annual Report of Concurrent Student FTES and supporting details.

Questioned Costs

\$17,574.60 (3.85 FTES exceptions x \$4,564.83 credit FTES reimbursement rate)

Extrapolated Finding

21.58 FTES (1.14% x 1,893.69 total FTES of K12 students from sampled campuses). This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2013.

Recommendation for Corrective Action

We recommend the District strengthen the controls to ensure that qualifications of instructors are carefully reviewed prior to issuing course assignments.

District Response

The Colleges hire a faculty for a designated discipline(s), at which time the Human Resources Division reviews and confirms that new employee meets State Minimum Qualifications in subject area of assignment.

The District is in the process of developing a system to match the courses being taught by an instructor to his/her qualifying discipline(s) based on STATE MQs. The purpose of this action is to ensure that an instructor teaching in more than one area meets the MQs for each course he/she is teaching.

This System will generate a Report which identifies instructors whose disciplines is not coded as a “match” for the subject area being taught.

Those instructors will be audited by the SES Unit to verify that they meet the MQs for all courses they are teaching.

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S-13-05 – Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Eligibility

State Criteria or Requirement

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

1. The CARE program has the following documentation in the student's EOPS/CARE file:
 - i) CARE application (or combined EOPS/CARE application)
 - ii) Student education plan
 - iii) Mutual responsibility contract (or combined EOPS/CARE contract)The documents above are to be developed in accordance with local EOPS/CARE policies and procedures.
2. The EOPS/CARE program has reported the student as being served in district end-of-term MIS reports during the academic year.

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

1. The CARE participant is currently receiving assistance from CalWORKs/TANF.
 - a. Students who currently receive CalWORKs cash aid for themselves and/or their child(ren) may be eligible for and receive assistance and services from CARE.
 - b. Students receiving Medi-Cal, SSI or food stamps assistance only, but not CalWORKs/TANF cash aid for themselves, are eligible for CARE only if a dependent child in their family unit currently receives CalWORKs cash aid.
 - c. Students not receiving CalWORKs/TANF cash aid due to a prior drug felony conviction, sanctions or time-limited status, are eligible for CARE only if a dependent child in their family unit currently receives CalWORKs cash aid.
2. The participant has at least one child under fourteen years of age at the time of admission into the CARE program.
3. The participant is at least 18 years old, a single head of household and has been determined to lack marketable employment skills.

References

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

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Identified Condition

During our testing of 60 CARE student files to determine compliance with eligibility requirements, we noted the following exceptions:

- 2 of 20 student files tested at Los Angeles Southwest College showed that the program participants were not eligible for the program. The qualifying child of one of participants was over 14 years of age at the time of application and the other participant did not qualify as a head of household.
- 3 of 20 student files tested at Los Angeles Southwest College did not have a Student Education Plan in the file. Other student files examined at East LA College (20 samples) and Pierce College (17 samples) contained Student Education Plans.
- 2 of 20 student files tested at Los Angeles Southwest College did not have a CARE Application form in the file. Other student files examined at East LA College (20 samples) and Pierce College (17 samples) contained CARE Application forms.
- 1 of 20 student files tested at Los Angeles Southwest College did not have a Mutual Responsibility Contract and 1 of 17 student files at Pierce College had a missing approval from a CARE Coordinator. The 20 student files examined at East LA College contained Mutual Responsibility Contracts.

Questioned Costs

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

Extrapolated Finding

Los Angeles Southwest College – 50 students served (8 exceptions/ 20 samples x 125 students in the List of Students Served for the fiscal year by the campus)

Pierce College – 1 student participant (17 students served sampled represent the total student participants in the List of Students Served for the fiscal year by the campus)

These findings have not been deducted from the List of Students Served reported by these campuses for FY 2013.

Recommendation for Corrective Action

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

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District Response

Los Angeles Southwest College

The following process will take place by January 13, 2014. The CARE Coordinator will mandate the following:

1. Prior to new student orientation, students who are applying for CARE are reminded of all required documents for program eligibility. Students will receive a check list of required documents for CARE.
2. During the mandatory new student orientation session for CARE, a two semester Educational Plan will be completed for each student
3. Follow-up will be made to ensure that all continuing CARE students have a comprehensive Educational Plan. Appointments will be made with all continuing CARE student to complete Educational plans. The educational plan will be recorded in the students' file.
4. All information for the program will be submitted prior to acceptance into CARE program (birth certificate/s, EBT card, Social security card, Identification card or drivers licenses and notice of action or income verification).
5. CARE students who do not complete educational plans will not be counted on MIS.
6. Students will be processed as a CARE participant after all the above has been turned in and documented in the file.
7. CARE student with complete applications will be entered into MIS.
8. Students who have not submitted all required documentation will not be eligible for CARE book vouchers. Students who complete applications will receive the voucher.

Pierce College

This is due to clerical oversight. Applications and required paperwork will be screened by the CARE Coordinator when the student joins CARE as well as mid-semester to make sure that all required signatures and paperwork are in order.

S-13-06 – Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Advisory Committee Meetings

State Criteria or Requirement

Each EOPS program shall have an Advisory Committee appointed by the president of the college upon recommendation of the EOPS Director. The purpose of the advisory committee is to assist the college in developing and maintaining effective extended opportunity programs and services. The Advisory Committee should include representation from college personnel, EOPS students, local or feeder high schools, community and business sector, and four-year colleges where possible. The Advisory Committee shall meet at least once during each academic year.

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Each CARE program shall have an advisory committee and/or interagency group meetings. The committee shall include representatives from the local county welfare department, Tribal TANF programs, community, business sector, CARE student population, and other individuals as determined by the college CARE coordinator. The advisory committee and/or interagency group meetings shall meet at least twice during each academic year. To meet this requirement, programs may establish one of the following:

- a CARE advisory committee
- a joint EOPS/CARE advisory committee
- a CARE subcommittee of the EOPS advisory committee
- an interagency group.

References

- Education Code Sections 69648, 69648.7 and 71020
- EOPS Implementing Guidelines, March 2008 (revised)
- CARE Program Guidelines, revised August 1, 2010

Identified Condition

For EOPS, we noted 1 (Los Angeles Southwest) of 3 colleges sampled did not have evidence of the required annual meeting. According to the EOPS representative at Southwest, they had a meeting but it was informal so no minutes were taken.

For CARE, we noted that 2 (Southwest and Pierce) of 3 colleges sampled did not meet the required semiannual meetings. Los Angeles Southwest College did not have any meetings and indicated that it has only recently formed an Advisory Committee. Pierce College only had one meeting.

Questioned Costs

Not applicable.

Recommendation for Corrective Action

We recommend that the District implement stricter controls to ensure that all colleges comply with the EOPS/CARE advisory meeting requirements. For practicality, we recommend that each college consider establishing or maintaining a joint advisory committee for both EOPS and CARE programs as permitted by the State.

District Response

Los Angeles Southwest College

The College will establish an advisory board for CARE to meet effective January 2014, once with the CARE Advisory Board only and one jointly with EOPS as permitted by the State. The Committee will review project regulations, updates in project services, program budget and will provide input on ways to improve services and outreach efforts.

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Pierce College

We will establish an advisory board for CARE to meet semiannually: once with the CARE Advisory Board only and one jointly with EOPS as permitted by the State.

S-13-07 – Disabled Student Programs and Services (DSP&S) (475) – Student Eligibility

State Criteria or Requirement

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

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

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

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

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

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Identified Condition

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

- Educational Limitation Assessment: 5 of 90 student files sampled did not have educational limitation assessment on file. The 5 files were files sampled at Pierce College.

The remaining 70 student files sampled at East LA College (20 samples), Los Angeles Southwest College (20 samples), Mission College (10 samples), West LA College (10 samples) and Trade Technology College (10 samples) contained educational limitation assessments.

- Student Educational Contract (SEC): 14 of 90 student files sampled did not have adequate SECs on file:
 - 6 of 20 SECs sampled at Los Angeles Southwest College were not signed by the student.
 - 6 of 10 SECs sampled at West Los Angeles College were not signed by the student. We noted that these SECs were prepared by a DSPS staff as part of its corrective action plan relating to a prior audit finding.
 - 1 of 10 SECs sampled at Mission College was missing. Also, 1 of 10 SECs sampled at the same campus was not signed by the student.
 - The remaining 50 student files sampled at Pierce College (20 samples), East LA College (20 samples) and Trade Technology College (10 samples) contained SECs.

Questioned Costs

Amount of benefits received by the 19 students served cannot be quantified.

Extrapolated Finding

Pierce College – 311 students served (5 exceptions/ 20 samples x 1,244 students the List of Students Served for the fiscal year by the campus)

Los Angeles Southwest College – 116 students served (6 exceptions / 20 samples x 386 students in the List of Students Served for the fiscal year by the campus)

West LA College – 148 students served (6 exceptions / 10 samples x 246 students in the List of Students Served for the fiscal year by the campus)

Mission College – 27 students served (1 exception / 10 samples x 271 students in the List of Students Served for the fiscal year by the campus)

These findings have not been deducted from the List of Students Served reported by these campuses for FY 2013.

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Recommendation for Corrective Action

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

District Response

Los Angeles Southwest College

At the end of each semester, DSPS will reconcile MIS reporting data. A staff member will update the accommodation form to more readily identify the counselor's notations of educational limitations, and will audit and update all active student files to ensure educational limitations are noted from the disability verification and are readily visible on the form listing approved reasonable accommodations.

Pierce College

Review audit findings and requirements with all professional staff members including the counselors and Learning Disability Specialist. Update the accommodation form to more readily identify the counselor's notations of educational limitations. Audit and update all active student files to ensure educational limitations are noted from the disability verification and are readily visible on the form listing approved reasonable accommodations.

Mission College

In February 2013, DSPS implemented a file review protocol that includes the use of a file checklist noting the student eligibility documentation that is required (including SEC's), the sections in which the documentation belongs and whether the documentation has been obtained/reviewed/signed by the student and/or DSPS staff member. DSPS staff is trained to utilize the checklist to ensure that required documentation is in each student file. In large part, this has resulted in the vast majority of files being in compliance with required student eligibility documentation. However, due to the finding(s) noted in the most recent audit, additional checks and balances have been initiated to ensure that SEC's are completed for all eligible DSPS students and that specific instructional and educational goals are established for eligible students. Beginning the fall 2013 semester, all files for active students (i.e., those students who are being counted in the MIS as eligible for DSPS for the given semester) are being reviewed by DSPS staff for eligibility documentation. If files are missing eligibility documentation, the DSPS Director is notified and a plan of action is initiated to ensure that the file is updated in accordance with Title V regulations.

West LA College

During the last fiscal year the DSP&S office has significantly strengthened its process for documenting student eligibility by developing a Student Educational Contract and integrating its completion into all current and new student counseling sessions. Since the implementation of the SEC, some students have not made contact with a DSP&S counselor. Staff will make every effort to arrange counseling appointments with these students in order to complete the SEC.

SCHEDULE OF PRIOR YEAR FEDERAL AND STATE FINDINGS

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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-12-01	Special Tests and Provisions – Verification	We recommend that the District implement stricter controls to ensure that application verifications are conducted in accordance with federal guidelines.	Implemented	Not applicable.
F-12-02	Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (ARRA) – Eligibility	We recommend that the District implement stricter controls to ensure that documentation supporting eligibility of program participants are properly secured. The District should consider scanning the participant files as back-up in the event that the original files get lost.	Implemented	Not applicable.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-12-01	State General Apportionment Funding (Section 424) – Census Reporting	We recommend the District strengthen its control processes to help ensure that FTES per the SIS report are adequately supported, accurate, and complete in accordance with its Board-adopted policy. The District should strengthen controls to ensure that census rosters, mandatory exclusion rosters and other supporting documentation are properly retained.	Implemented	Not applicable.
S-12-02	State General Apportionment Funding (Section 424) – Course Outline of Record	We recommend the District strengthen its control processes to help ensure that the total number of class hours in the class schedules is consistent with the course outline of record.	Implemented	Not applicable.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-12-03	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications	We recommend the District strengthen the controls to ensure that documentation supporting instructor qualifications is complete and properly retained in the personnel files and is secured at all times.	Implemented. See related Finding S-13-04	Not applicable.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-12-04	To Be Arranged Hours (Section 479) – Attendance Documentation	We recommend that the District strengthen controls to ensure that attendance documentation supporting apportionment is distributed and collected for all TBA courses in accordance with the State requirements.	Partially implemented. See Finding S-13-02.	The Academic Affairs and Admissions offices presented the TBA requirements at the annual faculty Flex Day in August 2013. In addition, the District Office created a list of all of the TBA classes for Spring 2013. Admissions followed up with the departments and asked for their TBA rosters. Any discrepancies between the District and Campus TBA list will be identified and Academic Affairs office will be notified to resolve. Establishment of this procedure will help to strengthen our controls and achieve compliance for TBA classes.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-12-05	To Be Arranged Hours (Section 479) – Advertisement and Course Outline of Record	<p>We recommend that the District strengthen controls to ensure TBA courses are announced in the general catalog and schedule of classes with the TBA-hour requirement and the section information or information on how to obtain the section information so students can enroll in the course.</p> <p>For those TBA courses with no course outlines, we recommend that the District strengthen controls to ensure that a clear and complete description of instructional activity is included in the course outlines of those courses with TBA components.</p>	<p>Partially implemented. See Finding S-13-03.</p>	<p>Los Angeles Southwest College no longer uses the family of classes name “Physical Education.” The new family of classes’ title is Kinesiology. If a search is done under the old title, there will be no updated course outline of record to be found. In addition, several of the course numbers have changed. In this instance P.E. 230 is now Kinesiology 250, and P.E. 304 is now Kinesiology 287. This transition has been taking place over the last few semesters, and all courses have been through or are currently in the curriculum process to ensure course outlines are up to date.</p>

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-12-06	Disabled Student Programs and Services (DSP&S) (475) – Student Eligibility	We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of Contracted District Audit Manual (CDAM) and the Title 5 DSP&S Implementing guidelines.	Partially implemented See Finding S-13-07.	The DSP&S office has significantly strengthened its process for documenting eligibility by developing a Student Educational Contract and integrating its completion in all current and new student counseling appointments. Since the implementation of the SEC, some students have not made contact with DSP&S counselor: staff will make every effort to arrange counseling appointments with these students in order to complete the SEC.

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-12-07	California Work Opportunity and Responsibility to Kids (CalWORKS) (433) – Allowable Costs and Eligibility	<p>We recommend that the District strengthen controls at West LA College to ensure that payroll is processed accurately and charged to the program based on submitted timesheets.</p> <p>We also recommend that the District strengthen controls at West LA College to ensure that eligibility is verified with the County welfare department for each student in every academic term before providing any CalWORKS services.</p>	Implemented	Not applicable.

LOS ANGELS COMMUNITY COLLEGE DISTRICT

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Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-12-08	Curriculum and Instruction (Section 476) – Board Approval and Course Outlines	We recommend the District review the course approval dates and affect the necessary corrections so that the District can have an accurate and readily verifiable support for its credit course approvals. For the noncredit courses with missing course outlines, we recommend that the District exert efforts in obtaining copies of the missing course outlines, including requesting a copy of the course outlines submitted to the State. Moving forward, we recommend that the District strengthen its controls to ensure that copies of the course outlines and records of Board agenda course approvals are properly maintained.	Partially implemented See Finding S-13-01.	During early iterations of the course database and during various subsequent conversions, information was hand-entered from paper documents. It is unclear as to whether the campuses or the District office was the custodian of those documents. Our current e-Reg requiring Board approval of courses only began in 1983. The discrepancies identified by Vasquez during the December audit appear to have been a direct result of numerous system conversions. The District is currently in the process of a massive conversion to a new SIS system, which will necessitate reloading all course data. We anticipate being able to do a massive reformat and correction by the time of implementation in 2016.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

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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 the audited basic financial statements and of any other as yet unresolved audit findings from previous years:

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
FS-12-01	Bond Program Expenditures	We recommend that there be a district employee dedicated to accounting for the expenditures of bond funds and these types of control activities occurred monthly and are properly reconciled to amounts provided by the service provider.	Implemented.	Not applicable
FS-12-02	Information Technology Security and Change Management	We recommend that management evaluate and define the IT internal controls which Security Weaver and the Mercury Quality Center were implemented to support, including segregation of duties.	Partially Implemented	IT Staffing requests for additional staff have not been implemented preventing the full segregation of duties from being employed. Where staffing levels permit duties have been segregated or mitigated using Security Weaver. Security Weaver access control has been

LOS ANGELS COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2013

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				<p>implemented for IT staff. Hewlett Package Application Life Cycle Management (AKA HP Quality Center) has been implemented to monitor and record issues and application changes for IT Staff.</p> <p>Information Technology Management has submitted a recommendation to increase staffing levels to address the segregation of duties issues (SOD) that has yet to be approved. To mitigate this risk a higher level of Security Weaver control has been implemented to ease the SOD issue via additional management oversight.</p>