



Board of Trustees

Los Angeles Community College District

ACTION

Com. No. **BF5**

Division: **BUSINESS AND FINANCE**

Date: December 7, 2016

Subject: **ACCEPT RECEIPT OF ANNUAL AUDIT**

Accept the annual independent audit of the District's financial records and accounts for the 2015-2016 fiscal year completed by the firm of KPMG LLP. The independent audit also includes the audit of the District's schedule of expenditure of federal awards as well as the District's compliance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual for the 2015-2016 fiscal year completed by the firm of Vasquez & Company LLP.

Background: An annual financial audit of the District is conducted every fiscal year by independent contract auditors as required by Education Code Section 84040 and reported to the Board of Trustees.

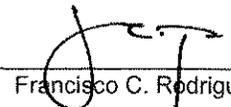
The financial statement audit report received an "unmodified" opinion, which means that the basic financial statements referred to in the audit present fairly, in all material respects, the financial position of the District as of June 30, 2016, and the results of its operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ten copies of the District's report will be provided to each campus and a copy forwarded to the exclusive representative of each organization and the Academic Senate. The Financial Audit is available on the LACCD web site at <http://www.laccd.edu/Departments/CFO/CFO-Reports/Pages/default.aspx>

Recommended by:


Adriana D. Barrera, Deputy Chancellor

Approved by:


Francisco C. Rodriguez, Chancellor

Chancellor and
Secretary of the Board of Trustees

By _____ Date _____

Eng _____	Moreno _____
Fong _____	Pearlman _____
Hoffman _____	Svonkin _____
Kamlager _____	Victoriano _____ Student Trustee Advisory Vote

LOS ANGELES COMMUNITY COLLEGE DISTRICT

June 30, 2016 and 2015

Los Angeles County, California:

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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INTRODUCTION

REPLACE WITH ATTACHED PDF

December 7, 2016

The Members, Board of Trustees
Los Angeles Community College District

Dear Board of Trustees:

I have reviewed and am pleased to submit the Annual Financial Report of the Los Angeles Community College District (District) for the fiscal year ended June 30, 2016. This report is presented in six sections, which include an introduction, the Independent Auditors' Report, the Management's Discussion and Analysis, the Basic Financial Statements, the Supplemental Financial Information, and Other Supplemental Information as noted in the table of contents. The report includes all Funds of the Los Angeles Community College District as well as those of student organizations.

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

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

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

The Members, Board of Trustees
 Los Angeles Community College District
 November 13, 2015
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In March 1931, a separate Los Angeles Junior College District was created and granted a taxing power of its own and was designed to serve a larger area than the city. The Board of Education and the Superintendent of Los Angeles County Schools assumed administrative control of the District. Due to the dramatic expansion during the post-war period, the state’s two-year junior colleges were moved away from the secondary education system and into higher education. In 1967, Governor Reagan authorized establishment of a Board of Governors for the California Community Colleges. In that same year, legislation passed which provided for a separate community college Board of Trustees and administration. The first Trustees of the Los Angeles Community College District were sworn into office on July 1, 1969.

The Los Angeles Community College District serves approximately 233,324 students, employs approximately 3,838 full-time and 6,551 part-time personnel and covers a service area of more than 882 square miles.

Enrollment

The Los Angeles Community College District’s enrollment for the fiscal year ended June 30, 2016 decreased by 1.2% from previous year.

The enrollment figures (credit student headcount) by campus for the 2015-16 fiscal year were as follows:

	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	28,093	27,452
Los Angeles City College	17,838	16,734
Los Angeles Harbor College	9,945	9,055
Los Angeles Mission College	10,062	9,528
Los Angeles Pierce College	20,669	19,427
Los Angeles Southwest College	6,807	6,278
Los Angeles Trade–Technical College	13,677	13,110
Los Angeles Valley College	17,946	17,331
West Los Angeles College	9,773	9,806
Instructional Television	509	407
Total Districtwide	<u>135,319</u>	<u>129,128</u>

The Los Angeles Community College District’s FTES (Full-time equivalent student) figures for the fiscal year ended June 30, 2016, the measure by which the state of California funds Community Colleges increased by 2.7% from 104,695 in fiscal year 2015, to 107,601 in fiscal year 2016. Fiscal year 2016 enrollment by campus are as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	23,137	1,531
Los Angeles City College	12,124	1,027
Los Angeles Harbor College	6,946	63
Los Angeles Mission College	6,353	303
Los Angeles Pierce College	15,238	336
Los Angeles Southwest College	5,038	665
Los Angeles Trade–Technical College	12,305	1,038

The Members, Board of Trustees
Los Angeles Community College District
November 13, 2015
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	<u>Credit</u>	<u>Noncredit</u>
Los Angeles Valley College	12,640	783
West Los Angeles College	7,349	391
Instructional Television	334	—
Total Districtwide	<u>101,464</u>	<u>6,137</u>

Your attention is directed to the Independent Auditors' Report, the Management's Discussion and Analysis, and the Basic Financial Statement sections, which represent the complete representation of the District's financial information.

Sincerely,

Francisco Rodriguez, Ph.D.
Chancellor

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Community College District (the District), which comprise the statements of net position as of and for the year ended June 30, 2016 and 2015, and the related statements of revenue, 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 as listed in the table of contents.

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 Los Angeles Community College District as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 2 to the financial statements, effective July 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Effective July 1, 2014, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5–15, the schedule of postemployment benefits funding progress and employer contributions on page 45, and the schedule of the District's proportionate share of the net pension liability and schedule of the District contributions on page 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management's discussion and analysis does not include a discussion of 2015 information that U.S. generally accepted accounting principles require to supplement, although not required to be part of, the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental financial information on pages 52–69 and the reconciliation of governmental funds to the statements of net position on page 73 are presented based on the requirements of the *Contracted District Audit Manual issued by the California Community Colleges Chancellor's Office* and for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental financial information and the reconciliation of governmental funds to the statement of net position 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplemental information on pages 52–69 and 73, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 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.

[(signed) KPMG LLP]

Los Angeles, California
December 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

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, 2016. 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, 2016 by \$407.9 million (net position). Of this amount, a net deficit of \$381.3 million is unrestricted net position. This includes a one-time adjustment of \$475.6 million during FY 2015 due to the implementation of GASB 68, Accounting and Financial Reporting for Pensions. \$316.5 million (restricted net position) may be used for the District's ongoing obligations related to programs with internal and external restrictions. The remaining component of the District's net position represents \$472.7 million of net amounts invested in capital assets.
- The District's investment in capital assets (net of depreciation) increased by \$169.5 million during the year ended June 30, 2016 due to construction activity.
- The District's total noncurrent liabilities increased by \$50.1 million during the fiscal year ended June 30, 2016.

Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. These statements require the District to report its basic financial statements at an entity-wide level under the business-type activity-reporting model. This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include four components: (1) statements of net position; (2) statements of revenue, expenses, and changes in net position; (3) statements of cash flows; and (4) notes to basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The statements of net position represents the entire District's combined assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, including Associated Student Organization's financial information. Changes in total net position as presented on the statements of net position are based on the activities presented in the statement of revenue, expenses, and changes in net position. The statement of revenue, expenses, and changes in net position represents the revenue received, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the District. The statement of cash flows presents detailed information about the cash activities of the District during the year. The purpose of these basic financial statements is to summarize the financial information of the District, as a whole, and to present a long-term view of the District's finances.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

Statements of Net Position

The statement of net position presents the assets, liabilities, and net position of the District as of the end of the 2016 and 2015 fiscal years. The statement of net position is a point-in-time financial statement. The purpose is to present to the readers of the basic financial statements a fiscal snapshot of the District. The statements of net position presents end-of-year data concerning assets (current and noncurrent), deferred outflow of resources, liabilities (current and noncurrent), deferred inflow of resources, and net position. From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the institution. Readers are also able to determine how much the institution owes vendors, investors, and lending institutions.

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

Statement of Revenue, Expenses, and Changes in Net Position

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

Financial Analysis of the District as a Whole

As of June 30, 2016, the District's net position increased by \$69.4 million from \$338.5 million at June 30, 2015 to \$407.9 million at June 30, 2016. Current and other assets decreased by \$312.5 million and capital assets increased by \$169.5 million. Deferred outflow of resources increased by \$48.2 million. Current liabilities decreased by \$154.0 million and noncurrent liabilities increased by \$50.1 million. Deferred inflow of resources decreased by \$60.2 million.

Summary Schedule of Net Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 848,976,437	1,161,426,770	(312,450,333)
Capital assets, net	<u>4,294,376,707</u>	<u>4,124,877,476</u>	<u>169,499,231</u>
Total assets	<u>5,143,353,144</u>	<u>5,286,304,246</u>	<u>(142,951,102)</u>
Deferred outflow of resources	<u>253,420,440</u>	<u>205,210,809</u>	<u>48,209,631</u>
Total assets and deferred outflow of resources	<u>5,396,773,584</u>	<u>5,491,515,055</u>	<u>(94,741,471)</u>
Liabilities:			
Current liabilities	363,060,232	517,051,135	(153,990,903)
Noncurrent liabilities	<u>4,574,093,711</u>	<u>4,524,016,327</u>	<u>50,077,384</u>
Total liabilities	<u>4,937,153,943</u>	<u>5,041,067,462</u>	<u>(103,913,519)</u>
Deferred inflow of resources	<u>51,732,543</u>	<u>111,924,595</u>	<u>(60,192,052)</u>
Total liabilities and deferred inflow of resources	<u>4,988,886,486</u>	<u>5,152,992,057</u>	<u>(164,105,571)</u>
Net position:			
Net investment in capital assets	472,655,914	341,506,171	131,149,743
Restricted – expendable	315,504,002	439,392,377	(123,888,375)
Restricted – Nonexpendable	1,000,000	1,000,000	—
Unrestricted	<u>(381,272,819)</u>	<u>(443,375,550)</u>	<u>62,102,731</u>
Total net position	<u>\$ 407,887,097</u>	<u>338,522,998</u>	<u>69,364,099</u>

In fiscal year 2016, the District added \$266.5 million of capital assets, capitalized interest of \$36.6 million and depreciated \$133.6 million of capital assets. See further discussions in Capital Assets and Debt Administration at page 13 for additional detail.

Current and other assets decreased \$312.5 million. The net decrease is due in part to the following:

- (1) \$274.9 million decrease in restricted investments is primarily due to a lack of new debt issuances.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

- (2) \$127.6 million decrease in deposit with trustee is primarily due to increased G.O. bond principal payments made compared to fiscal year 2015.
- (3) \$99.2 million increase in cash and cash equivalents is primarily due to cash collections from the District's nine campuses as well as increased funding for State Mandate Costs and SSSP.

Deferred outflows of resources increased by \$48.2 million. The net increase is due to the following:

- (1) \$57.3 million increase in deferred outflows of resources caused by changes in the District's proportionate share of the CalPERS and CalSTRS pension obligation, the District's contributions after the measurement date and the difference between expected and actual experience in the pension experience.
- (2) \$9.1 million decrease in deferred outflows of resources is related to the amortization of deferred outflow of resources caused by the G.O. Bonds refunded during the year ended June 30, 2015.

Current liabilities decreased \$154.0 million. The net decrease is due in part to a decrease in current portions of long term debt is primarily due to decreased principal payments on 2015 Series A, G and H G.O. bonds compared to prior year.

Noncurrent liabilities increased by \$50.1 million. The net increase is due in part to the following:

- (1) \$121.4 million increase in pension obligations due to changes in actuarially determined pension liabilities.
- (2) \$14.6 million increase in other post-employment benefit (OPEB) obligations due to changes in actuarially determined pension liabilities.
- (3) \$85.4 million decrease in the noncurrent portion of long term debt is primarily due to principal payments on the District's G.O. Bonds.

Deferred inflows of resources decreased by \$60.2 million. The net decrease is due to changes in CalPERS and CalSTRS investment earnings, changes in assumptions used, and District proportionate share.

Net position increased by \$69.4 million. The net increase is due in part to the following:

- (1) \$122.4 million increase in net investment in capital assets due to construction activity.
- (2) \$115.2 million decrease in expendable restricted net position is primarily due to changes in upcoming debt service payment and charges for other special purposes.
- (3) \$62.1 million increase in unrestricted fund balance is due to net revenue resulting from operational activities.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

Summary Schedule of Revenue, Expenses and Change in Net Position

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Revenue:			
Operating revenue:			
Net tuition and fees	\$ 57,622,035	57,550,458	71,577
Grants and contracts, noncapital	161,153,517	155,213,041	5,940,476
Other	26,613,451	26,002,205	611,246
Other revenue:			
State apportionments, capital	8,297,486	10,843,720	(2,546,234)
Federal subsidy	19,685,520	19,590,429	95,091
Local tax for G.O. Bonds	260,049,876	276,208,330	(16,158,454)
Nonoperating revenue:			
State apportionments, noncapital	451,792,207	341,913,554	109,878,653
Property taxes	199,513,330	182,917,840	16,595,490
Investment income	4,920,465	4,706,117	214,348
Federal financial aid grants, noncapital	177,696,484	193,739,185	(16,042,701)
State financial aid grants, noncapital	14,692,697	11,424,649	3,268,048
Other	28,860,557	14,555,740	14,304,817
Total revenue	<u>1,410,897,625</u>	<u>1,294,665,268</u>	<u>116,232,357</u>
Expenses:			
Operating expenses:			
Salaries	481,688,669	436,716,840	44,971,829
Employee benefits	143,122,782	116,109,257	27,013,525
Pensions	48,857,217	34,731,663	14,125,554
Supplies, materials, and other operating expenses and services	145,195,888	129,378,004	15,817,884
Student grants	229,174,652	239,336,739	(10,162,087)
Other	147,685,580	145,036,149	2,649,431
Total operating expenses	<u>1,195,724,788</u>	<u>1,101,308,652</u>	<u>94,416,136</u>
Nonoperating expenses:			
Interest expense	144,485,835	115,587,032	28,898,803
Other	1,322,903	7,198,060	(5,875,157)
Total expenses	<u>1,341,533,526</u>	<u>1,224,093,744</u>	<u>117,439,782</u>
Change in net position	<u>\$ 69,364,099</u>	<u>70,571,524</u>	<u>(1,207,425)</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management’s Discussion and Analysis

June 30, 2016 and 2015

The summary of revenue, expenses, and net position reflects an increase of \$69.4 million in net position at the end of the year as explained below.

Operating revenue increased \$6.6 million. The net increase is due in part to the following:

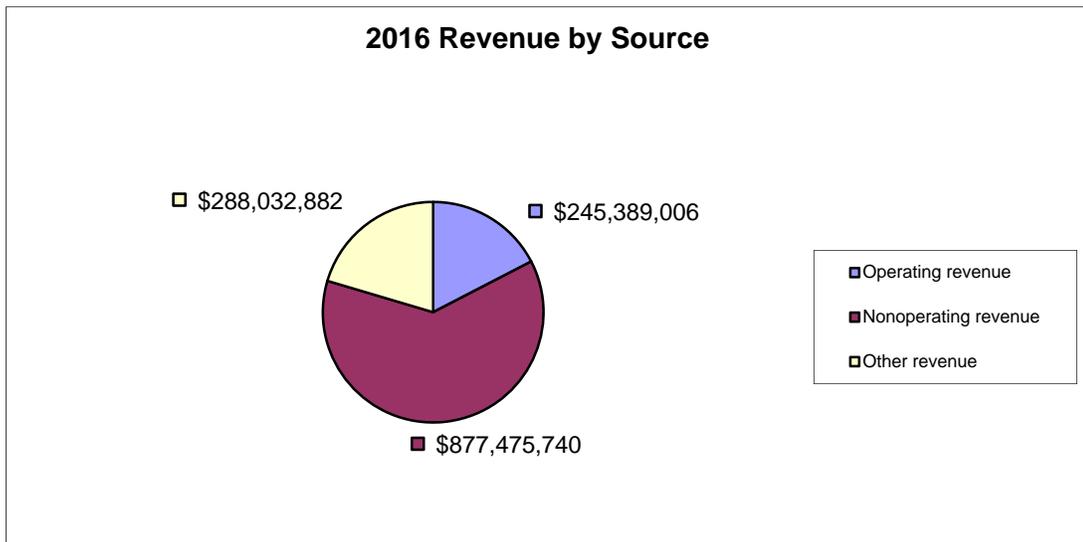
- (1) \$2.2 million decrease in noncapital Federal Grants and Contracts primarily due to decrease in funding for Higher Education Act and Vocational Education programs.
- (2) \$25.8 million increase in noncapital State Grants and Contracts primarily due to increase in funding for state programs including SSSP (\$20 million), EOP&S (\$2 million) and Cal Grant (\$3 million).
- (3) \$17.6 million decrease in noncapital Local Grants and Contracts is primarily due to several one-time revenues received during fiscal year 2015. These items include a \$5 million grant from Southern California Edison and a \$4.3 million legal settlement received.

Nonoperating revenue increased by \$128.2 million. The net increase is due in part to the following:

- (1) \$109.9 million increase in State apportionment revenue due to \$39 million increase in general apportionment allocation and a one-time \$57 million Mandated Cost receipt from the State.
- (2) \$16.6 million increase in Local Property Tax revenue due to increase in LA County property values which increased the basis for taxation.

Other revenue decreased by \$18.6 million. The net decrease is due in part to the following:

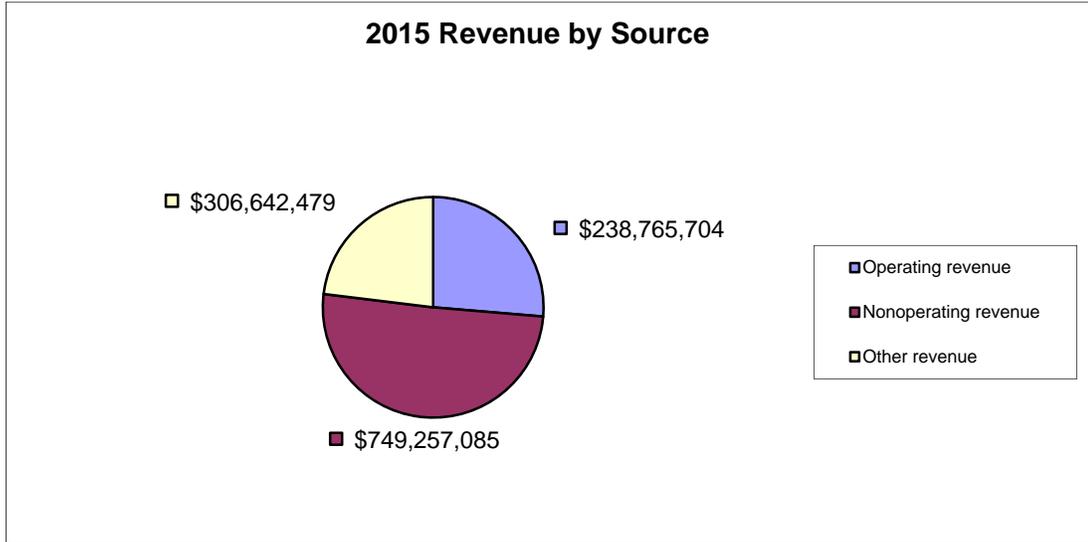
- (1) \$16.2 million decrease in Local tax for G.O. Bonds related to property taxes levied for District’s debt issuances.
- (2) \$2.5 million decrease in State Apportionment for capital purposes due to revised budget by the state.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015



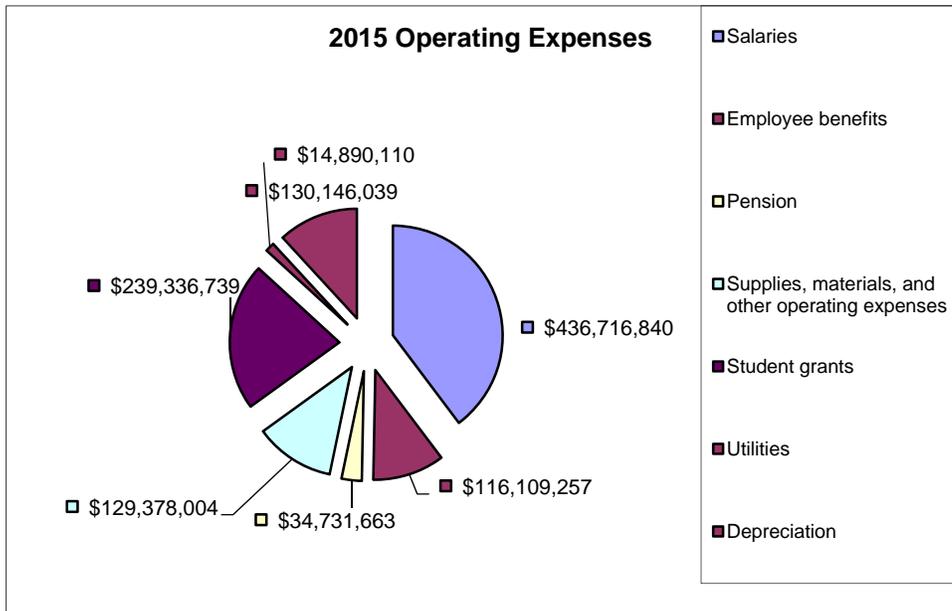
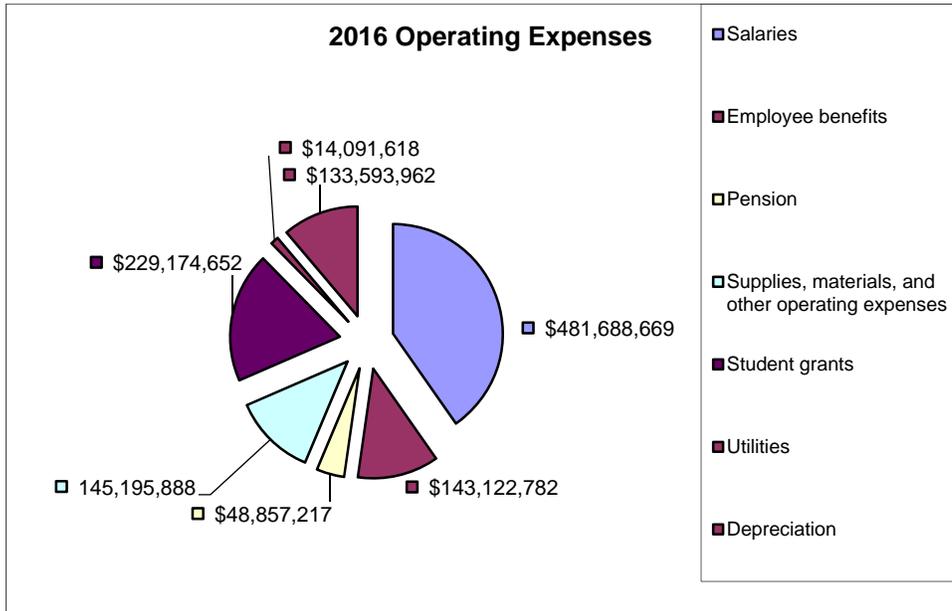
Operating expenses increased \$94.4 million. The net increase is due in part to the following:

- (1) \$45.0 million increase in salary expenses and benefit expense primarily due to adjustments to salaries, as well as hiring of additional full and part time staff.
- (2) \$27.0 million increase in employee benefits primarily as a result of 88 full time and 207 part time personnel, increase in healthcare rates and increase in benefit premiums.
- (3) \$14.1 million increase in pension expenses due to additional actuarially determined pension liabilities.
- (4) \$15.8 million increase in supplies, materials, and other operating expenses due to additional expenses incurred in deferred maintenance as well as professional services related to the District's PeopleSoft implementation.
- (5) \$10.2 million decrease in student grants expense due to reduction in the number of Federal Financial Aid applications.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015



Nonoperating expenses increased \$23.0 million. The net increase is due in part to the following:

- (1) \$28.9 million increase in interest expense on capital asset due to increase in the interest due on G.O Bonds.
- (2) \$5.9 million decrease in other nonoperating expenses is due to a general apportionment adjustments during FY 2015 that did not occur in FY 2016.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2016 and 2015, totaled \$4.29 billion and \$4.12 billion, respectively (net of accumulated depreciation). This investment comprises a broad range of capital assets including land, buildings, construction in progress, works of art, infrastructure and land improvement, and furniture and equipment. The following schedules summarize the District's capital assets as of June 30, 2016 and 2015:

Capital Assets, Net

	Balance at June 30	
	2016	2015
Land	\$ 198,750,248	198,683,775
Land improvements	434,920,342	427,190,686
Buildings	3,885,768,325	3,535,360,374
Construction in progress	646,996,098	709,837,719
Works of art	518,000	518,000
Furniture and equipment	118,769,285	111,267,723
Infrastructure	7,127,341	7,129,426
Total	5,292,849,639	4,989,987,703
Less accumulated depreciation	<u>(998,472,932)</u>	<u>(865,110,227)</u>
Net capital assets	<u>\$ 4,294,376,707</u>	<u>4,124,877,476</u>

In fiscal year 2016, the District added \$266.5 million of capital assets, capitalized interest of \$36.6 million and depreciated \$133.6 million of capital assets. During the year ended June 30, 2016, the District's investments in facility master plans, construction, and building improvements increased due to funding from Proposition A, Proposition AA, and Measure J Bonds. The District had a significant number of ongoing building projects funded from Proposition A, Proposition AA, and Measure J bond money.

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

In May 2003, the voters passed another G.O. Bond, Proposition AA, for \$980 million. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District and refinance other outstanding debts of the District and colleges.

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

The District is in the fifteenth year of Proposition A, the thirteenth year of Proposition AA, and the eighth year of the Measure J Bond construction programs. Approximately, \$4.6 billion has been spent to date for Proposition A, Proposition AA, and Measure J Bonds combined for several capital projects at all nine colleges and to refinance outstanding debt (Certificates of Participation Notes) at both the District and colleges. The District anticipates completion of these capital projects by the year 2020. The District has issued to date all the authorized amounts of Proposition A and Proposition AA Bonds, and \$2.225 billion of the Measure J authorization amounts.

Long Term Debt

At June 30, 2016 and 2015, the District had \$3.7 billion and \$3.9 billion in long-term debt, respectively. The District's long-term debt decreased during the year ended June 30, 2016, primarily as a result of principal payments made on outstanding G.O. Bonds.

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

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
G.O. Bonds:		
G.O. Bonds Proposition A and AA, 2004 Series	\$ 33,670,000	33,670,000
G.O. Bonds Proposition A, 2005 Series	—	18,140,000
G.O. Bonds Proposition AA, 2006 Series	10,420,000	20,360,000
G.O. Bonds Proposition A, 2007 Series	9,445,000	10,265,000
G.O. Bonds Proposition A and AA, 2008 Series	40,890,000	51,685,000
G.O. Bonds Measure J, 2009 Series	75,000,000	75,000,000
G.O. Bonds Measure J, 2010 Series	1,200,000,000	1,200,000,000
G.O. Bonds Measure J, 2013 Series	213,000,000	216,500,000
G.O. Bonds Measure J, 2013 Series Refunding Bond	48,585,000	51,575,000
G.O. Bonds 2015 Series G	230,000,000	300,000,000
G.O. Bonds 2015 Series H	—	50,000,000
G.O. Bonds 2015 Refunding Series A	1,462,085,000	1,495,575,000
G.O. Bonds 2015 Refunding Series B	42,000,000	47,075,000
G.O. Bonds 2015 Refunding Series C	305,905,000	312,420,000
	<u>\$ 3,671,000,000</u>	<u>3,882,265,000</u>

The District's debt rating from Moody's was Aa1 during June 30, 2016 and 2015. The District's debt rating from Standard and Poor's was AA+ in June 30, 2016 and 2015.

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2016 and 2015

Economic Factors

On June 26, 2016, the Governor signed a balanced state budget (SB826/SB828) providing California Community Colleges with an increase in state funding. The 2016-2017 State Adopted Budget of \$7.8 billion for California Community Colleges represents a 4% year-over-year funding increase. The budget includes funding to increase access to college by 2%, an increase to base funding of \$75 million and \$105.5 million of state mandated cost reimbursements to pay down outstanding claims. While the budget did not include any COLA increases, it does provide additional funding for workforce preparation/career and technical education as well as funds for physical plant and instructional support. Funding for the Education Protection Act (EPA) will continue due to the passage of Proposition 55 in November 2016 of which the District received \$86 million for the 2016-17 fiscal year. With the improved State economy, the State continues to invest in community colleges with increased funding for student support.

The District Board of Trustees authorized placing a \$3.3 billion facilities bond Measure CC titled, the "Affordable Education/Job Training/Classroom Safety Measure" on the November, 2016 ballot that was also passed by the voters in November 2016.

Student Enrollment and State Funding

The student enrollment fee remains at \$46 per unit in 2016-17. The State provided 2% or \$114.7 million enrollment growth for apportionments for California Community Colleges. The District will receive \$10.7 million in enrollment growth revenue for the 2016-17 fiscal year.

The District plans to achieve 2.0% enrollment growth in fiscal year 2016-17.

We are cautioned to keep in mind the required contribution for California Public Employees' Retirement System and California State Teachers' Retirement System will increase from \$33.3 million for the year ended June 30, 2016 to \$70.2 million for the year ended June 30, 2021. These increased contributions will claim a growing share of local operating funds, however, the District has reserved financial resources to fund the increases in these employer contributions through June 30, 2021.

Contacting the District's Financial Management

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2016 and 2015

Assets and Deferred Outflows of Resources	2016	2015
Current assets:		
Cash and cash equivalents (note 3)	\$ 321,082,083	221,922,184
Accounts receivable, net of allowance (note 4)	68,342,882	72,117,045
Student loans receivable, net-current portion (note 4)	198,099	211,252
Deposit with trustee – current portion (note 3)	294,481,571	319,114,870
Inventory	4,335,850	4,903,622
Prepaid expenses and other assets	42,185,930	47,149,906
Total current assets	<u>730,626,415</u>	<u>665,418,879</u>
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	5,513,958	5,160,358
Restricted investments (note 3)	79,508,481	354,360,351
Student loans receivable, net of allowance – noncurrent portion (note 4)	3,640,149	3,822,649
Deposit with trustee – noncurrent portion (note 3)	29,687,434	132,664,533
Capital assets (note 6):		
Land	198,750,248	198,683,775
Land improvements	434,920,342	427,190,686
Buildings	3,885,768,325	3,535,360,374
Construction in progress	646,996,098	709,837,719
Works of art	518,000	518,000
Furniture, fixtures, and equipment	118,769,285	111,267,723
Infrastructure	7,127,341	7,129,426
Accumulated depreciation	<u>(998,472,932)</u>	<u>(865,110,227)</u>
Capital assets, net	<u>4,294,376,707</u>	<u>4,124,877,476</u>
Total assets	5,143,353,144	5,286,304,246
Deferred outflow of resources – pensions (note 8)	92,908,659	35,553,578
Deferred outflow of resources – debt refunding (note 11)	<u>160,511,781</u>	<u>169,657,231</u>
Total assets and deferred outflow of resources	<u>\$ 5,396,773,584</u>	<u>5,491,515,055</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2016 and 2015

Liabilities, Deferred Inflows of Resources and Net Position	2016	2015
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 167,576,336	168,972,514
Unearned revenue	8,432,153	8,924,856
Compensated absences (note 11)	8,811,764	8,238,603
General liability (notes 11 and 12)	3,342,989	2,669,674
Workers' compensation (notes 11 and 12)	5,052,832	4,965,682
Accrued interest and other accrued liabilities	83,198,789	87,717,721
Amounts held in trust for others	735,489	744,318
Long-term debt – current (note 11)	85,411,734	234,341,227
Capital leases – current (note 11)	498,147	476,540
Total current liabilities	<u>363,060,233</u>	<u>517,051,135</u>
Noncurrent liabilities:		
Compensated absences (note 11)	8,862,564	8,089,690
General liability (notes 11 and 12)	2,014,011	3,525,326
Workers' compensation (notes 11 and 12)	28,763,168	28,082,318
Pension obligations (note 8)	519,790,403	398,421,160
Net OPEB obligation (note 9)	83,666,179	69,026,376
Long-term debt, net of current portion (note 11)	3,930,188,950	4,015,600,684
Capital leases, net of current portion (note 11)	808,436	1,270,773
Total noncurrent liabilities	<u>4,574,093,711</u>	<u>4,524,016,327</u>
Total liabilities	4,937,153,944	5,041,067,462
Deferred inflow of resources (note 8)	51,732,543	111,924,595
Total liabilities and deferred inflows	<u>4,988,886,487</u>	<u>5,152,992,057</u>
Net position:		
Net investment in capital assets	472,655,914	341,506,171
Restricted for:		
Expendable:		
Scholarships and loans	8,791,115	8,487,893
Capital projects	37,423,819	40,957,900
Debt service	232,038,079	365,483,490
Other special purposes	37,250,989	24,463,094
Nonexpendable:		
Scholarships	1,000,000	1,000,000
Unrestricted	<u>(381,272,819)</u>	<u>(443,375,550)</u>
Total net position	<u>\$ 407,887,097</u>	<u>338,522,998</u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Revenues, Expenditures, and Changes in Net Position

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Tuition and fees	\$ 138,579,713	139,270,434
Less scholarship discounts and allowances	(80,957,678)	(81,719,976)
Net tuition and fees	<u>57,622,035</u>	<u>57,550,458</u>
Grants and contracts, noncapital:		
Federal	65,161,114	67,340,599
State	85,206,472	59,446,541
Local	<u>10,785,931</u>	<u>28,425,901</u>
Net grants and contracts, noncapital	161,153,517	155,213,041
Auxiliary enterprise sales and charges	<u>26,613,451</u>	<u>26,002,205</u>
Total operating revenue	<u>245,389,003</u>	<u>238,765,704</u>
Operating expenses:		
Salaries	481,688,669	436,716,840
Employee benefits	143,122,782	116,109,257
Pensions	48,857,217	34,731,663
Supplies, materials, and other operating expenses and services	145,195,888	129,378,004
Student grant	229,174,652	239,336,739
Utilities	14,091,618	14,890,110
Depreciation	<u>133,593,962</u>	<u>130,146,039</u>
Total operating expenses	<u>1,195,724,788</u>	<u>1,101,308,652</u>
Operating loss	<u>(950,335,785)</u>	<u>(862,542,948)</u>
Nonoperating revenues (expenses):		
State apportionments, noncapital	451,792,207	341,913,554
Local property taxes	199,513,330	182,917,840
State taxes and other revenue	5,634,165	3,846,293
Investment income – noncapital	1,575,877	739,495
Investment income – capital	3,344,588	3,966,622
Interest expense on capital asset-related debt	(144,485,835)	(115,587,032)
Federal financial aid grants, noncapital	177,696,484	193,739,185
State financial aid grants, noncapital	14,692,697	11,424,649
Other nonoperating revenue	21,332,782	8,669,271
Other nonoperating expense	(1,322,903)	(7,198,060)
Investment gain	<u>1,893,610</u>	<u>2,040,173</u>
Total nonoperating revenues	<u>731,667,002</u>	<u>626,471,990</u>
Loss before other revenues, expenses, gains, or losses	(218,668,783)	(236,070,958)
State apportionments, capital	8,297,486	10,843,720
Federal subsidy	19,685,520	19,590,429
Local tax for G.O. Bonds	<u>260,049,876</u>	<u>276,208,333</u>
Increase in net position	<u>69,364,099</u>	<u>70,571,524</u>
Net position:		
Beginning of year, as previously reported	338,522,998	743,565,567
Cumulative effect of a change in accounting (note 2)	<u>—</u>	<u>(475,614,093)</u>
Beginning of year, as restated	<u>338,522,998</u>	<u>267,951,474</u>
End of year	<u>\$ 407,887,097</u>	<u>338,522,998</u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Tuition and fees	\$ 57,466,349	53,697,382
Grants and contracts	165,303,525	156,760,487
Payments to suppliers	(130,449,552)	(132,971,020)
Payments for student grants	(234,725,737)	(239,787,468)
Payments for utilities	(14,091,618)	(14,890,110)
Payments to employees	(478,217,566)	(431,254,657)
Payments for benefits	(173,590,638)	(142,708,035)
Bookstore and cafeteria sales	27,204,406	26,514,727
Other receipts	188,009	—
Net cash used in operating activities	<u>(780,912,822)</u>	<u>(724,638,694)</u>
Cash flows from noncapital financing activities:		
State apportionments	447,648,680	399,299,450
Property taxes	199,513,330	182,917,840
State taxes and other revenues	5,634,165	3,846,293
Federal financial aid grants	177,696,484	193,739,185
State financial aid grants	14,692,697	11,424,649
Other receipts	6,241,388	1,726,252
Net cash provided by noncapital financing activities	<u>851,426,744</u>	<u>792,953,669</u>
Cash flows from capital financing activities:		
Proceeds from capital debt	—	350,000,000
Capital appropriations, local property tax, grant and gift, capital	9,135,764	17,617,810
Local tax for G.O. Bond	409,758,383	206,016,768
Purchases of capital assets	(284,725,166)	(264,847,615)
Principal paid on capital debt and leases	(211,265,000)	(47,175,000)
Interest paid on capital debt and leases	(175,885,146)	(161,262,735)
Other payments	—	(188,009)
Net cash provided by (used in) capital and related financing activities	<u>(252,981,165)</u>	<u>100,161,219</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	285,701,363	269,190,261
Interest on investments	7,128,872	6,471,797
Purchase of investments	(10,849,493)	(362,088,087)
Net cash provided by (used in) investing activities	<u>281,980,742</u>	<u>(86,426,029)</u>
Net increase (decrease) in cash and cash equivalents	99,513,499	82,050,165
Cash and cash equivalents – beginning of the year	<u>227,082,542</u>	<u>145,032,377</u>
Cash and cash equivalents – end of year	<u>\$ 326,596,041</u>	<u>227,082,542</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (950,335,782)	(862,542,948)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	133,593,962	130,146,039
Receivables, net	(21,072,544)	(14,152,525)
Inventories	567,772	169,784
Other assets	4,963,976	(711,844)
Accounts payable	12,244,461	12,475,750
Unearned revenue	24,595,825	2,568,878
Deposits held for others	(8,829)	212,174
General liability	(838,000)	142,000
Workers' compensation	768,000	(83,000)
Compensated absences	1,346,035	624,819
Net OPEB Obligation	14,639,803	5,903,765
Other liabilities	(1,377,501)	608,414
Net cash used by operating activities	<u>\$ (780,912,822)</u>	<u>(724,638,694)</u>
Noncash capital financing activity:		
Equipment acquired through new capital lease obligations	\$ 35,810	1,334,555
Additions to capital assets, net, included in accounts payable	(17,804,936)	(11,561,896)
Amortization of accrued original interest premium	23,076,227	12,488,865
Amortization of prepaid interest	(9,145,450)	(4,952,365)

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(1) Organization and Reporting Entity

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

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

(2) Summary of Significant Accounting Policies**(a) Basis of Presentation**

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

(b) Financial Reporting

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

(c) Net Position

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

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

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

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

(d) Cash and Cash Equivalents

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

(e) Inventory

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

(f) Properties and Depreciation

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

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

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

The District’s capitalization threshold is as follows:

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(g) *Accrued Employee Benefits*

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

(h) *Unearned Revenue*

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

(i) *Operating Revenue and Expenses*

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

Nonoperating revenue includes state apportionments, property taxes, and grants. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(j) *Income Taxes*

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

(k) *Estimates*

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

(l) *New Accounting Standards*

(i) *Implemented in Fiscal Year 2016*

In December 2015, the GASB issued, and the District adopted the provisions, of Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for the District's fiscal year beginning July 1, 2015. Certain provisions on portfolio quality, custodial credit risk, and shadow pricing (paragraphs 18, 19, 23 26, and 40) are effective for the fiscal year ending June 30, 2017. The portion of the District's investments recorded at cost is deemed immaterial to these financial statements.

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In February 2015, the GASB issued, and the District adopted the provisions, of Statement No. 72, *Fair Value Measurement and Application*, effective for the District's fiscal year beginning July 1, 2015. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Refer to footnote 3 for further discussions on the District's adoption of the provisions of this Standard.

(ii) *Implemented in Future Periods*

In June 2015, the GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the District's fiscal year beginning July 1, 2017. This Statement establishes how government employers should measure, recognize, display, and disclose the long-term obligations and annual costs arising from their promises to provide other postemployment benefits to their retired employees. The District has not yet determined the impact of GASB Statement No. 75 on the District's financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments*, effective for the District's fiscal year beginning July 1, 2015, and should be applied retroactively. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard did not have a material impact on the District's financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, effective for the District's fiscal year beginning July 1, 2016. This Statement requires governments that enter into tax abatement agreements to disclose these agreements. The District has not yet determined the impact of GASB Statement No. 76 on the District's financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the District's fiscal year beginning July 1, 2016. This Statement narrows the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, by excluding pensions provided to employees of state or local governmental employees through cost-sharing multiemployer defined benefit pension plan meeting certain criteria. The District has not yet determined the impact of GASB Statement No. 76 on the District's financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*, effective for the District's fiscal year beginning July 1, 2016. The District deemed its component Units to be insignificant for the fiscal year ended June 30, 2016. The District's component units consist of foundations at each of the District's 9 colleges as well as the District foundation.

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In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the District's fiscal year beginning July 1, 2017. The purpose of this statement is to improve accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements. The District has not yet determined the impact of GASB Statement No. 76 on the District's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*, effective for the District's fiscal year beginning July 1, 2017. The purpose of this statement is to amend GASB Statements 67, 68 and 73 and to improve consistency in the application of pension accounting and financial reporting requirements. The District has not yet determined the impact of GASB Statement No. 82 on the District's financial statements.

(iii) *Previously Implemented GASB Standards*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District adopted the provisions of the statement effective as of July 1, 2014. Prior to the adoption of Statement No. 68, the District reported pensions under GASB 25, and reported the annual required contribution as a component of employee benefits expense. This statement established standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures related to pensions. Statement No. 68 provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability. Governments are now be required to report that amount as a liability in their basic financial statements. In addition, the statement requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met. Implementation of Statement No. 68 resulted in additional pension obligations as well as pension expense, and deferred inflows and outflows of resources. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date An Amendment of GASB Statement No. 68*. The statement requires that, at transition to the new accounting standards in accordance with GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. The District

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adopted the provisions of this statement effective July 1, 2014. As a result, the District has made the following adjustments to restate the net position as of July 1, 2014:

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

(3) Cash and Investments

Cash and investments at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents in County Treasury	\$ 283,661,406	195,606,666
Cash in banks	42,934,635	31,475,876
Total cash and cash equivalents	<u>326,596,041</u>	<u>227,082,542</u>
Investments and deposits with trustee:		
Investments in County Treasury	389,850,061	791,600,162
Other	13,827,425	14,539,592
Total investments and deposits with trustee	<u>403,677,486</u>	<u>806,139,754</u>
Total cash, and investments and deposit with trustee	\$ <u>730,273,527</u>	<u>1,033,222,296</u>

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the District's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The District groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the District has the ability to access at the measurement date.

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- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(a) *Cash, cash equivalents and investments in the County Pool*

At June 30, 2016 and 2015, the District's had \$637,511,467 and \$987,206,828 in cash and cash equivalents and investments in the Los Angeles County Treasurer's Pool (the County Pool), respectively. The District reports amounts involuntarily invested in the County Pool as cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from the pool without notice or penalty. The District reports amounts voluntarily invested in the County Pool (such as unspent bond proceeds and local property tax collected to pay bond principal and interest) as investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments.

Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, its agencies and municipalities, asset-backed securities, bankers' acceptances, negotiable certificates of deposit, corporate and depository notes, floating rate notes, commercial paper, shares of beneficial interest, repurchase agreements, reverse repurchase agreements, forwards, futures and options, interest rate swaps, securities lending agreements, and supranationals. The State of California Education Code permits the District to maintain a significant investment in the County Pool for the purpose of increasing interest earnings through the County's investment activities.

The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the County Supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative. To manage the liquidity in the Treasury Pool while still capturing the higher yield offered by longer maturities, the County's investment guidelines target a portfolio weighted average maturity range between 1.0 and 2.0 years. The weighted average maturity of cash and investments in the County Pool was 1.54 years and 1.63 years at June 30, 2016 and 2015, respectively. To mitigate the risk of securities with longer-term maturities in the investment pool, the Treasurer has limited maturities that exceed one year to 75% of the last three years' average minimum total cash and investment and requires that no more than 50% of the new issuer limits may be used for periods greater than 180 days. The investments in the Los Angeles Treasurer's Pool with maturities that exceeded one year represented 46.94% and 45.11% of the total pool at June 30, 2016 and 2015, respectively.

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Investments held by the County Treasurer are stated at fair value on a recurring basis as required by GASB Statement No. 72, *Fair Value Measurement an Application*. The fair value of underlying actively traded securities in the pool is determined based on current market prices based on the Citibank Valuation Total Report month-end prices. Underlying securities that are not actively traded are priced in accordance with industry pricing standards and include some unobservable inputs. Bond anticipation notes are reported at cost which equates to fair value. The fair value of the District's position in the pool is the same as the value of the total 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. As the District investment is an external pool with the County, these investments are not required to be leveled in the fair value hierarchy.

(b) Other Investments

The District's other investments at June 30, 2016 and 2015 consist of deposits invested with Bank of New York and nonnegotiable certificates of deposit held by the Associated Student Organizations of each campus of \$10,011,213 and \$3,816,212 and \$10,569,864 and \$3,969,728, respectively. The deposits with Bank of New York are reinvested in the County Pool by Bank of New York and accordingly are classified as Level 2 in the fair value hierarchy. Securities such as Commercial Paper and Certificates of Deposit with short maturities and infrequent secondary market trades are typically priced via mathematical calculations and are therefore classified as Level 2 in the fair value hierarchy.

(c) Fair Value Hierarchy

The following table summarizes the District's investments at June 30, 2016 in accordance with the fair value measurement hierarchy:

<u>Investment type</u>	<u>Fair value</u>	<u>Not required to be leveled</u>	<u>Level 2</u>
Certificates of deposit	\$ 3,816,212	—	3,816,212
Investment in the County Pool	399,861,274	389,850,061	10,011,213
Total investments	\$ <u>403,677,486</u>	<u>389,850,061</u>	<u>13,827,425</u>

The following table summarizes the District's investments at June 30, 2015 in accordance with the fair value measurement hierarchy:

<u>Investment type</u>	<u>Fair value</u>	<u>Not required to be leveled</u>	<u>Level 2</u>
Certificates of deposit	\$ 3,969,728	—	3,969,728
Investment in the County Pool	802,170,026	791,600,162	10,569,864
Total investments	\$ <u>806,139,754</u>	<u>791,600,162</u>	<u>14,539,592</u>

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Notes to Basic Financial Statements

June 30, 2016 and 2015

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Tax delinquencies	\$ 5,886,095	12,237,099
Federal and state programs	21,231,910	18,875,440
Local tax for G.O. Bonds	23,455,429	25,088,528
State lottery	11,997,833	8,985,293
Interest receivable	1,383,608	1,698,297
Accounts receivable – campus students	10,878,217	11,074,006
Accounts receivable – student loan programs	3,838,248	4,033,901
Bookstore	2,370,338	2,729,581
State of California – capital outlay	1,628,989	3,448,987
Other	2,605,222	7,206,352
	<u>85,275,889</u>	<u>95,377,484</u>
Subtotal	85,275,889	95,377,484
Less allowance for doubtful accounts	<u>(13,094,759)</u>	<u>(19,226,538)</u>
Accounts, notes and other receivables, net	<u>\$ 72,181,130</u>	<u>76,150,946</u>

The allowance for doubtful accounts is maintained at an amount sufficient to reserve the possible uncollectible receivable balances. Tax delinquencies represent prior and current year unpaid/uncollected property taxes that were assessed and billed by the County during the 2015-2016 year and prior. The District receives tax revenue from the County biannually in December and April. Any amounts that remain unpaid and not received by the District within the fiscal year are considered delinquent. The County's board of supervisors is the taxing authority that levies and collects tax revenue. Other receivables include Federal, State and Local revenues accrued at year end.

(5) Accounts Payable and Accrued Liabilities

Accounts payable at June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Vendors payable	\$ 55,005,539	48,262,538
Capital outlay and program management	90,851,655	97,872,493
Payroll accrual	14,066,158	12,447,002
Grants	6,431,526	7,489,669
Financial aid payable	1,221,458	1,237,342
Election expense payable	—	1,663,470
	<u>167,576,336</u>	<u>168,972,514</u>
Total	<u>\$ 167,576,336</u>	<u>168,972,514</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(6) Capital Assets

A summary of changes in capital assets is as follows:

	2016				Balance at June 30, 2016
	Balance at July 1, 2015	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 198,683,775	66,473	—	—	198,750,248
Construction in process	709,837,719	295,298,304	(1,645)	(358,138,280)	646,996,098
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>909,039,494</u>	<u>295,364,777</u>	<u>(1,645)</u>	<u>(358,138,280)</u>	<u>846,264,346</u>
Capital assets being depreciated:					
Land improvements	427,190,686	—	—	7,729,656	434,920,342
Buildings	3,535,360,374	—	(673)	350,408,624	3,885,768,325
Furniture, fixtures, and equipment	111,267,723	7,738,560	(236,998)	—	118,769,285
Infrastructure	7,129,426	—	(2,085)	—	7,127,341
Total capital assets being depreciated	<u>4,080,948,209</u>	<u>7,738,560</u>	<u>(239,756)</u>	<u>358,138,280</u>	<u>4,446,585,293</u>
Total capital assets	4,989,987,703	303,103,337	(241,401)	—	5,292,849,639
Less accumulated depreciation	<u>(865,110,227)</u>	<u>(133,593,962)</u>	<u>231,257</u>	<u>—</u>	<u>(998,472,932)</u>
Capital assets, net	<u>\$ 4,124,877,476</u>	<u>169,509,375</u>	<u>(10,144)</u>	<u>—</u>	<u>4,294,376,707</u>

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Notes to Basic Financial Statements

June 30, 2016 and 2015

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

Capitalized Interest

Included in additions to capital assets is \$36,623,837 and \$37,933,680 of capitalized interest at June 30, 2016 and 2015, respectively.

(7) Lease Commitments

The District leases various assets, as lessee, under operating and capital lease agreements. Lease payments under these leases (including month-to-month leases) approximating \$6,202,045 and \$6,280,890 for the year ended June 30, 2016 and 2015, respectively, have been reported in the accompanying statements of revenue, expenses, and changes in net position.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

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At June 30, 2016, minimum capital lease commitments under long-term lease contracts were as follows:

Year ending June 30:		
2017	\$	562,655
2018		458,815
2019		378,178
2020		18,463
2021		<u>1,238</u>
Total	\$	<u><u>1,419,349</u></u>

(8) Employee Retirement Systems

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

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

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

Employees, who were hired prior to January 1, 2013, attaining the age of 60 with five years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of 2% of their final compensation for each year of service. Final compensation is defined as the highest average salary earned during three consecutive years of service or highest year if member has more than 25 years of CalSTRS Service Credit. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90% of final compensation are available to members with five years of service. A family benefit is available if the deceased member had at least one year of service and was an active member or on disability leave. After five years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, only the accumulated member contributions and interest earned on those contributions are refundable.

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Under the California Public Employees' Pension Reform Act of 2013 (AB340), effective January 1, 2013, new CalSTRS members are required to be under a new defined-benefit formula of 2% at age 62. The law establishes a limit on compensation that is counted toward calculating a member's pension. New CalSTRS members, starting on or after January 1, 2013, who like existing members, are not covered by Social Security; the initial limit is 120% of 2013 Social Security Wages. It also limits postretirement public employment.

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

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

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

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

Benefit provisions for CalSTRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, Section 22000 et seq.). CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the CalSTRS website at <http://www.calstrs.com/comprehensive-annual-financial-report>.

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

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

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

CalPERS includes full-time classified employees and hourly employees who exceed 1,000 hours in a fiscal year participate in CalPERS, a cost-sharing and agent multiple-employer contributory public employee retirement system defined-benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State. The District participates in an agent and cost-sharing pool within CalPERS. An actuarial valuation by employer is not currently

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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 with 5 years of service and are entitled to a monthly benefit of 1.1% of final compensation for each year of service credit. The rate is increased if retirement is deferred beyond the age of 50, up to age 63.

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

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

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

- Pensionable Compensation Cap – Caps the annual salary that can be used to calculate final compensation for all new School members, at \$118,500 (2016 Social Security Contribution and Benefit Base) for employees that participate in Social Security or \$140,400 (120% of the 2014 Contribution and Benefit Base) for those employees that do not participate in Social Security. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.
- Equal Sharing of Normal Cost – For schools employers a new member's initial contribution rate will be at least 50% of the total normal cost rate or the current contribution rate of similarly situated employees, whichever is greater. (Currently PEPRAs members contribute 6% and Non PEPRAs Members 7%).
- The initial increases in employee, employer and state contributions took effect July 1, 2014, and will continue to rise incrementally over the next several fiscal years. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members, and an additional 1.205% for CalSTRS 2% at 62 members.
- Employer contributions will increase from 8.25% to a total of 19.1% of payroll, phased in over the next seven years. The state's total contribution to the Defined Benefit Program as a nonemployer contributing entity will increase incrementally from 3.041% in fiscal year 2013–14 to a total of 6.328% of payroll in fiscal year 2016–17.

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

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Benefit provisions for CalPERS are established by the Public Employees' Retirement Law (Part 3 of the California Government Code, Section. 20000 et seq.). CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the CalPERS website at <https://www.calpers.ca.gov/page/forms-publications>.

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

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

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

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

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

As of June 30, 2016, the District reported an aggregate liability of \$519,790,402 for its proportionate share of the CalPERS and CalSTRS net pension liabilities. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined based on actuarial valuations as of June 30, 2014. The District's proportion of the CalPERS and CalSTRS net pension liability was calculated based on its proportionate share of total employer contributions to CalPERS and CalSTRS of 1.2381% and 0.5010%, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

For the year ended June 30, 2016, the District recognized an aggregate pension expense of \$48,857,217 which included amortization of \$27,981,149 of deferred inflows of resources. At June 30, 2016 and 2015, the District reported aggregate deferred outflows of and deferred inflows of resources related to pensions from the following sources:

		June 30, 2016		
		CalPERS deferred outflows of resources	CalSTRS deferred outflows of resources	Total deferred outflows of resources- pensions
District retirement contribution				
subsequent to the measurement date	\$	19,133,361	25,901,747	45,035,108
Difference between expected				
and actual experience		10,429,982	—	10,429,982
Change in the District's proportionate				
share		—	37,443,569	37,443,569
Total deferred outflows	\$	29,563,343	63,345,316	92,908,659
of resources-pensions				
		June 30, 2015		
		CalPERS deferred outflows of resources	CalSTRS deferred outflows of resources	Total deferred outflows of resources- pensions
District retirement contribution				
subsequent to the measurement date	\$	16,386,804	19,166,774	35,553,578
		June 30, 2016		
		CalPERS deferred inflows of resources	CalSTRS deferred inflows of resources	Total deferred inflows of resources- pensions
Changes in assumptions used	\$	11,213,133	—	11,213,133
Net difference between projected and				
actual earnings on pension plan		6,248,858	33,131,130	39,379,988
investments				
Change in the District's proportionate		1,139,422	—	1,139,422
share				
Total deferred inflows	\$	18,601,413	33,131,130	51,732,543
of resources – pensions				

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

	June 30, 2015		
	CalPERS deferred inflows of resources	CalSTRS deferred inflows of resources	Total deferred inflows of resources- pensions
Net difference between projected and actual earnings on pension plan investments	\$ 48,752,495	63,172,100	111,924,595

The deferred outflows of resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments will be recognized in pension expense during the next five years and thereafter as follows:

	Deferred inflows of resources	Deferred outflows of resources
Year ending June 30:		
2017	\$ 21,158,953	9,837,140
2018	21,158,953	9,837,140
2019	20,733,003	9,477,485
2020	(13,197,547)	6,240,595
2021	939,017	6,240,595
Thereafter	940,164	6,240,596

(d) Contributions Required and Contributions Made

For fiscal year 2015-16, the District was required by statute to contribute 10.73%, 11.847%, 4.00%, and 4.00% of gross salary expenditures to STRS, PERS (pooled), Cash Balance, and PARS, respectively. Participants are required to contribute 9.20%, 7.00%, 4.00%, and 3.50% of gross salary to STRS, PERS, Cash Balance, and PARS, respectively, for the year ended June 30, 2016. 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 2015-16. As of June 30, 2016, 74.00% and 79.43% of the District's net pension liabilities for CalSTRS and CalPERS are funded, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

The District's contributions for the years ended June 30, 2016, 2015, and 2014 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
STRS:		
2016	\$ 25,901,747	100%
2015	19,166,774	100
2014	16,622,648	100
PERS:		
2016	\$ 19,133,361	100%
2015	16,386,804	100
2014	15,345,462	100
Cash Balance STRS:		
2016	\$ 1,977,127	100%
2015	1,848,860	100
2014	1,505,478	100
PARS-ARS:		
2016	\$ 669,223	100%
2015	569,881	100
2014	507,388	100

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

(e) *Actuarial Methods and Assumptions*

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

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

	<u>CalSTRS</u>	<u>CalPERS</u>
Measurement date	June 30, 2015	June 30, 2015
Valuation date	June 30, 2014	June 30, 2014
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Inflation	3.00	2.75
Payroll growth	3.75	3.00
Projected salary increase	Varies by entry age and service	Varies by entry age and service
Investment rate of return	7.50%	7.50%

	<u>CalSTRS</u>	<u>CalPERS</u>
Measurement date	June 30, 2014	June 30, 2014
Valuation date	June 30, 2013	June 30, 2013
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Inflation	3.00	2.75
Payroll growth	3.75	3.00
Projected salary increase	Varies by entry age and service	Varies by entry age and service
Investment rate of return	7.50%	7.50%

(f) Mortality Assumptions

CalSTRS

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

CalPERS

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(g) Discount Rate*CalSTRS*

An analysis of future cash flows including contributions, investment returns, administrative expenses, and benefit payments was performed by a CalSTRS external actuary. The actuary determined that CalSTRS assets will be sufficient to pay all future benefit payments. Therefore, a blended discount rate was not used to calculate the NPL at June 30, 2015 and the assumed investment rate of return, gross of administrative expenses, 7.5%, was used to discount all future benefits.

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

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

CalPERS

To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used in this accounting valuation is gross of administrative expenses. The discount rate used for the measurement period ending June 30, 2014 was 7.5% which was net of administrative expenses. This change in assumptions resulted in a deferred inflow for the district of \$11,213,133. This inflow will be recognized in pension expense over the next seven years.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

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

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
1% decrease	6.5%	6.5%
Net pension liability	509,286,540	297,029,334
Current discount rate	7.5%	7.5%
Net pension liability	337,293,240	182,497,163
1% increase	8.5%	8.5%
Net pension liability	194,352,930	87,256,007

(h) Rate of Return

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

	New strategic allocations	Long-term rate of return
CalPERS – Asset class:		
Global equity	50%	5.71%
Global fixed income	17	2.43
Inflation sensitive	4	3.36
Private equity	14	6.95
Real estate	11	5.13
Liquidity	4	(1.05)
Total	<u>100%</u>	

(9) Other Postemployment Benefits (OPEB)

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

(a) 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:

	Years of service	Premium paid by district
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 to less than 15	50
On or after 7/1/1998	15 to less than 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

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

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

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

Currently, the District has about 4,100 active employees who are eligible for postretirement health benefits and about 3,200 retirees and surviving spouses who receive postretirement health benefits.

(b) *Actuarial Methods and Assumptions*

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

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

In the July 1, 2015 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 5.60% blended discount rate based on the assumed long-term return on plan assets and employer assets. A 3.00% wage inflation assumption was used as well as an annual pre-Medicare medical trend rate, Medicare medical trend rate, and dental/vision trend rate of 7.00%, 8.40%, and 4.00%, respectively, initially, reduced by decrements to an ultimate rate of 5.00%, 5.00%, and 4.00%, respectively through at least 2024.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(c) 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. The District deposited \$5,597,042 and \$7,397,472 to the irrevocable trust with CalPERS during FY2016 and FY2015, respectively.

(d) Annual OPEB Costs and Net OPEB Obligation

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

	2016	2015
Annual required contribution	\$ 42,591,000	34,604,000
Interest on net OPEB obligation	3,865,000	4,343,000
Adjustment to annual required contribution	(3,309,000)	(3,439,000)
Annual OPEB cost	43,147,000	35,508,000
Contributions made	(28,507,197)	(29,604,235)
Increase in net OPEB obligation	14,639,803	5,903,765
Net OPEB obligation, beginning of year	69,026,376	63,122,611
Net OPEB obligation, end of year	\$ 83,666,179	69,026,376

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

Fiscal year ended	Annual OPEB costs	Actual Contributions	Percentage of annual OPEB costs contributed	Net OPEB obligation
June 30, 2016	\$ 43,147,000	28,507,196	66.07%	\$ 83,666,179
June 30, 2015	35,508,000	29,604,235	83.37	69,026,376

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(e) Funded Status Information

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

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAAL as a percentage of covered payroll</u>
July 1, 2015	\$ 76,791	644,738	567,947	11.91%	\$ 286,856	198.00%
July 1, 2013	51,823	478,320	426,497	10.83	275,000	155.09

As of June 30, 2016 and 2015, the District has set aside approximately \$62.9 million and \$57.3 million, respectively, in an external trust fund. The fair value of the trust fund as of June 30, 2016 and 2015 was approximately \$83.4 million and \$76.8 million, respectively. Refer to schedule of other postemployment benefit funding progress in Required Supplemental Information on page 45.

(f) 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 (HRA) for the next five years. Contributions made by the District are \$6.0 million and \$6.0 million for the fiscal years ended June 30, 2016 and 2015, respectively. This benefit was approved by the Board of Trustee's on November 19, 2014 for a two year extension. This HRA is assumed to sunset on December 31, 2016 with no future contributions after this date for this July 1, 2015 actuarial valuation.

(10) Commitments and Contingencies

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

The District is a defendant in various lawsuits at June 30, 2016. 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, 2016, the total value of these outstanding commitments is \$473,112,222.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(11) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2016 and 2015:

	Balance at July 1, 2015	2016		Balance at June 30, 2016	Due within one year
		Additions	Deletions		
G.O. Bonds 2004 Series A and B	\$ 33,670,000	—	—	33,670,000	—
G.O. Bonds 2005 Series A	18,140,000	—	(18,140,000)	—	—
G.O. Bonds 2006 Series E	20,360,000	—	(9,940,000)	10,420,000	10,420,000
G.O. Bonds 2007 Series A	10,265,000	—	(820,000)	9,445,000	4,565,000
G.O. Bonds 2008 Series E1 and F1	51,685,000	—	(10,795,000)	40,890,000	12,130,000
G.O. Bonds 2009 Series A and B	75,000,000	—	—	75,000,000	—
G.O. Bonds 2010 Series C, D, and E	1,200,000,000	—	—	1,200,000,000	—
G.O. Bonds 2013 Series F	216,500,000	—	(3,500,000)	213,000,000	4,000,000
G.O. Bonds 2013 Refunding Bond	51,575,000	—	(2,990,000)	48,585,000	3,080,000
G.O. Bonds 2015 Series G	300,000,000	—	(70,000,000)	230,000,000	5,840,000
G.O. Bonds 2015 Series H	50,000,000	—	(50,000,000)	—	—
G.O. Bonds 2015 Refunding Series A	1,495,575,000	—	(33,490,000)	1,462,085,000	2,785,000
G.O. Bonds 2015 Refunding Series B	47,075,000	—	(5,075,000)	42,000,000	4,345,000
G.O. Bonds 2015 Refunding Series C	312,420,000	—	(6,515,000)	305,905,000	15,950,000
Unamortized bond premiums	367,676,912	—	(23,076,231)	344,600,681	22,296,734
Workers' compensation claims	33,048,000	5,820,832	(5,052,832)	33,816,000	5,052,832
General liability	6,195,000	2,504,989	(3,342,989)	5,357,000	3,342,989
Compensated absences	16,328,293	1,346,035	—	17,674,328	8,811,764
Capital lease obligations	1,747,313	35,810	(476,540)	1,306,583	498,147
Total	\$ 4,307,260,518	9,707,666	(243,213,592)	4,073,754,592	103,117,466

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

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

(a) General Obligation Bonds

The voters has passed 3 General Obligation (G.O.) Bond measures which were designed to finance construction, building and equipment acquisition, capital improvement programs for each of the nine colleges and the Educational Service Center and refinance other outstanding debts. On April 10, 2001, the voters of the County passed Proposition A, a \$1.2 billion G.O. Bond measure. On May 20, 2003, the voters of the County passed Proposition AA, a \$980 million G.O. Bond measure. On November 4, 2008, the voters of the County passed Measure J, a \$3.5 billion G.O. Bond measure.

The District has issued to date all the authorized amounts of Proposition A and Proposition AA, and \$2.225 billion of Measure J. The G.O. Bond measures were issued with interest ranging from 2% to 7.53%. The effective interest rate at the financial statement date is 4.96%.

On November 8, 2016, the voters of the County passed Measure CC, a \$3.3 billion G.O. Bond Measure. The District has not issued any bonds authorized by Measure CC. Issuance of bonds against these bonds will begin in fiscal year 2017.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

The deferred outflows of resources related to the G.O. Bonds Refunded Bonds will be recognized in interest expense on capital asset-related debt over the life of the refunded bonds as follows:

June 30:		
2017	\$	9,145,450
2018		9,145,450
2019		9,145,450
2020		9,145,450
2021		9,145,450
Thereafter		<u>114,784,531</u>
	\$	<u><u>160,511,781</u></u>

Total Debt service requirements to maturity of the G.O. Bonds at June 30, 2016 are as follows:

Year(s) ending June 30:	Total GO Bond Debt Service		
	Principal	Interest	Total
2017	\$ 63,115,000	193,556,459	256,671,459
2018	66,530,000	190,825,580	257,355,580
2019	69,255,000	187,797,190	257,052,190
2020	73,785,000	184,515,700	258,300,700
2021	81,320,000	180,810,979	262,130,979
2022-2026	567,290,000	835,963,907	1,403,253,907
2027-2031	771,665,000	665,388,067	1,437,053,067
2032-2036	763,180,000	452,220,704	1,215,400,704
2037-2041	427,215,000	321,060,097	748,275,097
2042-2046	399,030,000	200,643,049	599,673,049
2047-2050	388,615,000	53,902,294	442,517,294
Total	\$ <u><u>3,671,000,000</u></u>	<u><u>3,466,684,026</u></u>	<u><u>7,137,684,026</u></u>

The county of Los Angeles levies property taxes in order to make G.O. Bond principal and interest payments on behalf of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

(b) Lease Purchase Financing

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2016 are as follows:

	Lease purchase financing		
	Principal	Interest	Total
Year(s) ending June 30:			
2017	\$ 498,147	64,508	562,655
2018	423,274	35,541	458,815
2019	366,118	12,060	378,178
2020	17,848	615	18,463
2021	1,196	42	1,238
Total	<u>\$ 1,306,583</u>	<u>112,766</u>	<u>1,419,349</u>

(12) Risk Management

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

The District currently reports all of its risk management activities in the accompanying statements of net position. The balance of all outstanding workers' compensation and incurred general liability claims is estimated based on information provided by an outside actuarial study performed in 2015. The amount of the outstanding liability at June 30, 2016 and 2015 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, 2016 and 2015 were as follows:

	2016			
	Balance at July 1, 2015	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2016
Workers' compensation	\$ 33,048,000	5,820,832	(5,052,832)	33,816,000
General liability	6,195,000	2,504,989	(3,342,989)	5,357,000

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2016 and 2015

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

During the years ended June 30, 2016 and 2015, the District made total premium payments of approximately \$3,281,564 and \$3,467,274, respectively, for general liability and property claims.

(13) Subsequent Events

The District evaluated events or transactions that occurred subsequent to the statements of net position date through December 7, 2016, the date the accompanying financial statements were available to be issued.

During FY2017, the District issued new Measure J G.O. Bond Series I for a total of \$300,000,000. The District also issued 2016 G.O. Refunding Bonds for a total of \$177,745,000 to fully refund \$175,000,000 of the Measure J G.O. Bond 2010 Series C. The refunding resulted in an accounting loss of \$23,206,383 which will be recorded as a deferred outflow and will be recognized over the life of the refunded bonds. The aggregate debt service decreased by \$41,849,967 thereby resulting in an economic gain of \$28,818,005.

The Board of Trustees authorized placing a \$3.3B facilities bond, Measure CC on the November 2016 ballot that was passed by the voters on November 8, 2016. The proceeds from these bonds will be used to construct and improve much-needed facilities throughout the nine colleges in the District in order to remain competitive in preparing students for university transfer and jobs in high demand industries.

REQUIRED SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

Year ended June 30, 2016

(Unaudited)

Schedule of funding progress:

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

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

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 2015	\$ 76,791	644,738	567,947	11.91%	\$ 286,856	197.99%
July 1, 2013	51,823	478,320	426,497	10.83	275,000	155.09

District contributions made:

<u>Fiscal year</u>	<u>Contributions made</u>
Fiscal Year 2016	\$ 28,507,197
Fiscal Year 2015	29,604,235

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability and
 Schedule of District Contributions
 Year ended June 30, 2016
 (Unaudited)

Schedule of the District's Proportionate Share of the Net Pension Liability
 CalSTRS and CalPERS Pension Plans
 Last 10 Fiscal Years*

	2016		2015	
	CalPERS	CalSTRS	CalPERS	CalSTRS
District's proportion of the collective net pension liability	1.24%	0.50%	1.25%	0.44%
District's proportionate share of the collective net pension liability	\$ 182,497,162	337,293,240	141,882,731	256,538,429
District's covered-employee payroll	155,882,522	235,851,422	126,834,679	211,421,078
District's proportionate share of the collective net pension liability as a% of covered payroll	117.07%	143.01%	111.86%	121.34%
Pension plan's fiduciary net position as a percentage of total pension liability	79.43%	74.00%	83.38%	76.21%

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

Schedule of District Contributions
 CalSTRS Pension Plan
 Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contributions as a percentage of covered-employee payroll	12.78%	12.92%	11.68%	11.87%	11.05%	10.76%	9.76%	9.46%	9.27%	6.16%
Contractually required contribution	\$ 27,878,874	21,015,634	17,728,126	17,395,249	17,279,949	17,216,865	16,842,446	18,482,827	18,396,581	18,238,184
Contributions in relation to the contractually required contributions	27,878,874	21,015,634	17,728,126	17,395,249	17,279,949	17,216,865	16,842,446	18,482,827	18,396,581	18,238,184
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered-employee payroll	235,851,422	211,421,078	197,516,930	185,551,123	191,864,244	192,583,183	192,692,842	207,975,718	205,287,280	199,987,904
Contributions as a percentage of covered-employee payroll	11.82%	9.94%	8.98%	9.37%	9.01%	8.94%	8.74%	8.89%	8.96%	9.12%

* The District implemented GASB Statement No. 68 effective July 1, 2014. Contributions included in this schedule prior to fiscal year 2016 are reported under GASB Statement No. 25.

CaPERS Pension Plan
 Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 19,133,361	16,386,804	15,345,462	15,109,137	14,360,463	14,039,142	12,702,976	12,216,963	11,997,904	10,612,625
Contributions in relation to the contractually required contributions	19,133,361	16,386,804	15,345,462	15,109,137	14,360,463	14,039,142	12,702,976	12,216,963	11,997,904	10,612,625
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered-employee payroll	155,882,522	126,834,679	131,436,970	127,244,130	129,918,547	130,436,025	130,146,925	129,129,741	129,412,341	172,306,918

* The District implemented GASB Statement No. 68 effective July 1, 2014. Contributions included in this schedule prior to fiscal year 2016 are reported under GASB Statement No. 25.

See accompanying independent auditors' report.

SUPPLEMENTAL FINANCIAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Balance Sheet Accounts

June 30, 2016

Assets

Cash in county treasury	\$ 189,055,059
Cash in banks	19,440,703
Cash in revolving fund	162,472
Accounts, notes, interest and loans receivable, net	35,383,892
Cash Held with Trustee	65,402
Due from other funds	7,225,976
Prepaid expenses and other assets	<u>7,654,953</u>
Total assets	<u>\$ 258,988,457</u>

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 68,388,221
Due to other funds	12,806,001
Amounts held in trusts	517,245
Unearned revenue	<u>6,297,377</u>
Total liabilities	<u>88,008,844</u>
Fund balance:	
Restricted	36,241,281
Unrestricted	<u>134,738,332</u>
Total fund balance	<u>170,979,613</u>
Total liabilities and fund balance	<u>\$ 258,988,457</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

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

Year ended June 30, 2016

Revenues:

Federal revenues:

Higher Education Acts	\$ 12,120,851
Job Training Partnership Act	5,036,941
Temporary Assistance for Needy Families (TANF)	1,094,975
Vocational Education Act	5,207,511
Veterans Education	17,460
College Work Study	2,569,145
Supplemental educational opportunity grants	127,478
Pell (Basic educational opportunity grants)	262,025
Other	6,995,440
	<hr/>
Total federal revenues	33,431,826

State revenues:

State apportionments	438,612,711
Tax relief subvention	5,634,165
State lottery	21,829,375
CA Works Opportunity and Responsibility to Kids	4,785,640
Extended opportunity program	8,152,639
Matriculation program	45,922,613
Disabled Students Programs and Services	7,226,519
Other	13,925,317
	<hr/>
Total state revenues	546,088,979

Local revenues:

Local property taxes	199,513,329
Enrollment fees	24,775,161
Tuition and fees, net of scholarship discounts and allowance	15,046,893
Community service fees	5,993,694
Parking fees	3,356,558
Health service fees	5,351,564
Student fees and charges	2,812,866
Interest	1,559,443
Other	10,604,349
	<hr/>
Total local revenues	269,013,857
	<hr/>
Total revenues	848,534,662

Expenditures:

Current:

Academic salaries	304,637,408
Classified salaries	165,983,722
Employee benefits	163,554,174
Books and supplies	14,235,240
Contract services, student grants, and other operating expenditures	91,466,878
Capital outlay and equipment replacement:	16,758,656
Other	923,520
	<hr/>
Total expenditures	757,559,598
	<hr/>
Excess of revenues over expenditures:	90,975,064

Other financing uses:

Operating transfers in (out)	(22,021,159)
	<hr/>
Net increase in fund balance	68,953,905

Fund balances at July 1, 2015	102,025,708
	<hr/>
Fund balances at June 30, 2016	\$ 170,979,613

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2016

Assets	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Cash in county treasury	\$ 92,614,232	—	400,031	—	93,014,263
Cash in banks	—	538,892	423,829	4,123,094	5,085,815
Cash in revolving fund	—	2,889	—	98,563	101,452
Accounts, notes, interest and loans receivable, net of allowance for doubtful accounts	1,888,407	30,446	1,743,969	2,370,338	6,033,160
Due from other funds	7,219,269	256,893	417,976	403,148	8,297,286
Inventory	—	70,318	—	4,260,691	4,331,009
Total assets	<u>\$ 101,721,908</u>	<u>899,438</u>	<u>2,985,805</u>	<u>11,255,834</u>	<u>116,862,985</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 689,571	39,931	691,314	249,753	1,670,569
Due to other funds	2,896,906	174,274	1,284,783	879,856	5,235,819
Unearned revenue	—	877	—	474,817	475,694
Total liabilities	<u>3,586,477</u>	<u>215,082</u>	<u>1,976,097</u>	<u>1,604,426</u>	<u>7,382,082</u>
Fund balance:					
Capital projects	98,135,431	—	—	—	98,135,431
Unrestricted	—	684,356	—	7,189,002	7,873,358
Reserve for facility improvements and inventory	—	—	—	2,462,406	2,462,406
Reserve for program and capital expenditures	—	—	1,009,708	—	1,009,708
Total fund balance	<u>98,135,431</u>	<u>684,356</u>	<u>1,009,708</u>	<u>9,651,408</u>	<u>109,480,903</u>
Total liabilities and fund balance	<u>\$ 101,721,908</u>	<u>899,438</u>	<u>2,985,805</u>	<u>11,255,834</u>	<u>116,862,985</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

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

Year ended June 30, 2016

	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Revenues:					
Federal revenues:					
Tuition and fees	\$ —	—	285,299	—	285,299
Child & Adult Care	—	—	1,406,328	—	1,406,328
LACC FTA Project	2,433,575	—	—	—	2,433,575
Total federal revenues	2,433,575	—	1,691,627	—	4,125,202
State revenues:					
State apportionment	8,297,486	—	—	—	8,297,486
Other	—	—	6,320,493	—	6,320,493
Total state revenues	8,297,486	—	6,320,493	—	14,617,979
Local revenues:					
Food service sales	—	1,572,921	—	—	1,572,921
Bookstore sales	—	—	—	24,904,817	24,904,817
Interest	707,586	—	16,485	—	724,071
Other	2,385,710	447,953	—	622	2,834,285
Total local revenues	3,093,296	2,020,874	16,485	24,905,439	30,036,094
Total revenues	13,824,357	2,020,874	8,028,605	24,905,439	48,779,275
Expenditures:					
Current:					
Academic salaries	—	—	3,987,104	—	3,987,104
Classified salaries	—	422,774	2,530,162	4,127,479	7,080,415
Employee benefits	—	42,980	1,469,790	1,508,075	3,020,845
Books and supplies	—	1,441,741	587,900	16,269,798	18,299,439
Contract services, student grant, and other operating expenditures	9,986,171	94,599	11,931	1,236,385	11,329,086
Utilities	—	—	—	247,076	247,076
Capital outlay	2,199,199	—	18,170	38,375	2,255,744
Total expenditures	12,185,370	2,002,094	8,605,057	23,427,188	46,219,709
Excess (deficit) of revenues over (under) expenditures	1,638,987	18,780	(576,452)	1,478,251	2,559,566
Other financing sources – operating transfers in (out)					
	14,899,726	168,618	954,895	409,545	16,432,784
Net increase (decrease) in fund balances	16,538,713	187,398	378,443	1,887,796	18,992,350
Fund balances at July 1, 2015	81,596,718	496,958	631,265	7,763,612	90,488,553
Fund balances at June 30, 2016	\$ 98,135,431	684,356	1,009,708	9,651,408	109,480,903

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2016

Assets

Cash held with trustee	\$ 287,797,262
Accounts, notes, interest and loans receivable, net	<u>23,455,429</u>
Total assets	<u><u>\$ 311,252,691</u></u>

Liabilities and Fund Balance

Liabilities:	
Unearned revenue	\$ 23,455,429
Other liabilities	<u>81,158,219</u>
Total liabilities	<u>104,613,648</u>
Fund balance:	
Restricted	<u>206,639,043</u>
Total fund balance	<u>206,639,043</u>
Total liabilities and fund balance	<u><u>\$ 311,252,691</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

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

Year ended June 30, 2016

Revenue	\$	<u>—</u>
Total local revenues		<u>—</u>
Expenditures:		
Current:		
Debt service		211,265,000
Contract services, student grant, and other operating expenditures		195,040,449
Interest expense on capital asset-related debt		<u>—</u>
Total expenditures		<u>406,305,449</u>
Deficit of expenditures over revenues		<u>406,305,449</u>
Other financing sources:		
Local tax for G.O. Bonds		<u>281,377,300</u>
Total other financing sources		<u>281,377,300</u>
Net increase in fund balance		(124,928,149)
Fund balances at July 1, 2015		<u>331,567,192</u>
Fund balances at June 30, 2016	\$	<u><u>206,639,043</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Post Retirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2016

Assets		\$	<u>—</u>
	Total assets	\$	<u><u>—</u></u>
Liabilities and Fund Balance			
Liabilities:			
	Unfunded OPEB payable	\$	<u>83,666,179</u>
	Total liabilities		<u>83,666,179</u>
Fund balance:			
	Restricted		<u>(83,666,179)</u>
	Total fund balance		<u>(83,666,179)</u>
	Total liabilities and fund balance	\$	<u><u>—</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Post Retirement Health Insurance Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit) Accounts

Year ended June 30, 2016

Revenue:		
Other nonoperating revenue		\$ <u>8,668</u>
Total local revenues		<u>8,668</u>
Expenditures:		
Current:		
Employee benefits		<u>20,236,846</u>
Total expenditures		<u>20,236,846</u>
Deficit of expenditures over revenues		<u>(20,228,178)</u>
Other financing sources		
Operating transfers in (out)		<u>5,588,375</u>
Total other financing sources		<u>5,588,375</u>
Net decrease in fund balance		(14,639,803)
Fund balances at July 1, 2015		<u>(69,026,376)</u>
Fund balances at June 30, 2016		\$ <u><u>(83,666,179)</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

Schedule of Balance Sheet Accounts

June 30, 2016

Assets

Cash held with trustee	\$ 1,008,737
Accounts, notes, interest and loans receivable, net	3,103
	<hr/>
Total assets	\$ 1,011,840
	<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:	
Due to other funds	\$ —
Other liabilities	8,000
	<hr/>
Total liabilities	8,000
	<hr/>
Fund balance:	
Reserve for expendable fund balance	3,840
Reserve for nonexpendable fund balance	1,000,000
	<hr/>
Total fund balance	1,003,840
	<hr/>
Total liabilities and fund balance	\$ 1,011,840
	<hr/> <hr/>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

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

Year ended June 30, 2016

Revenue:	
Investment income – noncapital	\$ 7,842
Total revenues	<u>7,842</u>
Expenditures:	
Total expenditures	<u>8,000</u>
Excess of revenues over expenditures	<u>(158)</u>
Net decrease in fund balance	(158)
Fund balances at July 1, 2015	<u>1,003,998</u>
Fund balances at June 30, 2016	\$ <u><u>1,003,840</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2016

Assets

Cash in county treasury	\$ 75,603,943
Cash in banks	8,567,673
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	514,517
Due from other funds	7,940,331
Prepaid expenses and other assets	34,530,977
Deposit with trustee	<u>34,701,087</u>
Total assets	<u><u>\$ 161,858,528</u></u>

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 90,851,654
Due to other funds	<u>838,278</u>
Total liabilities	<u>91,689,932</u>
Fund balance:	
Reserved for capital expenditures	<u>70,168,596</u>
Total fund balance	<u>70,168,596</u>
Total liabilities and fund balance	<u><u>\$ 161,858,528</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

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

Year ended June 30, 2016

Local revenues:	
Interest	\$ 2,637,002
Other	335,655
	<hr/>
Total revenue	2,972,657
	<hr/>
Expenditures:	
Other operating expenses and services	14,188,340
Capital outlay	258,696,539
	<hr/>
Total expenditures	272,884,879
	<hr/>
Deficit of expenditures over revenues	(269,912,222)
	<hr/>
Other financing sources:	
Proceeds from issuance of debt	—
	<hr/>
Total other financing sources	—
	<hr/>
Net increase in fund balance	(269,912,222)
Fund balances at July 1, 2015	340,080,818
	<hr/>
Fund balances at June 30, 2016	\$ 70,168,596
	<hr/> <hr/>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2016

Assets

Cash in county treasury	\$ 1,232,807
Cash in banks	4,062,561
Accounts, notes, interest and loans receivable, net	7,402,260
Due from other funds	<u>407,919</u>
Total assets	<u><u>\$ 13,105,547</u></u>

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 5,177,803
Due to other funds	<u>4,991,429</u>
Total liabilities	<u>10,169,232</u>
Fund balance:	
Restricted	<u>2,936,315</u>
Total fund balance	<u>2,936,315</u>
Total liabilities and fund balance	<u><u>\$ 13,105,547</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2016

Revenues:

Federal revenues:

Supplemental educational opportunity grants	\$ 2,877,893
Pell (Basic educational opportunity grants)	171,859,942
Direct Loan	30,543,852
Other	<u>304,187</u>
Total federal revenues	<u>205,585,874</u>

State revenues:

Extended opportunity program	7,197,269
Cal Grant	14,692,697
Other	<u>520,242</u>
Total state revenues	<u>22,410,208</u>

Local revenues:

Interest	—
Other	<u>218,985</u>
Total local revenues	<u>218,985</u>

Total revenues	<u>228,215,067</u>
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Expenditures:

Student Grant	<u>227,835,499</u>
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Total expenditures	<u>227,835,499</u>
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Excess of revenues over expenditures	<u>379,568</u>
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Net increase in fund balance	379,568
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Fund balances at July 1, 2015	<u>2,556,747</u>
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Fund balances at June 30, 2016	<u>\$ 2,936,315</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, 2016

Assets	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Los Angeles Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Cash in banks	\$ 276,941	234,560	105,029	462,226	908,390	221,158	1,477,230	958,613	127,853	4,772,000
Investments	1,338,688	166,748	100,000	72,343	610,451	20,281	1,454,690	1,758	—	3,764,959
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	9,558	—	—	—	22,636	16,037	4,880	—	53,111
Inventory	—	—	—	—	3,219	—	—	—	1,622	4,841
Capital assets	42,361	—	—	—	—	—	25,004	280,915	54,685	402,965
Total assets	\$ 1,657,990	410,866	205,029	534,569	1,522,060	264,075	2,972,961	1,246,166	184,160	8,997,876
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	\$ 29,622	9,063	14,623	128,045	781,228	14,134	462,299	25,384	23,694	1,488,092
Unearned revenue	14,110	—	—	—	—	—	3,773	—	—	17,883
Long-term liabilities	1,076,017	—	—	—	—	133,092	823,461	—	—	2,032,570
Total liabilities	1,119,749	9,063	14,623	128,045	781,228	147,226	1,289,533	25,384	23,694	3,538,545
Fund balance:										
Investment in fixed assets	42,360	—	—	—	—	—	25,006	280,915	54,685	402,966
Fund balances – designated for future expenditures	495,881	401,803	190,406	406,524	740,832	116,849	1,658,422	939,867	105,781	5,056,365
Total fund balance	538,241	401,803	190,406	406,524	740,832	116,849	1,683,428	1,220,782	160,466	5,459,331
Total liabilities and fund balance	\$ 1,657,990	410,866	205,029	534,569	1,522,060	264,075	2,972,961	1,246,166	184,160	8,997,876

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 Accounts
 Year ended June 30, 2016

	<u>East Los Angeles College</u>	<u>Los Angeles City College</u>	<u>Los Angeles Harbor College</u>	<u>Los Angeles Mission College</u>	<u>Los Angeles Pierce College</u>	<u>Los Angeles Southwest College</u>	<u>Los Angeles Trade Technical College</u>	<u>Los Angeles Valley College</u>	<u>West Los Angeles College</u>	<u>Total</u>
Revenues:										
Other	\$ 220,384	77,049	18,385	294,980	177,707	54,371	57,835	37,746	41,892	980,349
Total revenues	<u>220,384</u>	<u>77,049</u>	<u>18,385</u>	<u>294,980</u>	<u>177,707</u>	<u>54,371</u>	<u>57,835</u>	<u>37,746</u>	<u>41,892</u>	<u>980,349</u>
Expenditures:										
Contract services and other operating expenditures	203,005	74,836	20,932	207,711	133,067	44,004	541,596	42,619	16,858	1,284,628
Total expenditures	<u>203,005</u>	<u>74,836</u>	<u>20,932</u>	<u>207,711</u>	<u>133,067</u>	<u>44,004</u>	<u>541,596</u>	<u>42,619</u>	<u>16,858</u>	<u>1,284,628</u>
Net increase (decrease) in fund balance	17,379	2,213	(2,547)	87,269	44,640	10,367	(483,761)	(4,873)	25,034	(304,279)
Fund balances at July 1, 2015	520,862	399,590	192,953	319,255	696,192	106,482	2,167,189	1,225,655	135,432	5,763,610
Fund balances at June 30, 2016	<u>\$ 538,241</u>	<u>401,803</u>	<u>190,406</u>	<u>406,524</u>	<u>740,832</u>	<u>116,849</u>	<u>1,683,428</u>	<u>1,220,782</u>	<u>160,466</u>	<u>5,459,331</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, 2016

Assets	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Los Angeles Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Cash in banks	\$ 10,412	137,726	76,901	51,410	291,797	15,170	36,329	98,362	23,852	741,959
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	—	—	—	—	—	—	1,382	—	1,382
Investments	—	—	—	—	—	—	—	51,254	—	51,254
Total assets	<u>\$ 10,412</u>	<u>137,726</u>	<u>76,901</u>	<u>51,410</u>	<u>291,797</u>	<u>15,170</u>	<u>36,329</u>	<u>150,998</u>	<u>23,852</u>	<u>794,595</u>
Fund Balance										
Fund balance:										
Fund balances – designated for future expenditures	\$ 10,412	137,726	76,901	51,410	291,797	15,170	36,329	150,998	23,852	794,595
Total fund balance	<u>10,412</u>	<u>137,726</u>	<u>76,901</u>	<u>51,410</u>	<u>291,797</u>	<u>15,170</u>	<u>36,329</u>	<u>150,998</u>	<u>23,852</u>	<u>794,595</u>
Total liabilities and fund balance	<u>\$ 10,412</u>	<u>137,726</u>	<u>76,901</u>	<u>51,410</u>	<u>291,797</u>	<u>15,170</u>	<u>36,329</u>	<u>150,998</u>	<u>23,852</u>	<u>794,595</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 Student Representation Fee Trust Fund – Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts
 Year ended June 30, 2016

	<u>East Los Angeles College</u>	<u>Los Angeles City College</u>	<u>Los Angeles Harbor College</u>	<u>Los Angeles Mission College</u>	<u>Los Angeles Pierce College</u>	<u>Los Angeles Southwest College</u>	<u>Los Angeles Trade Technical College</u>	<u>Los Angeles Valley College</u>	<u>West Los Angeles College</u>	<u>Total</u>
Revenues:										
Other	\$ 64,935	38,169	21,973	20,765	47,051	16,358	31,959	30,942	33,406	305,558
Total revenues	<u>64,935</u>	<u>38,169</u>	<u>21,973</u>	<u>20,765</u>	<u>47,051</u>	<u>16,358</u>	<u>31,959</u>	<u>30,942</u>	<u>33,406</u>	<u>305,558</u>
Expenditures:										
Contract services and other operating expenditures	88,809	39,795	11,459	11,975	13,692	11,457	16,875	3,811	30,960	228,833
Total expenditures	<u>88,809</u>	<u>39,795</u>	<u>11,459</u>	<u>11,975</u>	<u>13,692</u>	<u>11,457</u>	<u>16,875</u>	<u>3,811</u>	<u>30,960</u>	<u>228,833</u>
Net increase (decrease) in fund balance	(23,874)	(1,626)	10,514	8,790	33,359	4,901	15,084	27,131	2,446	76,725
Fund balances at July 1, 2015	<u>34,286</u>	<u>139,352</u>	<u>66,387</u>	<u>42,620</u>	<u>258,438</u>	<u>10,269</u>	<u>21,245</u>	<u>123,867</u>	<u>21,406</u>	<u>717,870</u>
Fund balances at June 30, 2016	<u>\$ 10,412</u>	<u>137,726</u>	<u>76,901</u>	<u>51,410</u>	<u>291,797</u>	<u>15,170</u>	<u>36,329</u>	<u>150,998</u>	<u>23,852</u>	<u>794,595</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization
 June 30, 2016
 (Unaudited)

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

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

The Board of Trustees for the fiscal year ended June 30, 2016 comprised the following members:

Board of Trustees		
Name	Office	Term expires
Scott J. Svonkin	President	June 30, 2019
Mike Eng	Vice President	June 30, 2017
Mike Fong	Member	June 30, 2019
Andra Hoffman	Member	June 30, 2019
Sydney K. Kamlager	Member	June 30, 2019
Ernest H. Moreno	Member	June 30, 2017
Nancy Pearlman	Member	June 30, 2017
Alexa Victoriano	Student Trustee	May 31, 2017

Administration

- Dr. Francisco C. Rodriguez, Chancellor
 Dr. Adriana D. Barrera, Deputy Chancellor
 Dr. Robert B. Miller, Vice Chancellor - Finance and Resource Development
 Dr. Ryan M. Corner, Vice Chancellor of Educational Programs and Institutional Effectiveness
 Ms. Jeanette L. Gordon, Chief Financial Officer/Treasurer
 Mr. James D. O’Reilly, Chief Facilities Executive
 Mr. Kevin D. Jeter, Interim General Counsel

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2016

(Unaudited)

College Presidents

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

* Interim

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of Workload Measures for State General Apportionment
 Annual 2015-16 Apportionment Attendance Report

Categories	Reported data
A. Summer Intersession (Summer Seg 2 Only)	
1. Noncredit	1,204.28
2. Credit	5,475.57
B. Summer Intersession (Summer Seg 1 Only)	
1. Noncredit	103.54
2. Credit	4,293.47
C. Primary Terms (Exclusive Of Summer Intersessions)	
1. Census Procedure Courses	
a. Weekly Census Contact Hours	68,777.98
b. Daily Census Contact Hours	8,596.40
2. Actual Hours Of Attendance Procedure Courses	
a. Noncredit	4,829.26
b. Credit	4,357.47
3. Independent Study/Work Experience Education Courses	
a. Weekly Census Procedure Crs	6,330.73
b. Daily Census Procedure Crs	3,632.55
c. Noncredit Independent Study	—
D. Total FTES	107,601.25

Supplemental Information

E. In-Service Training Courses	2,888.78
F. For Future Use	
G. For Future Use	
H. Basic Skills Courses:	
1. Noncredit	4,647.34
2. Credit	5,494.17
I. CCFS-320 Addendum CDCP Noncredit FTES	4,130.00
J. Centers FTES	
a. Noncredit	N/A
b. Credit	N/A

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year ended June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Retirees' Health Insurance Fund	Building Fund	Student Financial Aid Fund	ASO Fund *	Scholarship Loan Fund	General Long-term Fixed Assets	Other GASB Adj to general long-term Debt	Total
June 30, 2016 unaudited ending fund balance	\$ 170,979,613	109,480,903	206,639,043	(83,666,179)	70,168,596	2,936,315	6,253,926	1,003,840	—	—	483,796,057
Current assets:											
1 Adjustment to receivables	(514,358)	—	—	—	—	—	—	—	—	—	(514,358)
2 Adjustment to payables	—	—	—	—	—	—	—	—	—	—	—
3 Adjustment to cash and deposit with trustee	825,886	—	—	—	(3,274,293)	—	—	—	—	—	(2,448,407)
4 Prepaid assets	—	—	160,511,781	—	—	—	—	—	—	—	160,511,781
5 Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	—	—	4,293,822,378	—	4,293,822,378
6 Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	—	—	—
7 Deferred Outflows	94,355,050	—	—	—	—	—	—	—	—	—	94,355,050
Long-term liabilities are not booked as part of fund balances:											
8 G.O. Bonds	—	—	—	—	25,088,528	—	—	—	—	(3,671,000,000)	(3,645,911,472)
9 Unamortized premiums bond	—	—	—	—	—	—	—	—	—	(344,600,684)	(344,600,684)
10 Pension Obligation	—	—	—	—	—	—	—	—	—	(519,790,403)	(519,790,403)
11 Workers' compensation claims payable	—	—	—	—	—	—	—	—	—	(33,816,000)	(33,816,000)
12 General liability	—	—	—	—	—	—	—	—	—	(5,357,000)	(5,357,000)
13 Vacation benefits payable	—	—	—	—	—	—	—	—	—	(17,674,328)	(17,674,328)
14 Capital lease payable	—	—	—	—	—	—	—	—	—	(1,306,583)	(1,306,583)
15 Deferred Inflows	—	—	—	—	—	—	—	—	—	(53,178,934)	(53,178,934)
June 30, 2016 net position	\$ <u>265,646,191</u>	<u>109,480,903</u>	<u>367,150,824</u>	<u>(83,666,179)</u>	<u>91,982,831</u>	<u>2,936,315</u>	<u>6,253,926</u>	<u>1,003,840</u>	<u>4,293,822,378</u>	<u>(4,646,723,932)</u>	<u>407,887,097</u>

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

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of ECS 84362 (50 Percent Law) Calculation
 Year ended June 30, 2016

	Object/TOP code	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100 – 6799		
		Reported data	Audit		Reported data	Audit	
			adjustments	Revised data		adjustments	Reported data
Academic salaries							
Instructional salaries:							
Contract or regular	1100	\$ 110,195,945	—	110,195,945	110,689,609	—	110,689,609
Other	1300	101,719,500	—	101,719,500	104,084,657	—	104,084,657
Total instructional salaries		211,915,445	—	211,915,445	214,774,266	—	214,774,266
Noninstructional salaries:							
Contract or regular	1200	—	—	—	45,228,448	—	45,228,448
Other	1400	—	—	—	4,664,443	—	4,664,443
Total noninstructional salaries		—	—	—	49,892,891	—	49,892,891
Total academic salaries		211,915,445	—	211,915,445	264,667,157	—	264,667,157
Classified salaries:							
Noninstructional salaries:							
Regular Status	2100	—	—	—	98,730,322	—	98,730,322
Other	2300	—	—	—	4,625,396	—	4,625,396
Total noninstructional salaries		—	—	—	103,355,718	—	103,355,718
Instructional aides:							
Regular status	2200	10,244,988	—	10,244,988	10,810,881	—	10,810,881
Other	2400	868,226	—	868,226	1,118,918	—	1,118,918
Total instructional aides		11,113,214	—	11,113,214	11,929,799	—	11,929,799
Total classified salaries		11,113,214	—	11,113,214	115,285,517	—	115,285,517
Employee benefits	3000	65,961,871	—	65,961,871	143,419,555	—	143,419,555
Supplies and materials	4000	—	—	—	4,032,531	—	4,032,531
Other operating expenses	5000	4,033,899	—	4,033,899	66,586,099	—	66,586,099
Equipment replacement	6420	—	—	—	4,399	—	4,399
Total expenditures prior to exclusions		293,024,429	—	293,024,429	593,995,258	—	593,995,258

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of ECS 84362 (50 Percent Law) Calculation
 Year ended June 30, 2016

Object/TOP code	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100 – 6799		
	Audit			Audit		
	Reported data	adjustments	Revised data	Reported data	adjustments	Reported data
Exclusions:						
Activities to exclude:						
Instructional staff–retirees’ benefits and retirement incentives	5900	\$ —	—	—	—	—
Student health services above amount collected	6441	—	—	—	—	—
Student transportation	6491	—	—	59,869	—	59,869
Noninstructional staff-retirees’ benefits and retirement incentives	6740	—	—	22,910,154	—	22,910,154
Objects to exclude:						
Rents and leases	5060	—	—	1,654,754	—	1,654,754
Lottery expenditures:						
Academic salaries	1000	—	—	—	—	—
Classified salaries	2000	—	—	—	—	—
Employee benefits	3000	—	—	—	—	—
Supplies and materials:						
Software	4100	—	—	—	—	—
Books, magazines, and periodicals	4200	—	—	—	—	—
Instructional supplies and materials	4300	—	—	—	—	—
Noninstructional, supplies and materials	4400	—	—	—	—	—
Total supplies and materials		—	—	—	—	—
Other operating expenses and services	5000	—	—	16,395,290	—	16,395,290
Capital outlay:						
Library books	6300	—	—	—	—	—
Equipment:						
Equipment – additional	6410	—	—	—	—	—
Equipment – replacement	6420	—	—	—	—	—
Total equipment		—	—	—	—	—
Total capital outlay		—	—	—	—	—
Other outgo	7000	—	—	—	—	—
Total exclusions		—	—	41,020,067	—	41,020,067
Total for ECS 84362, 50% Law		\$ 293,024,429	—	293,024,429	552,975,191	552,975,191
Percent of CEE (Instructional Salary Cost/Total CEE)		52.99%	—%	52.99%	100.00%	100.00%
50% of current expense of education				\$ 276,487,596	—	276,487,596

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Proposition 30 Education Protection Account (EPA) Report
 Year ended June 30, 2016

<u>Activity classification</u>	<u>Activity code</u>				<u>Total</u>
EPA proceeds	8630				\$ 87,729,566
<u>Activity classification</u>	<u>Activity code</u>	<u>Salaries and benefits (1000-3000)</u>	<u>Operating expenses (4000-5000)</u>	<u>Capital outlay (6000)</u>	<u>Total</u>
Instructional activities	0100-5900	\$ 87,034,674	—	—	87,034,674
Other support activities	6XXX	317,414	—	—	317,414
Total expenditures for EPA		<u>\$ 87,352,088</u>	<u>—</u>	<u>—</u>	<u>87,352,088</u>
Revenues less expenditures				\$	<u><u>377,478</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture :				
Pass-through California Department of Education: Child and Adult Care Food Programs	10.558	04056-CACFP-19-CC-CS	\$ —	694,927
Total U.S. Department of Agriculture			—	694,927
U.S. Department of Labor:				
Direct programs:				
H-1B Technical Skills Training Grants	17.268	HG-22731-12-60-A-6	—	1,088,411
H-1B Technical Skills Training Grants	17.268	HG-22706-12-60-A-6	—	1,036,692
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23-756-12-60-A-6	—	598,142
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-083-13-60-A-6	—	2,049,253
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-084-13-60-A-6	—	700,122
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-085-13-60-A-6	—	705,662
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-086-13-60-A-6	—	314,120
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-087-13-60-A-6	—	240,480
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-088-13-60-A-6	—	384,028
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-089-13-60-A-6	—	270,297
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-090-13-60-A-6	—	105,639
Los Angeles Healthcare Competency Career Consortium	17.282	TC-25-091-13-60-A-6	—	526,879
Subtotal direct programs			—	8,019,725
Pass-through City of Long Beach:				
H-1B Health Sector Training Grant	17.268	32781	—	136,992
Pass-through City of Los Angeles:				
Boyle Heights Health Career Program	17.283	124496	—	110,850
Industry Sector Partnership Initiative	17.277	T5906	—	125,918
Summer Youth Employment	17.258	126679	—	15,306
YouthSource System	17.259	126678	—	691,592
Pass-through Community Career Development, Inc./ Wilshire-Metro WorkSource Center:				
Biomedical Sector Initiative Program	17.258	T5776-1	—	26,727
Pass-through Forsyth Technical Community College:				
Consortium for Bioscience Credentials	17.282	FTCC-LAVC	—	477,048
Pass-through Coalition for Responsible Community Development:				
YouthBuild Program	17.274	YB-24556-13-60-A-6	—	6,778
Pass-through Northern Virginia Community College:				
Credential Career Program	17.282	TC-23776-12-60-A-51	—	24,830
Subtotal pass-through programs			—	1,616,041
Total U.S. Department of Labor			—	9,635,766
National Science Foundation:				
Direct programs:				
Academic and Student Support to Improve STEM Transfers	47.076	1068483	—	283,357
Riding the Road Map to Transfer Program	47.076	1154552	—	113,669
Scholarship in STEM to Achieve Results	47.076	1458676	—	38,696
Consortium for Undergraduate Research Experiences	47.049	1460538	—	100,743
Consortium for Undergraduate Research Experiences	47.049	AST-1156756	—	6,042
Total National Science Foundation			—	542,507
U.S. Department of Energy:				
Pass-through Stanford Transportation Group LLC: DOE Stanford Transportation Group Grant	81.087	STG-LAVC-001	—	15,000
Total U.S. Department of Energy			—	15,000
U.S. Department of Education:				
Direct programs:				
Higher Education Act :				
Higher Education Institutional Aid	84.031		102,475	6,313,573
Undergraduate International Studies and Foreign Language Programs	84.016		—	98,402
TRIO-Student Support Services	84.042		—	1,664,760
TRIO-Talent Search	84.044		—	473,930
TRIO-Upward Bound	84.047		—	2,803,404
TRIO-Educational Opportunity Centers	84.066		—	241,233
Strengthening Minority-Serving Institutions	84.382		—	167,762
Student financial assistance :				
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007		—	3,002,100
Federal Work Study Program	84.033		—	2,745,902
Federal Perkins Loan Program	84.038		—	4,072,441
Federal Pell Grant Program	84.063		—	172,050,561
Federal Direct Student Loans	84.268		—	30,543,852
Subtotal direct programs			102,475	224,177,920
Pass-through California Community College's Chancellors Office:				
Perkins Title IC	84.048	15-C01-027	\$ —	4,801,440
Tech Prep Education	84.048	15-112-027	—	406,071
Pass-through California Department of Education:				
Adult Education and Family Literacy & English Literacy	84.002	15-6474-00	—	1,788,151

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture :				
Pass-through California Department of Rehabilitation: College to Career Program DOR	84.126	29667	—	187,737
Pass-through San Mateo County Community College District/Canada College: California Alliance for the Long-term Strengthening of Transfer Engineering Programs	84.031	P031C110159	—	88,167
Pass-through Los Angeles Unified School District:				
GEAR UP	84.334	1,200,250	—	40,265
GEAR UP	84.334	4,400,003,478	—	436
GEAR UP	84.334	4,400,003,423	—	39,430
GEAR UP	84.334	1,200,251	—	39,226
GEAR UP	84.334	4,400,002,613	—	17,924
GEAR UP	84.334	4,400,003,423	—	5,767
Pass-through Marymount College/Project GRAD Los Angeles:				
GEAR UP	84.334	PGLA 2011-18	—	74,552
Pass-through University of Southern California:				
USC TRIO Upward Bound Program	84.047	10,342,364	—	3,655
Pass-through Cal State L.A. University Auxiliary Services, INC:				
First in the World CSULA	84.116	WLAC231225	—	101,094
Pass-through California State University Dominguez Hills:				
CSUD-Title V HSI Cooperative	84.031	5977	—	156,781
CSUD-Title V HSI Cooperative	84.031	P031S110042	—	8,089
Subtotal pass-through programs			—	7,758,785
Total U.S. Department of Education			102,475	231,936,705
U.S. Department of Health and Human Services:				
Direct programs:				
Nursing Student Loans	93.364		—	70,218
Subtotal direct programs			—	70,218
Pass-through California Community College's Chancellors Office:				
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	—	1,094,975
Pass-through California Department of Education:				
Family Child Care Homes	93.575	CFCC-5011	—	98,150
Family Child Care Homes	93.596	CFCC-5011	—	178,399
General Child Care and Development Program	93.575	CCTR-5096	—	154,334
General Child Care and Development Program	93.596	CCTR-5096	—	280,518
Pass-through California State University Northridge				
BUILD @ CSUN	93.310	F-14-3510-ELAC	—	6,873
BUILD @ CSUN	93.310	F-14-3510-LAMC	—	37,141
BUILD @ CSUN	93.310	F-14-3510-LAPC	—	6,205
BUILD @ CSUN	93.310	F-14-3510-LAVC	—	32,999
Pass-through University of California, Los Angeles:				
UCLA Bridges to the Baccalaureate Program	93.859	0519 G PA140	—	54,747
UCLA Bridges to the Baccalaureate Program	93.859	0519 G PA082	—	81,089
Subtotal pass-through programs			—	2,025,430
Total U.S. Department of Health and Human Services			—	2,095,648

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2016

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Award or pass-through identification number</u>	<u>Passed through to subrecipients</u>	<u>Total federal expenditures</u>
U.S. Department of Transportation:				
Federal Transit Administration:				
Institute for Advanced Transportation	20.514	CA-64-7003-00	\$ —	199,557
Federal Highway Administration:				
Dwight David Eisenhower Transportation Fellowship Program	20.215	DTFH6415G	—	15,000
Total U.S. Department of Transportation			—	214,557
Corporation for National and Community Service:				
American Recovery and Reinvestment Act (ARRA):				
Americorps	94.006	N/A	—	304,186
Total Corporation for National and Community Service			—	304,186
Total Expenditures of Federal Awards			\$ 102,475	245,439,296

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Financial Awards

Year ended June 30, 2016

<u>Program name</u>	<u>Cash received</u>	<u>Accounts receivable</u>	<u>Deferred income</u>	<u>Total program revenues</u>	<u>Total program expenditures</u>
Adult Education Block Grant	\$ 7,000,000	—	4,249,105	2,750,895	2,750,895
Basic Skills	1,396,989	—	—	1,396,989	1,486,704
CAL Grants	12,096,759	6,339	172,637	11,930,461	11,930,461
California Career Pathways Trust	9,352,656	1,262,841	5,570,585	5,044,912	5,044,913
California State Preschool Program	2,671,191	1,035,562	—	3,706,753	3,706,753
CalWORKs	5,011,570	—	225,930	4,785,640	4,785,640
Cooperating Agencies Foster Youth Educational Support (CAFYES)	1,344,904	—	366,811	978,093	978,093
Cooperative Agencies Resource for Education (CARE)	1,379,032	—	63,469	1,315,563	1,315,563
CTE Enhancement	1,398,379	805,314	314,118	1,889,575	1,889,575
Disabled Students Program and Services (DSPS)	7,226,519	—	—	7,226,519	8,137,380
Economic and Workforce Development	2,749,665	1,196,993	146,136	3,800,522	3,800,522
Equal Employment Opportunity	30,800	—	—	30,800	27,399
ESL/Basic Skills Professional Development	387,600	614,247	—	1,001,847	1,001,847
Extended Opportunity Program and Services (EOPS)	13,059,588	—	3,336	13,056,252	13,056,252
Family Child Care Homes	295,145	71,592	—	366,737	366,737
Foster and Kinship Care Education (FKCE)	763,292	470,535	—	1,233,827	1,233,827
Full Time Student Success Grant	3,471,476	—	701,896	2,769,580	2,769,580
General Child Care and Development	947,805	344,914	—	1,292,719	1,292,719
Math, Engineering, Science Achievement (MESA)	70,238	—	16,340	53,898	53,898
Middle College High School (MCHS)	39,600	59,400	—	99,000	99,000
Nursing Education	1,082,918	83,006	—	1,165,924	1,165,924
Osher Scholar	189,875	—	—	189,875	189,875
Student Equity	18,192,105	586,200	—	18,778,305	14,143,715
Student Financial Aid Administration	5,480,045	—	—	5,480,045	5,444,695
Student Success & Support (Credit)	25,701,827	—	—	25,701,827	21,877,047
Student Success & Support (Noncredit)	1,442,481	—	—	1,442,481	740,037
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	5,809,733	—	—	5,809,733	3,789,454
Other State Assistance Programs	715,718	770,402	11,560	1,474,560	1,590,935
Total state programs	\$ <u>129,307,910</u>	<u>7,307,345</u>	<u>11,841,923</u>	<u>124,773,332</u>	<u>114,669,440</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2016

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

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) and the 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) for the year ended June 30, 2016. 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 SEFA.

The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of the District.

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

Basis of Accounting

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

Expenditures on the SEFA are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District utilizes a negotiated rate for salary and benefits of 32% which management expects to renegotiate upon expiration at June 30, 2017.

(2) Reconciliations to Basic Financial Statements

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

State revenue in fund financial statements:

General Fund	\$ 546,088,979
Special Revenue Funds	8,297,486
Child Development Fund	6,320,493
Student Financial Aid Fund	<u>22,410,208</u>
Total state revenue in fund financial statements	<u><u>\$ 583,117,166</u></u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2016

Total state revenue in accompanying schedule	\$ 124,773,332
Add:	
General Fund:	
Basic and equalization aid	350,446,961
State Mandated Costs	60,634,810
State lottery	21,829,375
Tax relief subvention	5,634,165
Other state funds	<u>19,206,472</u>
Total other General Fund revenue	<u>457,751,783</u>
Special Revenue Fund:	
Community College Construction Act	<u>592,051</u>
Total state revenue in fund financial statements	<u>\$ 583,117,166</u>

(3) Federal Student Loan Programs

The federal student loan programs listed below are administered directly by the District, and balances and transactions relating to these programs are included in the District’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year and administrative cost allowances are included in the federal expenditures presented in the SEFA. The District made the following advances and had the following loans outstanding, which were held by the District as of June 30, 2016.

<u>Cluster name/program title</u>	<u>CFDA number</u>	<u>Loan advances made</u>	<u>Loan balances outstanding</u>
Student financial aid cluster:			
Federal Perkins Loans (FPL)	84.038	\$ 72,250	\$ 3,827,989
Federal Direct Student Loans	84.268	30,543,852	—
Nursing Student Loans	93.364	—	63,660

(4) Administrative Cost Allowances

Administrative cost allowances included in the accompanying SEFA are summarized as follows:

Federal Supplemental Educational Opportunity Grant	\$ 124,387
Federal Work-Study Program	<u>97,168</u>
	<u>\$ 221,555</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2016

(5) Federal Clusters of Programs

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

	<u>CFDA number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 3,002,100
Federal Work Study (FWS)	84.033	2,745,902
Federal Perkins Loan Program (FPL)	84.038	4,072,441
Federal Pell Grant Program (PELL)	84.063	172,050,561
Federal Direct Student Loans (Direct Loan)	84.268	30,543,852
		<u>\$ 212,414,856</u>
	<u>CFDA number</u>	<u>Expenditures</u>
Child Care Development Fund Cluster:		
Family Child Care Homes	93.575	\$ 98,150
Family Child Care Homes	93.596	178,399
General Child Care and Development Program	93.575	154,334
General Child Care and Development Program	93.596	280,518
		<u>\$ 711,401</u>
TRIO Cluster:		
TRIO - Student Support Services	84.042	\$ 1,664,760
TRIO - Talent Search	84.044	473,930
TRIO - Upward Bound	84.047	2,803,404
TRIO - Educational Opportunity Centers	84.066	241,233
		<u>\$ 5,183,327</u>
TANF Cluster:		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 1,094,975
Workforce Investment Act (WIA) Cluster:		
Biomedical Sector Initiative Program	17.258	\$ 26,727
Summer Youth Employment	17.278	15,306
Youth Source Center	17.259	691,592
		<u>\$ 733,625</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2016

B. Schedule of Workload Measures for State General Apportionment

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

C. Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the governmental fund balances included in the supplementary information to the Statement of Net Position.

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

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

E. Proposition 30 Education Protection Account (EPA) Report

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

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

Independent Auditors' Report on State Compliance Requirements

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

Report on State Compliance

We have audited the Los Angeles Community College District's (the District) compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

Management Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Compliance Requirements

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

Section 421 - Salaries of Classroom Instructors (50% Law)

Section 423 - Apportionment for Instructional Service Agreements/Contracts

Section 424 - State General Apportionment Funding System

Section 425 - Residency Determination for Credit Courses

Section 426 - Students Actively Enrolled

Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 429 – Student Success and Support Program (SSSP)

Section 430 - Scheduled Maintenance Program

Section 431 - Gann Limit Calculation

Section 435 - Open Enrollment

Section 438 - Student Fees – Health Fees and Use of Health Fee Funds

Section 439 - Proposition 39 Clean Energy

Section 440 - Intersession Extension Program

Section 475 - Disabled Student Programs and Services (DSPS)

Section 479 - To Be Arranged Hours (TBA)

Section 490 - Proposition 1D State Bond Funded Projects

Section 491 - Proposition 30 Education Protection Account Funds

Opinion on State Compliance

In our opinion, Los Angeles Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs listed above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor’s Office, and which are described in the accompanying schedule of findings and questioned costs as findings S-2015.001 through S-2015.004. Our opinion on the state programs listed above is not modified with respect to these matters.

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

Report on Other Supplemental Information

We have audited the District’s compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor’s Office for the year ended June 30, 2016.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office 2015-16. The other supplementary information on pages __ through __ is presented for purposes of additional analysis as required by the CDAM published by the California Community Colleges Chancellor's Office.

The other supplemental information is the responsibility of management. Such information, except the supplementary information on page 73, has been subjected to the auditing procedures applied to the audit of the District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records, financial statements as of and for the year ended June 30, 2016 audited by other auditors, whose report is included herein on pages __ through __, and other records, in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying other supplemental information is fairly stated, in all material respects, in relation to financial statements taken as a whole, audited by other auditors whose report was dated December __, 2016.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
December __, 2016

ADDITIONAL REPORTS OF INDEPENDENT AUDITORS

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:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Los Angeles Community College District (the District), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and the cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, identified as 2016-001 and 2016-002 and described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District’s Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Example Entity’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.

Los Angeles, California
December 7, 2016

**Report of Independent Auditors on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Los Angeles Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Los Angeles Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2016-003 through 2016-014. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 2016-003 through 2016-014, that we consider to be significant deficiencies.

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

Purpose of this Report

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

Los Angeles, California
December __, 2016

Report on Other Supplemental Information

We have audited the District's compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2015-16, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the California Community Colleges Contracted District Audit Manual (CDAM) 2015-16, issued by the California Community Colleges Chancellor's Office 2015-16. The other supplementary information on pages __ through __ is presented for purposes of additional analysis as required by the Contracted District Manual published by the California Community Colleges Chancellor's Office.

The other supplemental information is the responsibility of management. Such information has been subjected to the auditing procedures applied to the audit of the District's compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2015-16, issued by the California Community Colleges Chancellor's Office, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records, financial statements as of and for the year ended June 30, 2016 audited by other auditors, whose report is included herein on pages __ through __, and other records, in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying other supplemental information is fairly stated, in all material respects, in relation to financial statements taken as a whole, audited by other auditors whose report was dated December __, 2016.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the California Community Colleges Contracted District Audit Manual (CDAM) 2015-16. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
December __, 2016

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

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

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

We have audited the accompanying schedule of expenditures of federal awards and schedule of state financial awards of the Los Angeles Community College District (the District) for the year ended June 30, 2016.

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

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

Auditors' Responsibility

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

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

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

In our opinion, the schedule of expenditures of federal awards and schedule of state financial awards referred to above present fairly, in all material respects, the federal and state expenditures of the Los Angeles Community College District for the year ended June 30, 2016, 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.

Los Angeles, California
December __, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

(1) Summary of Auditors' Results

Financial Statements

- (a) The type of report issued on the financial statements: **Unmodified**
- (b) Internal control over financial reporting:
 - Material weakness(es) identified: **None**
 - Significant deficiencies identified that are not considered to be material weaknesses: **2016-001 and 2016-002**
- (c) Noncompliance which is material to the basic financial statements: **None**

Federal Awards

- (d) Internal control over major programs:
 - Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See findings 2016-003 to 2016-014.**
- (e) The type of report issued on compliance for major programs:
 - Student Financial Assistance Cluster – **Unmodified.**
 - H-1B Job Training Grants – **Unmodified.**
 - Trade Adjustment Assistance Community College and Career Training (TAACCCT) – **Unmodified.**
- (f) Any audit findings which are required to be reported in accordance with the Uniform Guidance: **Yes.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**
- (h) Major programs:
 - U.S. Department of Education
 - Student Financial Assistance Cluster:
 - 84.007 Federal Supplemental Educational Opportunity Grant (FSEOG)
 - 84.033 Federal Work Study (FWS)
 - 84.038 Federal Perkins Loan (FPL)
 - 84.268 Federal Direct Student Loans (Direct Loan)
 - 84.063 Federal Pell Grant (PELL)
 - H-1B Job Training Grants – CFDA 17.268

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Schedule of Findings and Questioned Costs

Year ended June 30, 2016

- Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants – CFDA 17.282

(i) Auditee qualified as a low-risk auditee under the Uniform Guidance: Yes.

State Awards

(j) Internal control over state programs:

- Material weakness(es) identified: **No**.
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes**. See findings S-2016.001 and S-2016.004.

(e) The type of auditor’ report issued on compliance for state programs - **Unmodified**

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

	<u>Finding number</u>
1. Student financial assistance cluster – special tests and provisions – borrower data transmission and reconciliation – no monthly reconciliation of SAS data files to institution records and late reporting to the direct loan servicing system (DLSS) via common origination and disbursement (COD)	2016-003
2. Career and technical education – basic grants to state (perkins IV) – equipment management – enforcement of policies and procedures	2016-004
3. Higher education – institutional aid – equipment management – enforcement of policies and procedures	2016-005
4. Trade adjustment assistance community college and career training (TAACCCT) grants – allowable costs/cost principles – payroll documentation	2016-006
5. Trade adjustment assistance community college and career training (TAACCCT) grants – level of effort – level of service requirement	2016-007
6. Trade adjustment assistance community college and career training (TAACCCT) grants – procurement, suspension and debarment – vendor status verification	2016-008
7. H-1B Job training grants – allowable costs/cost principles – duplicate payroll charges	2016-009
8. H-1B Job training grants – eligibility – limited proof of review of participant information	2016-010
9. H-1B Job training grants – equipment management – enforcement of policies and procedures	2016-011

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

	<u>Finding number</u>
10. H-1B Job training grants – procurement, suspension and debarment – vendor status verification	2016-012
11. H-1B Job training grants – level of effort – level of service requirement	2016-013
12. H-1B Job training grants – report – inaccurate reporting of recipient’s share on expenditures	2016-014

2016-001 – Financial Reporting

Condition and Context

During our review of the District’s draft financial statements and the financial reporting process, we noted that a significant number of revisions were required to present the financial statements in accordance with U. S. generally accepted accounting principles. The revisions required were primarily focused on footnotes with complex accounting issues, such as investments and pension plan disclosures. In addition, journal entries prepared by District staff relating to the District’s pension plans were not appropriately reviewed or reported in accordance with the applicable framework and guidance. As a result, audit adjustments were necessary to properly state pension plan related accounts.

Cause and Effect

Financial reporting and accounting for governmental entities has increased in complexity during the last several years. The Governmental Accounting Standards Board has recently issued multiple new pronouncements that expanded the requirements of financial reporting and have changed how governments are required to record and report pension liabilities and the fair value of assets and liabilities. These additional pronouncements will likely cause financial reporting personnel within governments to implement new policies and procedures to ensure these new requirements are satisfactorily met, and undergo increased training in order to effectively prepare and review financial statements.

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 represent a significant deficiency in internal controls.

Recommendation

We recommend that the District provide additional training and resources for those responsible for the preparation of the District’s financial statements. We also recommend that management enhance their policies to ensure that the financial statements are prepared by individuals knowledgeable of governmental

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Schedule of Findings and Questioned Costs

Year ended June 30, 2016

financial reporting requirements and that management develop a more robust review process of the financial statements to ensure accurate financial reporting.

View of Responsible Officials

The District accepts this recommendation and will initiate steps to evaluate the internal findings noted by KPMG and identify opportunities for enhancement noted in the District's staffing and training. The District recognizes the increased complexity government entities face due to new accounting standard imposed in recent years. These new standards require a higher degree of accounting professional development and experience to properly implement.

Toward this end, the District recognizes the need to provide senior-level professional accounting, financial, and administrative support to the CFO in a variety of areas including technical review of periodic and special accounting and financial reports, statements and summaries. Specifically, a management-level position has been created charged with providing technical and functional supervision and training to personnel assigned to financial reporting tasks at the colleges and all units under the direction of the CFO.

The District will assure that the accounting staff will receive ongoing training.

2016-002: Information Technology

Condition and Context

During our review of the District's information technology controls during the fiscal 2007 audit, KPMG identified control weaknesses in the areas of user access & security, and change management. These included the sharing of user accounts, extensive privileged and 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 2016 fiscal audit, KPMG evaluated the progress made and the controls implemented to remediate the weaknesses identified during the 2007 audit and determine if we can place reliance on the IT environment and controls.

During our review of the District's General Information Technology controls during the fiscal 2016 audit, KPMG noted that significant progress has been made to address the previously identified security deficiencies. The District implemented Security Weaver, which is a tool used to control access to the SAP environment and monitor user activity of users with privileged access. As such, it appears that privileged access is restricted. Although privileged access has been restricted to authorized users, we noted opportunities for enhancements that can help further reduce the risk of excessive access.

While progress has been made with the implementation of Security Weaver, control weaknesses continue to exist in the form of excessive access to business and functional user accounts. This included extensive access to business users, IT users having functional level access and insufficient segregation of duties. The SAP security issues continue to be significant deficiencies in the District's system of internal controls. As a result, KPMG cannot place reliance on the IT environment and controls.

Cause and Effect

During 2006-07, LACCD completed post implementation activities for a new Enterprise Resource Planning System (SAP). In addition, in September 2013, the District implemented an SAP wide update. During both

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Schedule of Findings and Questioned Costs

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the implementation and the update, certain access controls were not fully implemented and certain duties needed to be shared. While not ideal from a control standpoint, this also is not unusual for organizations that must continue to support business operations as complex systems implementations are being completed. However, weaknesses in the IT controls can significantly compromise both the security and accuracy of the data within a system and it is important that adequate controls are implemented.

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

As noted above, significant IT issues exist that prevent KPMG from placing reliance on the District's IT environment and controls. Also, opportunities exist to further enhance privileged access to SAP. In order to remediate IT issues and to support the District's plans to expand the use of SAP, KPMG recommends the following action items:

- Perform a security assessment to remediate the extensive segregation of duties conflicts. This includes a thorough review of user profiles, creation of a SOD matrix and role redesign. As SOD conflicts exist at business and functional level, this effort should be led by business managers with IT providing necessary support.
- Evaluate the security designation of privileged user accounts and where possible change the access type to further limit access of IT users. Currently, a few privileged user accounts exist that are used for batch processing functions but require IT users to log in. Although Security Weaver will log activities of the users, by changing the designation of such accounts (from Dialog to Service) IT can further limit the risk of excessive access.

View of Responsible Officials

LACCD Management agrees with the finding and the recommendation that we perform a comprehensive security assessment of the Security Roles in SAP for all LACCD Employees. This will be a joint effort with the Business and Functional owners to ensure that each role is evaluated to eliminate segregation of duties conflicts. This will include the assistance of a third party to help implement best practices and provide a scope of work that can be verified and evaluated once the project is completed. IT will support this effort and help implement the redefined roles and will utilize the Segregation of duties matrix to ensure compliance. We will also convert the few batch accounts to Service accounts to further improve security and limit access to continue to reduce risk.

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Finding 2016-003 – Special Tests and Provisions – Borrower Data Transmission and Reconciliation – No Monthly Reconciliation of SAS Data Files to Institution Records and Late Reporting to the Direct Loan Servicing System (DLSS) via Common Origination and Disbursement (COD)

Federal Program Information

<i>Federal Catalog Number:</i>	84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster: Federal Direct Student Loan (Direct Loan)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Pierce College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00122800, July 1, 2014 to June 30, 2015
	Federal Direct Student Loan ID: G01228

Criteria or Requirement

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303).

Identified Condition

During our testing of compliance with special tests and provisions requirements for borrower data transmission and reconciliation for direct loans at Los Angeles Pierce College, we noted that the direct loan reconciliation of the School Account Statement data file received from COD with the District's records have not been prepared for October 2015 and March 2016. In addition we noted that 2 out of 16 direct loan disbursement samples tested were reported late to COD.

Total Direct Loan expenditures for the fiscal year ended June 30, 2015 amounted to \$30,543,852.

Questioned Costs

None.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

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Possible Asserted Cause and Effect

The District utilizes the Common Origination and Disbursement website to report origination and disbursement of direct loans. Adequate monitoring controls do not appear to be in place to ensure that direct loan disbursements are timely reported to COD.

Recommendation

We recommend that the District implement stricter controls to ensure that direct loan disbursements are timely reported to COD.

Views of Responsible Officials and Planned Corrective Actions

The District Central Financial Aid will centralize downloading the SAS reports from COD and run the reconciliation reports monthly for the college. An email notification will be sent when the reconciliation report is available. The College Financial Aid Office will complete the reconciliation process within 15 days from the date the report is generated.

For 2017-18, loan disbursements and reporting in PeopleSoft will be automated to include before and after sequestration disbursements. For 2016-17, the College Financial Aid Office confirms that Fall 2016 disbursements were processed and reported within the required timeframe.

Finding 2016-004 – Equipment Management – Enforcement of Policies and Procedures

Federal Program Information

<i>Federal Catalog Number:</i>	84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster: Federal Direct Student Loan (Direct Loan)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	East Los Angeles College
<i>Federal Award Number and Award Year:</i>	14-C01-027, July 1, 2014 to June 30, 2015

Criteria or Requirement

Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.313 Equipment.

- (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:
 - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who

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holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Identified Condition

During physical inspection, we noted that 1 out of 11 samples selected could not be located. This has been noted in the latest physical inventory done in June 2015. However, the general ledger has not been adjusted to reflect the missing equipment.

Questioned Costs

\$5,177.50 out of \$205,884.61 of equipment sampled for physical inspection

Possible Asserted Cause and Effect

Procedures and controls were not properly implemented to comply with federal requirements and District policies over safeguarding of capital assets, which includes annual review of grant asset management at the College. This increases the risk that theft or misappropriation of program equipment may occur and not be detected on a timely basis.

Recommendation

We recommend that the College strictly enforce existing District policies and procedures to ensure that federal equipment management regulations are followed.

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

East Los Angeles College will comply with recommendations accordingly and implement ongoing control policies and procedures for federal equipment management.

In addition, internal staff will continue to do yearly physical inventory of the equipment and reconcile equipment records. One of the 11 samples was not located due to the medical leave of the faculty member. However, staff will continue to locate missing equipment and document accordingly.

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Schedule of Findings and Questioned Costs

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Finding 2016-005 – Equipment Management – Enforcement of Policies and Procedures

Federal Program Information

<i>Federal Catalog Number:</i>	84.031
<i>Federal Program Name:</i>	Higher Education – Institutional Aid (Improving STEM Success and Access for Hispanic Students)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Mission College
<i>Federal Award Number and Award Year:</i>	P031C110097-13-14, October 1, 2013 to September 30, 2015 (Improving STEM Success and Access for Hispanic Students)

Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.313 Equipment.

- (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:
- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
 - (4) Adequate maintenance procedures must be developed to keep the property in good condition.
 - (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

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Identified Condition

During our test of controls and compliance over equipment management, we noted the following control deficiencies and instances of noncompliance:

- 1 out of 3 samples selected for equipment inspection has no LACCD and HE program tags;
- 1 out of 3 samples selected for equipment inspection has no HE program tag;
- 1 out of 3 samples selected for equipment inspection cannot be located; and
- There was limited evidence that the results of the physical inventory were reconciled with the District's accounting records (SAP).

Questioned Costs

\$9,615.24 out of \$23,473.08 of equipment sampled for physical inspection

Possible Asserted Cause and Effect

Procedures and controls were not properly implemented to comply with federal requirements and District policies over safeguarding of capital assets, which includes asset tagging and annual review of grant asset management at the College. This increases the risk that theft or misappropriation of program equipment may occur and not be detected on a timely basis.

Recommendation

We recommend that the College strictly enforce existing District policies and procedures to ensure that federal equipment management regulations are followed.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Mission College

The STEM program ended September 30, 2016 and the College could not locate the missing equipment. Moving forward the College will monitor, tag, inventory all equipment purchases.

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Schedule of Findings and Questioned Costs

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Finding 2016-006 – Allowable Costs/Cost Principles – Payroll Documentation

Federal Program Information

<i>Federal Catalog Number:</i>	17.282
<i>Federal Program Name:</i>	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Los Angeles Healthcare Competencies to Careers Consortium)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	East Los Angeles College Los Angeles Trade Tech College
<i>Federal Award Number and Award Year:</i>	TC-25084-13-60-A-6, October 1, 2013 to September 30, 2017

Criteria or Requirement

Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.430 Compensation—personal services.

- a. General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
 - (3) Is determined and supported as provided in paragraph i of this section, Standards for Documentation of Personnel Expenses, when applicable.
- b. Standards for Documentation of Personnel Expenses. (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
 - (ii) Be incorporated into the official records of the non-Federal entity;

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- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Identified Condition

During our review of payroll charged to the TAACCCT Grant at East Los Angeles College and Los Angeles Trade-Technical College, we noted that:

- 1 out of 4 employees sampled at East Los Angeles College did not have documentation of the actual time and effort the employee expended on the program; and
- 2 out of 8 employees sampled at Los Angeles Trade Technical College did not have documentation of the actual time and effort the employee expended on the program.

The other 11 payroll samples (2 from Los Angeles City College, 3 from East Los Angeles College and 6 from Los Angeles Trade-Technical College) have adequate documentation to support salaries and benefits charged to the program.

Questioned Costs

\$9,838.99 out of \$58,308.80 sampled

Possible Asserted Cause and Effect

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

Recommendation

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

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Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

East Los Angeles College has initiated a process to have the “Time and Effort” document completed by all individuals under the LAH3C Grant to ensure compliance with the federal program requirements on allowable/unallowable expenditures. This document will be forwarded by the SFP to each individual at the end of the month to complete and return to the program director for review and signature. Completed copies will be kept in a Time & Effort notebook.

Los Angeles Trade Tech College

In order to ensure compliance with federal program requirements, time and effort reports are submitted by employees under the TAACCCT grant. Per District practice, classroom faculty time is documented by various systems. The class is scheduled and the instructor is then assigned by the Chair and approved by the Dean. The information is then transferred to the payroll system. Absence request forms and absence certification forms are then submitted by the faculty and approved by the Chair, Dean, and Vice President.

Moving forward, all TAACCCT-funded employees—regardless of their function—will complete a time and effort form. Such time and effort forms will be approved by the Chair and the Dean. Upon approval, the forms will be filed by the Program Technician.

Finding 2016-007 –Level of Effort – Level of Service Requirement

Federal Program Information

<i>Federal Catalog Number:</i>	17.282
<i>Federal Program Name:</i>	Trade Adjustment Assistance Community College and Career Training (TACCCT) Grants (Los Angeles Healthcare Competencies to Careers Consortium)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Trade Tech College
<i>Federal Award Number and Award Year:</i>	TC-25084-13-60-A-6, October 1, 2013 to September 30, 2017

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Criteria or Requirement

Per the Statement of Work, the Consortium has projected levels of outcome for certain performance measures as of the end of each program year as follows:

<u>Outcome measures</u>	<u>Goal</u>
Total unique participants served	4,500
Total number of participants completing a grant-funded program of study	3,000
Total number of participants retained in their program of study or program of study	1,425
Total number of participants completing credit hours	3,915
Total number of participants earning credentials	3,000
Total number of participants enrolled in further education	1,215
After grant-funded program of study completion	—
Total number of participants employed after grant-funded program of study completion	1,518
Total number of participants retained in employment after program of study completion	1,289
Total number of those participants employed at enrollment	192
Who received a wage increase post-enrollment	—

Identified Condition

During our test of compliance, we noted that the Consortium did not meet the goals for the second program year as follows:

<u>Outcome measures</u>	<u>Goal</u>	<u>Actual</u>	<u>Percentage met</u>
Total unique participants served	4,500	3,010	67%
Total number of participants completing a grant-funded program of study	3,000	455	15

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Outcome measures	Goal	Actual	Percentage met
Total number of participants completing credit hours	3,915	2,543	65
Total number of participants earning credentials	3,000	567	19
Total number of participants enrolled in further education	1,215	179	15
After grant-funded program of study completion	—	—	—
Total number of participants employed after grant-funded program of study completion	1,518	76	5
Total number of participants retained in employment after program of study completion	1,289	60	5
Total number of those participants employed at enrollment	192	16	8
Who received a wage increase post-enrollment	—	—	—

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

The program encountered significant delay in the implementation at the inception of the grant. As with many grants, the first six months were used to set up budgets and contracts, hire personnel, and prepare for full implementation. The hiring process for the lead administrator took longer than expected. During that time, the college focused on activities and deliverables that would create the process and infrastructure for outcomes. If no supplemental procedures are performed aimed at achieving the projected outcomes for the succeeding program years, there is risk that the Consortium will not meet the targeted level of service of the program at the conclusion of the grant.

Recommendation

We recommend that the Consortium continue its outreach and recruitment activities and create more intensive collaborations with different employers, unions, and workforce agencies in accordance with the Statement of Work.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Trade Tech College

In efforts to meet target outcomes, LATTC has worked diligently to increase enrollment opportunity and support participant completion, placement, and continuing education. As indicated by our annual reports and actuals/projections of enrollments & completers submitted to DOL, we are on track to meet such outcomes.

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In addition, DOL has approved a six month extension. This six month extension expands the program by two additional semesters, giving colleges the opportunity to capture additional enrollments and completers; furthermore, allowing focus on placement and follow up for participants.

Outreach, Lead: Program Director – The program will continue outreach strategies in order to enroll students in accordance to the Statement of Work. Outreach includes, but is not limited to, working with current and new partners such as the WorkSource Center, Employers, Healthcare Associations, and the Adult Education Division of LA Unified School District and LA County Office of Education.

Enrollments & Completers, Lead: Department Chair – LATTC will offer additional sections of classes and ensure schedule gives participants the opportunity to accelerate progression and completion.

Placements, Lead: Program Specialists– Partners like the LA Chamber of Commerce, Health Sector Collaborative, Community Clinic Association of LA County, WorkSource Centers, and the Workforce Investment Board will continue to support job placement strategies by having internships during the program that lead to jobs, prioritizing LAH3C completers for interviews, and continuously sending out job leads. LAH3C is already working on hosting two additional job fairs and has already tentatively scheduled four mock interview session with employers. The development of strategic stacked and latticed certificates will ensure continuing education for participants.

Continue PSE, Lead: Department Chair & Program Director – Development of LAH3C programs were created as stacked and latticed certificates that allows for ongoing education post-completion.

Finding 2016-008 –Procurement, Suspension and Debarment - Vendor Status Verification

Federal Program Information

<i>Federal Catalog Number:</i>	17.282
<i>Federal Program Name:</i>	Trade Adjustment Assistance Community College and Career Training (TACCCT) Grants (Los Angeles Healthcare Competencies to Careers Consortium)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles City College Los Angeles Trade Tech College
<i>Federal Award Number and Award Year:</i>	TC-25084-13-60-A-6, October 1, 2013 to September 30, 2017

Criteria or Requirement

Title 2, Subtitle A, Chapter II, Part 200, Subpart C, §200.213 Suspension and debarment.

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Nonfederal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Identified Condition

During our test of controls, we noted that the suspension and debarment statuses of vendors were not verified prior to procurement.

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Upon audit inquiry with the District personnel, their procurement department has advised the specially funded program (SFP) directors at the campuses that the directors are the ones responsible regarding all the requirements of the program, including verifying the suspension and debarment statuses of the vendors. However, per discussion with campus personnel, the SFP directors perform procurement procedures under the impression that the District bears such responsibility. The lack of verification of vendors' statuses prior to procurement increases the risk of transacting with suspended or debarred entities using federal funds.

Recommendation

We recommend that the District communicate clearly and regularly with the campuses as to who shall bear responsibility in verifying the suspension and debarment status of each vendor prior to procurement.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles City College

The District has indicated that there is not an ongoing process to ensure vendors are eligible for participation in Federal activities. Therefore, our corrective action plan is to verify that all future potential vendors are not debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities prior to any procurement of services or goods. The Program Director and Dean will not approve any purchases unless a printout is attached to the quotes.

We will ensure this occurs by following the two steps below:

1. Verifying the eligibility of the vendor via the System for Award Management (SAM) <https://www.sam.gov/portal/SAM/##11>
2. Documenting their eligibility status by keeping a written record of the vendor's status and attaching it to any purchase order/procurement initiation.

Los Angeles Trade Tech College

Although the District verifies suspension and debarment status of each vendor prior to procurement, the District has indicated that there is no ongoing process to ensure vendors are eligible for participation in

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Federal activities. Thus, LATTTC commits to verifying the suspension and debarment status of each vendor prior to procurement. The Program Technician will verify using the Federal Debarred Listing website <https://www.sam.gov> and any other federal resource in which such information can be obtained. The Program Director and Dean will not approve any purchases unless a printout is attached to the quotes.

Finding 2016-009 – Allowable Costs/Cost Principles – Duplicate Payroll Charges

Federal Program Information

<i>Federal Catalog Number:</i>	17.268
<i>Federal Program Name:</i>	H-1B Job Training Grants (The Leading Engineering Education for the Future in Los Angeles for Los Angeles Southwest College)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Southwest College
<i>Federal Award Number and Award Year:</i>	HG-22706-12-60-A-6, April 2, 2012 to March 31, 2017

Criteria or Requirement

Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

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- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Identified Condition

During our review of payroll charged to the H-1B Job Training Grant at Los Angeles Southwest College, we noted that there were duplicate instructor salary charges during the year.

Questioned Costs

\$7,208.08 out of \$12,797.68 sampled

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that duplicate charging to the program is avoided. This increases the risk that there might be other potential duplicate charges to the grant during the year.

Recommendation

We recommend that the District implement stricter controls to ensure compliance with the federal program requirements on allowable/unallowable expenditures. Expenditures charged to the grant must be regularly reviewed and monitored to ensure that no costs are charged to the program in duplicate.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The Program plans to institute the following corrective action plan to avoid duplicate charges to the fund.

- The Program Specialist will submit a Journal Voucher (JV) to correct the duplicate charge; extract budget reports on SAP; ask the District accountant to check the charges in the fund; and review an F1 Posting Report to ensure the JV is processed and posted accurately.
- Every month, the Program Specialist and Office Assistant (Program Staff) will extract and review budget reports to monitor its expenditures and record the date.
- If the Program Staff are asked to submit a JV, they will not rely on the SD reports provided by an employee from another program. Instead, they will do the following before submitting the JV:
 1. Extract a budget report to check if the charges are added to the fund
 2. Ask the District accountant to check charges to the fund
 3. Ask the campus Senior Administrative Analyst to check if the system self-corrected to the appropriate fund

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- Every month, the Program staff will run an F1 Posting Report to ensure JVs are posted accurately and not accidentally charged to the fund.

The responsible officials for this corrective action plan are the CTE and Workforce Development Dean and the SFP Specialist. The date of completion of the plan will be January 3, 2017.

Finding 2016-010 –Eligibility — Limited Proof of Review of Participant Information

Federal Program Information

<i>Federal Catalog Number:</i>	17.268
<i>Federal Program Name:</i>	H-1B Job Training Grants (The Leading Engineering Education for the Future in Los Angeles for Los Angeles Southwest College)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Southwest College West Los Angeles College
<i>Federal Award Number and Award Year:</i>	HG-22706-12-60-A-6, April 2, 2012 to March 31, 2017 for Los Angeles Southwest College HG-22731-12-60-A-6, April 2, 2012 to September 30, 2016 for West Los Angeles College

Criteria or Requirement

At Los Angeles Southwest College

Per the Statement of Work, the program will serve 400 unemployed workers in the greater Los Angeles region, 340 (85%) of whom will be long-term unemployed individuals. The Project will focus on serving the low-income communities of South Los Angeles and target unemployed engineers and other unemployed workers who have at least a high school diploma and some post-secondary education and/or related work experience. Priority will be given to veterans and individuals who have been unemployed for 27 weeks or more.

At West Los Angeles College

Per the Statement of Work, the program will serve individuals who fall in one of the following three classifications:

- Individuals who have been without a job for 27 weeks or more and who want and are able to work;
- Individuals who are separate from any branch of the US military (Army, Air Force, Navy, Marines, Coast Guard; and

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- Individuals who are employed at companies that are part of the project and who need training to (a) secure full-time employment, (b) advance in their careers, or (c) retain their current occupations.

Within these three classifications, particularly the long-term unemployed and veterans, the program will enroll, train, and place a wide variety of individuals including those with barriers to employment such as limited English proficiency, persons 18 year of age and older who have at least a GED or high school diploma and are seeking employment, persons with disabilities, and ex-offenders. The program will provide priority service for veterans and spouses pursuant to The Jobs for Veterans Act (PL 107-288).

Identified Condition

During our test of controls, we noted that controls over eligibility were inadequate at Los Angeles Southwest College. The following control deficiencies were noted:

- There is limited proof that the applications/in-take forms were reviewed to ensure that participants meet the program eligibility requirements;
- No adequate documentation was maintained to verify high school information; and
- 1 out of 12 sampled participants was not properly classified as long-term unemployed per the report submitted to the grantor.

At West Los Angeles College, we noted that there is limited proof of review of beneficiary eligibility prior to payment of reimbursement to employer and workforce partners.

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Procedures and controls were not properly designed to comply with the federal requirements over verifying beneficiary eligibility information. Lack of verification and inadequate documentation increase the risk that ineligible individuals can participate into the program. Further, due to inaccurate classification of participants, there is risk that the program will not meet the target number of long-term unemployed individuals due to misreporting.

Recommendation

We recommend that the College properly document procedures performed on reviewing beneficiary participant applications, maintain adequate documentation to verify eligibility information, and revisit participant files to accurately classify long-term unemployed individuals.

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Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The Program plans to institute the following corrective action plan to ensure it maintains adequate documentations to verify eligibility information and accurately classify long-term unemployed individuals.

Issue	Control	Persons Responsible
Document the review of participant applications	The Program staff will add a “Staff Only” section on the participant application and will initial and record the date they review it and the eligibility documents.	Program Specialist and Office Assistant
Document the verification of high school eligibility requirement	The Program staff will require participants to provide a copy of their high school diploma, GED certificate, or university transcript with the date of graduation and name of high school	Program Specialist and Office Assistant
Review participant files to accurately classify long-term unemployed individuals	The Program Office Assistant will check the application fields and database records, especially the long-term unemployed status. She will initial and record the review date on each participant’s application. The Program Specialist will check the participants’ application fields and database records; initial and record the review date; and ask the Office Assistant to make corrections, if necessary. If the Office Assistant makes corrections to the database fields, she will resubmit the data file to the Federal agency during the next quarterly transmission.	Program Specialist and Office Assistant

The responsible officials for this corrective action plan are the CTE and Workforce Development Dean and the SFP Specialist. The date of completion of the plan will be January 3, 2017.

West Los Angeles College

To ensure substantial proof of beneficiary eligibility, West Los Angeles College will conduct sampling audits to review the sufficiency of documentation of beneficiary eligibility. West Los Angeles review samples of military discharge documents (DD 214), evidence of GED diplomas, and verification of unemployment status through EDD documentation. Every verified participant record will be signed and dated before being referred for payment processing. The responsible officials for this corrective action plan are _____. The date of completion of the plan will be on _____.

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Finding 2016-011 – Equipment Management – Enforcement of Policies and Procedures

Federal Program Information

<i>Federal Catalog Number:</i>	17.268
<i>Federal Program Name:</i>	H-1B Job Training Grants (The Leading Engineering Education for the Future in Los Angeles for Los Angeles Southwest College)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Southwest College
<i>Federal Award Number and Award Year:</i>	HG-22706-12-60-A-6, April 2, 2012 to March 31, 2017

Criteria or Requirement

Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.313 Equipment.

- (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:
- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
 - (4) Adequate maintenance procedures must be developed to keep the property in good condition.
 - (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

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Identified Condition

During our test of controls and compliance over equipment management, we noted the following control deficiencies and incompliance:

- The unit of equipment inspected has no H-1B program tag; and
- Location information is missing from equipment records

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Procedures and controls were not properly implemented to comply with federal requirements and District policies over safeguarding of capital assets, which includes asset tagging and updating equipment records with location information. This increases the risk that theft or misappropriation of program equipment may occur and not be detected on a timely basis.

Recommendation

We recommend that the College strictly enforce existing District policies and procedures to ensure that federal equipment management regulations are followed.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The Program plans to institute the following corrective action plan to ensure it tags its assets and updates equipment records with location information.

Issue	Control	Persons Responsible
Asset Tag	The Program Specialist will tag the asset and record the date on the Equipment/Asset Inventory List. The Program Office Assistant will inspect the tag and initial it and record the date on the list.	Program Specialist and Office Assistant
	Every quarter, the Program staff will inspect assets to ensure tags are secure and initial and record the date on the Equipment/Asset Inventory List	Program Specialist and Office Assistant
Update Records with Location Information	The Program staff will record each asset's location on the Equipment/Asset Inventory List and ask the District accountant to enter the information into SAP.	Program Specialist and Office Assistant

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Issue	Control	Persons Responsible
	Every quarter, the Program staff will inspect the location of their assets, review the location information on the Equipment/Asset Inventory List, print the Fixed Asset Reconciliation Report, and record the date.	Program Specialist and Office Assistant

The responsible officials for this corrective action plan are the CTE and Workforce Development Dean and the SFP Specialist. The date of completion of the plan will be January 3, 2017.

Finding 2016-012 –Procurement, Suspension and Debarment- Vendor Status Verification

Federal Program Information

Federal Catalog Number: 17.268

Federal Program Name: H-1B Job Training Grants (The Leading Engineering Education for the Future in Los Angeles for Los Angeles Southwest College)

Federal Agency: U.S. Department of Labor

Pass-Through Entity: N/A

Campus: Los Angeles Southwest College

Federal Award Number and Award Year: HG-22706-12-60-A-6, April 2, 2012 to March 31, 2017

Criteria or Requirement

Title 2, Subtitle A, Chapter II, Part 200, Subpart C, §200.213 Suspension and debarment.

Nonfederal entities are subject to the nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Identified Condition

During our test of controls, we noted that the suspension and debarment statuses of vendors were not verified prior to procurement.

Questioned Costs

Not applicable

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Possible Asserted Cause and Effect

Upon audit inquiry with the District personnel, their procurement department has advised the specially funded program (SFP) directors at the campuses that the directors are the ones responsible regarding all the requirements of the program, including verifying the suspension and debarment statuses of the vendors. However, per discussion with campus personnel, the SFP directors perform procurement procedures under the impression that the District bears such responsibility. The lack of verification of vendors' statuses prior to procurement increases the risk of transacting with suspended or debarred entities using federal funds.

Recommendation

We recommend that the District communicate clearly and regularly with the campuses as to who shall bear responsibility in verifying the suspension and debarment status of each vendor prior to procurement.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The Program plans to institute the following corrective action plan to ensure it verifies the suspension and debarment statuses of new and current LACCD vendors prior to procurement:

- The Program Specialist and Office Assistant (Program staff) will look up new and current LACCD vendor on the on-line System for Award Management (SAM) prior to procurement.
- The Program staff will attach a SAM printout of the vendor's status, verifying that it is not suspended or debarred, along with the date checked, to the Request for Contract Form prior to procurement. If a vendor's status shows suspension or debarment, the Program staff will document the information and will inform the vendor it will be excluded from the program.

The responsible officials for this corrective action plan are the CTE and Workforce Development Dean and the SFP Specialist. The date of completion of the plan will be January 3, 2017.

Finding 2016-013 –Level of Effort — Level of Service Requirements

Federal Program Information

<i>Federal Catalog Number:</i>	17.268
<i>Federal Program Name:</i>	H-1B Job Training Grants (Bridging Emerging Advanced Technology for West Los Angeles College)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	West Los Angeles College
<i>Federal Award Number and Award Year:</i>	HG-22731-12-60-A-6, April 2, 2012 to September 30, 2016

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Criteria or Requirement

Per the Statement of Work, the College has projected levels of outcome for certain performance measures as of the end of the grant. The projections were applicable to two participant categories—unemployed and employed individuals.

Performance outcomes	Unemployed	Employed
Total participants served	500	2990
Total participants beginning education/training activities	425	2990
Total participants completing education/training activities	375	2990
Total participants who complete education/training who receive a degree or other type of credential	375	2990
Total participants who complete education/training activities who enter unsubsidized employment	330	n/a
Total participants who complete education/training activities who retain an employed status in the first and second quarters following initial placement	330	2990

Identified Condition

During our test of compliance over the level of effort requirements of the program, we noted that the College did not meet the following targets at the conclusion of the grant with regard to unemployed individuals:

Performance outcomes	Projected performance (unemployed)		
	Goal	Actual	Percentage
Total participants served	500	439	88%
Total participants beginning education/training activities	425	402	95%
Total participants who complete education/training who receive a degree or other type of credential	375	279	74%
Total participants who complete education/training activities who enter unsubsidized employment	330	2	1%
Total participants who complete education/training activities who retain an employed status in the first and second quarters following initial placement	300	76	25%

Questioned Costs

Not applicable

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Possible Asserted Cause and Effect

The program primarily focused on serving employed beneficiary participants resulting in the program far exceeding the projected levels of outcome for employed individuals and falling short for unemployed individuals.

Recommendation

We recommend that the College balance out its outreach and recruitment efforts between unemployed and employed individuals and create more intensive collaborations with workforce agencies to meet projected levels of outcome for unemployed individuals.

Views of Responsible Officials and Planned Corrective Actions

West Los Angeles College

West Los Angeles College, in consultation with the grantor will undertake to revise the target goals of serving unemployed participants in light of the apparent under-performance in that area. Additionally, we will seek to redeploy program resources to that target population, and implement interim benchmarks for meeting program goals. The responsible officials for this corrective action plan are _____. The date of completion of the plan will be on _____.

Finding 2016-014 –Reporting — Inaccurate Reporting of Recipient’s Share in Expenditures

Federal Program Information

<i>Federal Catalog Number:</i>	17.268
<i>Federal Program Name:</i>	H-1B Job Training Grants (Bridging Emerging Advanced Technology for West Los Angeles College)
<i>Federal Agency:</i>	U.S. Department of Labor
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	West Los Angeles College
<i>Federal Award Number and Award Year:</i>	HG-22731-12-60-A-6, April 2, 2012 to September 30, 2016

Criteria or Requirement

Per Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.327 Financial reporting and §200.328 Monitoring and Reporting Program Performance, required reports for Federal awards must include all activity of the reporting period, must be supported by applicable accounting or performance records, and should be fairly presented in accordance with governing requirements.

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Identified Condition

During our review of the quarterly financial reports submitted to the grantor, we noted that the cumulative recipient share of expenditures is inaccurately reported. The effect is an overstatement of \$135,343. However, the overstatement did not result in the noncompliance with the matching requirement of the grant.

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

The recipient share of expenditures consists of two nonfederal resources—matched funds (cash) and leveraged resources (cash and noncash). A portion of the matched funds amounting to \$135,343 was also included in the leveraged resources overstating the total recipient share of expenditures.

Recommendation

We recommend that the College perform a more intensive review of the report and underlying supporting documentations to avoid inaccurate reporting of information.

Views of Responsible Officials and Planned Corrective Actions

West Los Angeles College

West Los Angeles College will work through its Office of Administrative Services to ensure accurate and timely monitoring of expenditures, match requirements and their subsequent financial reporting. The responsible officials for this corrective action plan are _____. The date of completion of the plan will be on _____.

SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

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Schedule of State Findings and Recommendations

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(1) Summary of State Findings and Recommendations

	<u>Section</u>	<u>Finding number</u>
1. Residency Determination of Credit Courses – Application for Admission Forms	425	S-2016.001
2. Concurrent Enrollment of K-12 Students in Community College Credit Courses – Approvals of Students to Attend Courses	427	S-2016.002
3. To Be Arranged Hours – TBA Course Classification	479	S-2016.003
4. Disabled Student Programs and Services – Advisory Committee Meetings	475	S-2016.004

S-2016.001 – Residency Determination for Credit Courses (425) – Application for Admission Forms

State Criteria or Requirement

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

The residency of student in credit courses shall be adequately supported to ensure that each student has been classified as either a “resident” or a “nonresident.” The residence questionnaire used by the District in making residence classifications must require students to certify their answers under oath or penalty of perjury.

References

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

Identified Condition

To ensure that the District only claims apportionment for the attendance of California residents in credit courses, we selected a sample of 130 students (60 regular students and 70 student-athletes) enrolled in credit courses offered by the District. We then tested supporting residency documentation for the students sampled to determine whether each student has been properly classified as either a “resident” or a “nonresident” by inspecting the application for admission (hardcopy and/or electronic) used by the District. In addition, for student-athletes selected for testing, we compared the student’s admission application and residence questionnaire to the athlete’s Commission of Athletics Form 1 for applicable information and to confirm consistency.

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In our sample of 70 student-athletes, the admission application forms for 2 out of 20 samples selected for testing at Los Angeles Pierce College could not be located. There appeared to be a lack of monitoring by the District to ensure that each campus retains copies of application for admission forms for student-athletes. Consequently, there was not sufficient evidence to support the assertion that the student-athletes who were claimed for state support were eligible.

Full-Time Equivalent Student (FTES) Impact

3.17 FTES exceptions of the 21.98 credit FTES sampled, or 14.42% of the total sample at the campus.

Questioned Costs

\$14,973.81 (3.17 credit FTES exceptions x \$4,723.60 credit FTES reimbursement rate)

This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2016.

Extrapolated Finding

Based on the schedule of FY 2016 FTES claimed for student athletes enrolled in credit courses of those campuses where the samples were obtained, the following are the extrapolated FTES for the above finding:

- 37.55 FTES (14.42% x 258.67 total credit FTES claimed for K-12 students taking credit courses at the campus)

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

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that the application for admission forms are retained by the campus in accordance with District policy. Controls should also be implemented to ensure that student-athletes who were claimed for state support are eligible.

District Response

Los Angeles Pierce College

These two student samples completed paper admissions applications. Starting January 2016, the Admissions and Records Office no longer accepts paper applications and now requires students to complete an online admissions application as the first step in becoming a student. Electronic application files are stored on the CCCApply server and all information is available upon request.

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S-2016.002 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approvals of Students to Attend Courses

State Criteria or Requirement

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

References

California Education Code, Section 48800.

Identified Condition

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

During our audit we noted the following:

- 10 out of 24 K-12 students sampled from Los Angeles Pierce College were enrolled in courses that were not included in the courses to be taken by the student that were recommended and approved by the school principal in the K-12 supplemental application for admission forms.
- 2 out of 26 K-12 students sampled from East Los Angeles College were enrolled in courses that were not included in the courses to be taken by the student that were recommended and approved by the school principal in the K-12 supplemental application for admission forms.

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

Full-Time Equivalent Student (FTES) Impact

- Los Angeles Pierce College: 1.77 FTES exceptions of the 9.95 credit FTES sampled, or 17.75% of the total sample at the campus.
- East Los Angeles College: 0.21 FTES exceptions of the 5.36 credit FTES sampled, or 3.84% of the total sample at the campus.

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

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Schedule of State Findings and Recommendations

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Questioned Costs

\$9,352.73 (1.98 credit FTES exceptions x \$4,723.60 credit FTES reimbursement rate)

Extrapolated Finding

Based on the schedule of FY 2016 FTES claimed for the K-12 students enrolled in credit courses of those campuses where the samples were obtained, the following are the extrapolated FTES for the above finding:

- Los Angeles Pierce College: 4.02 FTES (17.75% x 22.64 total credit FTES claimed for K-12 students taking credit courses at the campus)
- East Los Angeles College: 40.04 FTES (4.84% x 827.30 total credit FTES claimed for K-12 students taking credit courses at the campus)

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

Recommendation for Corrective Action

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

*District Response***East Los Angeles College**

Effective immediately, East will restrict all enrollment of K-12 students to manual enrollment in person and place enrollment holds on students to restrict online enrollment. K-12 students will be directed to an in-person registration, in which they will either submit an initial K-12 form which would have a listing of the desired courses for immediate enrollment, or submit an updated K-12 form which would list the selected course. East will scan all K-12 forms for staff reference to verify in person registration attempts. East will also start a self-audit in the middle of semester/terms to cross check K-12 forms with actual enrollment and require students with any differences to get an updated K-12 form with the proper course listed.

Los Angeles Pierce College

The student information system automatically restricts a K-12 student from enrolling in classes at Pierce until they submit a signed K-12 supplemental form. Once the form is submitted, their hold is lifted and the K-12 student can use the online registration portal to register for class. However, the online Student Information System does not restrict the K-12 student from enrolling in classes that they may not have been approved.

Beginning Winter 2017, the Admissions and Records Office will manually verify that all K-12 students are enrolled in winter 2017 classes they have been approved to take. In cases where the student is enrolled in a class without proper approval, they will need to provide documentation or they will be removed from the class.

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Year ended June 30, 2016

Beginning Spring 2017, all K-12 students must register for classes in-person. They will be no longer be able to register online. This will ensure that students are only enrolling in classes they have permission to take. Once they are enrolled in the appropriate class, a restriction hold will be placed on their record again so they will not be able to modify their class schedule online.

S-2016.003 – To Be Arranged Hours (Section 479) –TBA Course Classification

State Criteria or Requirement

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

A clear description of the course, including the number of TBA hours required, must be published in the official schedule of classes or addenda thereto.

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

References

- To Be Arranged (TBA) Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- Second TBA Hours Follow-up Memorandum, June 10, 2009
- TBA Hours Follow-up Memorandum, January 26, 2009
- Education Code sections 84040 and 88240
- Courses with To Be Arranged (TBA) Hours, Memorandum from the California Community Colleges Chancellor’s Office dated March 8, 2013
- CCR, Title 5, Sections 58102 and 58104

Identified Condition

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

1 out of 2 TBA courses from Los Angeles Mission College was deemed to be an invalid TBA course. The Spanish 001 Section 7844 course was created to accommodate one student who was not able to enroll in Spanish 7804 due to a time conflict. In addition, the course outline did not include a description of the TBA portion and did not classify the course as TBA. There appeared to be inadequate procedures at Los Angeles Mission College to ensure that the courses are properly classified. Course classification errors will result in

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Schedule of State Findings and Recommendations

Year ended June 30, 2016

FTES per type, weekly, daily and or positive attendance, being inaccurately calculated and reported for funding.

Full-Time Equivalent Students (FTES) Impact

Los Angeles Mission College: 0.18 FTES exceptions of the 6.48 credit FTES sampled, or 2.72% of the total sample at the campus.

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

Questioned Costs

\$850.25 (0.18 credit FTES exceptions x \$4,723.60 credit FTES reimbursement rate)

Extrapolated Finding

Based on the schedule of FY 2016 FTES claimed for the TBA portion of credit courses of those campuses where the samples were obtained, the following are the extrapolated FTES for the above finding:

- Los Angeles Mission College: 0.23 FTES (2.72% x 8.40 total credit FTES claimed for the TBA courses at the campus)

These findings have not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2016.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that TBA courses are properly classified. The District should review courses classified as requiring TBA hours and determine TBA hours that do not meet the definition of Weekly or Daily Census procedure courses. Such courses should be reported as positive attendance courses.

*District Response:***Los Angeles Mission College**

The following remedy/remedies may be applied. However, Admissions and Records can only make suggestions because sections are created in Academic Affairs.

- One, the college will no longer create special TBA sections for any student, concurrent enrollment or otherwise, due to time conflicts or other special circumstances.
- Two, the college may wish to investigate the use of exempt or "XMPT" classes which, according to our understanding, should not have FTES implications.
- Three, the Office of Outreach and Recruitment must submit all concurrent enrollment applications by the deadline to add. This will enable the students to be informed if their schedule of classes needs to be changed.

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S-2016.004 – Disabled Student Programs and Services (Section 475) – Advisory Committee Meetings

State Criteria or Requirement

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

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

References

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

Identified Condition

We noted that while Los Angeles Pierce College has an Advisory Committee, the committee did not conduct an annual meeting.

Questioned Costs

Not applicable.

Recommendation for Corrective Action

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

District Response

Los Angeles Pierce College

During the 2015-2016 academic year, leadership of the Special Services office was interrupted when the Associate Dean of Special Services resigned in the middle of December 2015. An Acting Associate Dean was not appointed until February 16, 2016. The Advisory Committee for the Special Services Office is usually convened during the Fall semester. The Acting Associate Dean was not made aware that the Advisory Committee had not met until it was too late in the year to gather the committee together to hold the meeting.

Upon learning that the Advisory Committee had not met, the Acting Associate Dean began efforts to reconstitute the committee and has since scheduled the next Advisory Committee meeting for December 9, 2016. Additionally, the college is preparing to conduct a search for a new Coordinator of Special Services. Once in place, the new Coordinator, in conjunction with college leadership, will ensure that an Advisory Committee meeting will be held annually every fall semester.

SCHEDULE OF PRIOR YEAR FEDERAL AND STATE FINDINGS

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Schedule of Prior Year Federal and State Findings

Year ended June 30, 2016

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	Condition	Current Status	Explanation if not fully implemented
F-2015.001 Student Financial Assistance Cluster- Special Tests and Provisions - Enrollment Reporting - Inaccurate Reporting of Enrollment Status to National Student Loan Database System	One out of 38 students sampled with changes in enrollment status that occurred during the fiscal year was not accurately reported to NSLDS. The student graduated in Fall 2014 at Los Angeles Valley College but was reported to NSLDS as withdrawn. The District Information Technology Department is responsible for transmitting degree information to the National Clearinghouse. However, further review of Degree Transmission History to the National Clearinghouse indicates that there were no reporting made in January and February 2015.	Implemented.	Not applicable.
F-2015.002 Career and Technical Education - Basic Grants to State (Perkins IV) - Allowable Costs/Cost Principles - Payroll Documentation	During our review of payroll charged to the Career and Technical Education – Basic Grants to State (Perkins IV) (CTE) program at East Los Angeles College, we noted that 1 out of 8 employees sampled did not have documentation of the actual time and effort the employee expended on the program. The timesheets that were provided did not reflect that the employee worked on the CTE program during the period tested.	Implemented.	Not applicable.

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Schedule of Prior Year Federal and State Findings

Year ended June 30, 2016

Finding Reference	Condition	Current Status	Explanation if not fully implemented
S-2015.003 Concurrent Enrollment of K-12 Students in Community College Credit courses (Section 427) – Approvals of Students to Attend Courses	<p>During our audit we noted that 1 out of 18 K-12 students sampled from West Los Angeles College was enrolled in a course that was not included in the courses that were recommended and approved by the school principal to be taken by the student in the K-12 supplemental application for admission forms.</p> <p>There appeared to be inadequate monitoring by the District to ensure that K-12 students are enrolled only in courses that the school principal recommended and approved to be taken by the student.</p>	West Los Angeles College – Implemented Repeat Finding	Peoplesoft, the new student information system to be utilized by Admission and Records (A&R) of all colleges, will address this audit finding. With Peoplesoft, K-12 students will be able to apply online and will be required to submit their K-12 forms directly to A&R. A&R will have the ability to enter the course and number, allowing only enrollment in the course and number listed on the K-12 form. This Peoplesoft feature will be available in May 2017.
F-2015.004 Higher Education - Institutional Aid - Allowable Costs/Cost Principles - Payroll Documentation	<p>During our review of payroll charged to the Higher Education Institutional Aid Program, we noted the following:</p> <ul style="list-style-type: none"> 1 (STEM) out of 9 employees sampled at Los Angeles Mission College did not have documentation of the actual time and effort the employees expended on the program. 	Los Angeles Mission College – Implemented Los Angeles Harbor College – Implemented	Not applicable.

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Schedule of Prior Year Federal and State Findings

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Finding Reference	Condition	Current Status	Explanation if not fully implemented
<p>F-2015.005 Higher Education - Institutional Aid - Equipment Management - Policies and Procedures</p>	<ul style="list-style-type: none"> • 3 (STEM) out of 8 employees sampled at Los Angeles Harbor College did not have documentation of the actual time and effort the employees expended on the program; and • 1 (Title V) out of 8 employees sampled at Los Angeles Harbor College charged salary to the program more than the actual time and effort the employee expended on the program. <p>During control procedures performed over equipment management, we noted that controls over equipment management were inadequate at Los Angeles Mission College and Los Angeles Harbor College. The following control deficiencies were noted:</p> <ul style="list-style-type: none"> • At Los Angeles Mission College and Los Angeles Harbor College, there was limited evidence that the results of the physical inventory were reconciled with the District’s accounting records (SAP); 	<p>Los Angeles Mission College – Partially implemented</p> <p>Los Angeles Harbor College – Implemented</p>	<p>The STEM program ended September 30, 2016 and the College could not locate the missing equipment. Moving forward the College will monitor, tag, inventory all equipment purchases. Person Responsible: Vice President of Administrative Services</p> <p>Anticipated Completion Date: December 31, 2016</p>

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Finding Reference	Condition	Current Status	Explanation if not fully implemented
<p>FS-15-001 Information Technology</p>	<ul style="list-style-type: none"> • At Los Angeles Mission College, the condition of the equipment was missing from the equipment records as required by the federal regulations • The equipment listing by Los Angeles Mission College is not updated. Location information for 3 out of 6 units of sampled equipment were inaccurate. <p>During our review of the District’s information technology controls during the fiscal 2007 audit, we identified control weaknesses in the areas of security and change management. These included the sharing of user accounts, extensive super user access and informal change management processes. These issues were determined to be significant deficiencies in the District’s system of internal controls. During the fiscal 2015 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the audit.</p>	<p>Partially Implemented.</p>	<p>The District has implemented the controls necessary to address the super user access, change management and sharing of user accounts in the IT roles and has addressed the new Segregation of Duties issues identified in the IT Roles. The recommendation is partially implemented due to the need to do a full review of all the security roles in the business and functional areas. This will require a project with the business and process owner to resolve the findings. The business owners will review each role to ensure proper segregation of duties. This will result in a redesign</p>

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Schedule of Prior Year Federal and State Findings

Year ended June 30, 2016

Finding Reference	Condition	Current Status	Explanation if not fully implemented
	<p>The District has continued to made progress in remediating the previously identified issues, however control weaknesses have not been fully remediated to a level where general internal controls can be relied upon for audit purposes and the significant deficiencies continued to exist during fiscal year 2015.</p>		<p>of security roles based on business decisions and segregation of duties best practices.</p>
	<p>The District implemented the Security Weaver tool to control access to the SAP environment, and a formal process for change management and the Mercury Quality Center application to manage its change management process. The District's IT further limited access to super user accounts identified in the last review however, certain legacy control weaknesses, continue to exist. The sharing of user accounts in the database environment and operating system underlying SAP, extensive administrative access in SAP and weaknesses in the change management process were found during the 2015 audit.</p>		

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Schedule of Prior Year Federal and State Findings

Year ended June 30, 2016

Finding Reference	Condition	Current Status	Explanation if not fully implemented
S-2015.001 Salaries of Classroom Instructors (50% Law) (Section 421) – Salaries of Instructors with Non-Instructional Assignments	In our sample of 40 instructors with noninstructional/reassigned assignments, we noted that noninstructional salaries for 5 instructors were included in “Salaries of Classroom Instructors.” The instructors were Department Chairs whose duties were noninstructional.	Implemented.	Not applicable.
S-2015.002 Residency Determination for Credit Courses (Section 425) – Commission of Athletics Form 1	In our sample of 60 student-athletes, the Commission of Athletics Form 1 for 8 out of 20 samples selected for testing at Los Angeles Trade-Technical College could not be located. The remaining 12 samples did not participate in a sports competition during FY 14-15. There appeared to be a lack of monitoring by the District to ensure that each campus retains copies of Commission of Athletics Form 1 for student-athletes. Consequently, there was no sufficient evidence to support the assertion that the student-athletes who were claimed for state support were eligible.	Implemented.	Not applicable.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2016

Finding Reference	Condition	Current Status	Explanation if not fully implemented
<p>S-2015.003 Concurrent Enrollment of K-12 Students in Community College Credit courses (Section 427) – Approvals of Students to Attend Courses</p>	<p>During our audit we noted that 1 out of 18 K-12 students sampled from West Los Angeles College was enrolled in a course that was not included in the courses that were recommended and approved by the school principal to be taken by the student in the K-12 supplemental application for admission forms.</p> <p>There appeared to be inadequate monitoring by the District to ensure that K-12 students are enrolled only in courses that the school principal recommended and approved to be taken by the student.</p>	<p>West Los Angeles College – Implemented Repeat Finding</p>	<p>Peoplesoft, the new student information system to be utilized by Admission and Records (A&R) of all colleges, will address this audit finding. With Peoplesoft, K-12 students will be able to apply online and will be required to submit their K-12 forms directly to A&R. A&R will have the ability to enter the course and number, allowing only enrollment in the course and number listed on the K-12 form. This Peoplesoft feature will be available in May 2017.</p>
	<p>During the audit testing performed to ensure that apportionment claimed for TBA courses is adequately supported, we noted the following:</p> <p>- 21 TBA courses (5 from Los Angeles City College, 16 from Los Angeles Harbor College) of 46 TBA courses sampled did not have census rosters or similar attendance forms; and</p>	<p>Implemented.</p>	<p>Not applicable.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2016

Finding Reference	Condition	Current Status	Explanation if not fully implemented
	<p>- The attendance rosters provided for 3 TBA courses from Los Angeles City College did not adequately support the number of students claimed by the District.</p>		
	<p>There appeared to be inadequate procedures to ensure that the designation of a course as TBA is communicated to instructors, and that attendance rosters for TBA courses at these campuses are distributed to the instructors at the beginning of the class and returned to Admissions and Records when completed.</p>		
	<p>We also noted that 1 TBA course from Los Angeles Harbor College was deemed invalid TBA course. The History 58 course from Los Angeles Harbor College was an online course that used “TBA” in the schedule to indicate online format. There appeared to be inadequate procedures at Los Angeles Harbor College to ensure that the courses are properly classified. Course classification errors will result in FTES per type, weekly, daily and or positive attendance, being inaccurately calculated and reported for funding.</p>		

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Schedule of Prior Year Federal and State Findings

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Finding Reference	Condition	Current Status	Explanation if not fully implemented
S-2015.005 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Advisory Committee	For EOPS, we noted 1 (West Los Angeles College) of 3 colleges sampled did not have evidence of the required annual meeting. For CARE, we noted that 1 (West Los Angeles College) of 3 colleges sampled did not meet the required semi-annual meetings. There were no meetings held during the academic year.	Implemented.	Not applicable.
S-2015.006 Disabled Student Programs and Services (Section 475) – Advisory Committee	We noted that Los Angeles Trade-Technical College did not have evidence of the required annual meeting of the Advisory Committee.	Implemented.	Not applicable.