



Los Angeles Community College District

Basic Financial Statements and Supplemental Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

June 30, 2017 and 2016

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

Table of Contents

	Page
Introduction	
Chancellor's Message	i
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	16
Statements of Revenue, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19
Notes to Basic Financial Statements	21
Required Supplemental Information	
Schedule of Other Postemployment Benefits Funding Progress and Employer Contributions	49
Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Contributions	50
Supplemental Financial Information	
General Fund:	
Schedule of Balance Sheet Accounts	51
Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	52
Special Revenue Funds:	
Combined Schedule of Balance Sheet Accounts	53
Combined Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	54
Debt Service Fund:	
Schedule of Balance Sheet Accounts	55
Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	56

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Table of Contents

	Page
Postretirement Health Insurance Fund:	
Schedule of Balance Sheet Accounts	57
Schedule of Revenues, Expenses, and Changes in Fund Balance (Deficit) Accounts	58
Scholarship and Loan Fund:	
Schedule of Balance Sheet Accounts	59
Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	60
Building Fund:	
Schedule of Balance Sheet Accounts	61
Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	62
Student Financial Aid Fund:	
Schedule of Balance Sheet Accounts	63
Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	64
Expendable Trust Fund – Associated Student Organization Funds and Agency Funds:	
ASO Trust Fund:	
Combined Schedule of Balance Sheet Accounts	65
Combined Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	66
Student Representation Fee Trust Fund:	
Combined Schedule of Balance Sheet Accounts	67
Combined Schedule of Revenues, Expenses, and Changes in Fund Balance Accounts	68
Other Supplemental Information	
Schedule of District Organization, Board, and Administration Members	69
Schedule of Expenditures of Federal Awards by College	71
Schedule of State Awards	76

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Table of Contents

	Page
Schedule of Workload Measures for State General Apportionment Annual 2016-17 Apportionment Attendance Report	77
Reconciliation of the 50% Law Calculation to Audited Financial Statements	78
Reconciliation of Annual Financial and Budget Report (CCFS-311) to Audited Financial Statements	80
Reconciliation of Education Protection Account (EPA) Expenditures to Audited Financial Statements	81
Reconciliation of Governmental Funds to the Statement of Net Position	82
Notes to Other Supplemental Information	83
Additional Independent Auditors' Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	88
Independent Auditors' Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	90
Independent Auditors' Report on Schedule of Expenditures of Federal Awards and Schedule of State Awards	93
Independent Auditors' Report on State Compliance	95
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	98
Schedule of Financial Statement Findings	102
Schedule of Federal Award Findings and Questioned Costs	104
Schedule of State Award Findings and Questioned Costs	141

INTRODUCTION



LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

OFFICE OF THE CHANCELLOR

December 6, 2017

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, 2017. This report is presented in six sections that include: (1) Introduction, (2) Independent Auditors' Report, (3) Management's Discussion and Analysis, (4) Basic Financial Statements, (5) Supplemental Financial Information, and (6) 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 include the combined 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 District's governmental funds. 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.

ADDITIONAL BACKGROUND INFORMATION

History of the District

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

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 Ronald 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 237,868 students, employs approximately 4,070 full-time and 6,343 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, 2017 decreased by 1.12% from previous year.

The enrollment figures (credit student headcount) by campus for the 2016-17 fiscal year were as follows:

	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	28,797	27,917
Los Angeles City College	16,367	15,574
Los Angeles Harbor College	9,157	8,512
Los Angeles Mission College	10,244	9,442
Los Angeles Pierce College	20,335	19,268
Los Angeles Southwest College	6,592	5,722
Los Angeles Trade–Technical College	13,892	12,974
Los Angeles Valley College	17,844	16,441
West Los Angeles College	11,117	10,022
Instructional Television	542	756
Total Districtwide	<u>134,887</u>	<u>126,628</u>

The Members, Board of Trustees
Los Angeles Community College District

The Los Angeles Community College District's FTES (Full-time equivalent student) figures for the fiscal year ended June 30, 2017, the measure by which the state of California funds Community Colleges increased by 0.36% from 107,601 in fiscal year 2016, to 107,993 in fiscal year 2017. Fiscal year 2017 enrollment by campus are as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	24,857	1,836
Los Angeles City College	11,311	1,039
Los Angeles Harbor College	6,552	94
Los Angeles Mission College	6,354	453
Los Angeles Pierce College	15,299	334
Los Angeles Southwest College	4,712	665
Los Angeles Trade-Technical College	11,762	980
Los Angeles Valley College	12,215	813
West Los Angeles College	7,852	437
Instructional Television	428	—
Total Districtwide	<u>101,342</u>	<u>6,651</u>

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

Sincerely,



Francisco C. Rodriguez, Ph.D.
Chancellor



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

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Community College District (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements for the years then ended 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles Community College District as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4–15, the schedule of other postemployment benefits funding progress and employer contributions on page 49, and the District's proportionate share of the net pension liability and schedule of district contributions on page 50, 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 the 2016 information that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information. 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental financial information on pages 51 to 68, the reconciliation of annual financial and budget report (CCFS 311) on page 80, and the reconciliation of governmental funds to the statement of net position on page 82, which are presented based on the requirements of the *Contracted District Audit Manual issued by the California Community Colleges Chancellor's Office*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental financial information, the reconciliation of annual financial and budget report (CCFS 311) 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 supplemental financial information, the reconciliation of annual financial and budget report (CCFS 311), and the reconciliation of governmental funds to the statement of net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplemental information on pages 69 to 79, 81, and 83 to 87 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 6, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

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, 2017. 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, 2017 by \$315.8 million (net position). Of this amount, a net deficit of \$483.0 million is unrestricted net position. The \$308.5 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 \$490.3 million of net amounts invested in capital assets.
- The District added \$229.8 million in capital assets during the year ended June 30, 2017 due to construction activity.
- The District's income from operating activities increased by \$7.3 million and operating expenses increased by \$116.8 million, resulting in an increase in operating loss of \$109.5 million.

Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – 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 represent 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 statements of revenue, expenses, and changes in net position. The statements of revenue, expenses, and changes in net position represent the revenue received, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the District. The statements of cash flows present 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, 2017 and 2016

Statements of Net Position

The statements of net position present the assets, liabilities, and net position of the District at June 30, 2017 and 2016. 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 present 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 District. Readers are also able to determine how much the District owes vendors, investors, and lending institutions.

Finally, the statements of net position provide a picture of the net position and its 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.

Statements 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 students and other 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 to the funder. For example, state appropriations are nonoperating because they are provided by the legislature to the institution without the legislature directly receiving commensurate goods and services for those revenue. The District uses the economic resources measurement focus and accrual basis of revenue recognition. See note 2(a) for further discussions on revenue recognition.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

Financial Analysis of the District as a Whole

Summary Schedule of Net Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 928,347,426	848,976,437	79,370,989
Capital assets, net	<u>4,373,095,215</u>	<u>4,294,376,707</u>	<u>78,718,508</u>
Total assets	5,301,442,641	5,143,353,144	158,089,497
Deferred outflow of resources	<u>332,320,308</u>	<u>253,420,440</u>	<u>78,899,868</u>
Total assets and deferred outflow of resources	<u>\$ 5,633,762,949</u>	<u>5,396,773,584</u>	<u>236,989,365</u>
Liabilities:			
Current liabilities	\$ 385,180,063	363,060,233	22,119,830
Noncurrent liabilities	<u>4,915,755,621</u>	<u>4,574,093,711</u>	<u>341,661,910</u>
Total liabilities	5,300,935,684	4,937,153,944	363,781,740
Deferred inflow of resources	<u>17,027,586</u>	<u>51,732,543</u>	<u>(34,704,957)</u>
Total liabilities and deferred inflow of resources	<u>\$ 5,317,963,270</u>	<u>4,988,886,487</u>	<u>329,076,783</u>
Net position:			
Net investment in capital assets	\$ 490,328,813	472,655,914	17,672,899
Restricted – expendable	308,472,339	315,504,002	(7,031,663)
Restricted – nonexpendable	—	1,000,000	(1,000,000)
Unrestricted	<u>(483,001,473)</u>	<u>(381,272,819)</u>	<u>(101,728,654)</u>
Total net position	<u>\$ 315,799,679</u>	<u>407,887,097</u>	<u>(92,087,418)</u>

Current and other assets increased \$79.4 million. The net increase is due in part to the following:

- (1) \$103.0 million increase in restricted investments is primarily due to new debt issuances related to the District's construction program under General Obligation (G.O.) Bonds 2016 Series I, which are yet to be spent
- (2) \$12.3 million increase in accounts receivable is primarily due to local tax for newly issued G.O. Bonds

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

- (3) \$9.4 million increase in cash and cash equivalents is primarily due to increase in cash held with the county for capital projects, including scheduled maintenance and Proposition 39 energy efficiency projects
- (4) \$25.5 million decrease in deposit with trustee is primarily due to \$16.1 million more in G.O. bond debt and interest payment than tax collection, \$6.5 million photovoltaic project buyout in October 2017, \$1 million scholarship fund transferred to East Los Angeles College Foundation, and \$1.8 million Los Angeles County pooled investment loss
- (5) \$19.0 million decrease in prepaid expenses and other assets is primarily due to the release of prepaid rent to lessor related to the photovoltaic project buyout.

Deferred outflows of resources increased by \$78.9 million. The net increase is due to the following:

1. \$65.3 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. \$13.6 million increase is related to the amortization of deferred outflow of resources caused by the G.O. Bonds refunded during the year ended June 30, 2017.

Current liabilities increased by \$22.1 million. The net increase is due in part to the maturity schedule of outstanding G.O. Bonds, the portion of the Supplemental Retirement Plan payable in the next fiscal year, and decrease in accounts payable.

Noncurrent liabilities increased by \$341.7 million. The net increase is due in part to the following:

- (1) \$121.2 million increase in pension obligations due primarily to decreased earnings on pension assets and other changes in actuarially determined pension related assumptions
- (2) \$16.1 million increase in other postemployment benefit (OPEB) obligations due to changes in actuarially determined OPEB assumptions
- (3) \$177.6 million increase in the noncurrent portion of long-term debt is primarily due to new issuances of the District's G.O. Bonds
- (4) \$21.1 million increase due to noncurrent portion of the Supplemental Retirement Plan (SRP) provided to eligible employees by the District. The SRP is a retirement incentive program initiated in fiscal year 2017.

Deferred inflows of resources decreased by \$34.7 million. The net decrease is due to changes in CalPERS and CalSTRS investment earnings, changes in assumptions used, and district proportionate share.

Net position decreased by \$92.1 million. The net decrease is due in part to the following:

- (1) \$17.6 million increase in net investment in capital assets due to construction activity

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

- (2) \$8 million decrease in expendable restricted net position is primarily due to changes in debt service payment and charges for other special purposes
- (3) \$101.7 decrease in unrestricted fund balance is due to net operating loss.

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

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenue:			
Operating revenue:			
Net tuition and fees	\$ 59,305,170	57,622,035	1,683,135
Grants and contracts, noncapital	165,068,815	161,153,517	3,915,298
Other	28,362,937	26,613,451	1,749,486
Other revenue:			
State apportionments, capital	10,080,494	8,297,486	1,783,008
Federal subsidy	19,674,955	19,685,520	(10,565)
Local tax for G.O. Bonds	271,958,067	260,049,876	11,908,191
Nonoperating revenue:			
State apportionments, noncapital	417,988,294	451,792,207	(33,803,913)
Property taxes	203,630,922	199,513,330	4,117,592
Investment income	6,664,957	4,920,465	1,744,492
Federal financial aid grants, noncapital	168,683,908	177,696,484	(9,012,576)
State financial aid grants, noncapital	16,253,047	14,692,697	1,560,350
Other	6,844,348	28,860,557	(22,016,209)
Total revenue	<u>1,374,515,914</u>	<u>1,410,897,625</u>	<u>(36,381,711)</u>
Expenses:			
Operating expenses:			
Salaries	518,672,016	481,688,669	36,983,347
Employee benefits	166,122,968	143,122,782	23,000,186
Pensions	75,117,606	48,857,217	26,260,389
Supplies, materials, and other operating expenses and services	168,880,839	145,195,888	23,684,951
Student grants	218,938,270	229,174,652	(10,236,382)
Other	164,818,654	147,685,580	17,133,074
Total operating expenses	<u>1,312,550,353</u>	<u>1,195,724,788</u>	<u>116,825,565</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

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

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Nonoperating expenses:			
Interest expense	\$ 152,944,318	144,485,835	8,458,483
Other	<u>1,108,661</u>	<u>1,322,903</u>	<u>(214,242)</u>
Total expenses	<u>1,466,603,332</u>	<u>1,341,533,526</u>	<u>125,069,806</u>
Change in net position	\$ <u><u>(92,087,418)</u></u>	<u><u>69,364,099</u></u>	<u><u>(161,451,517)</u></u>

The summary of revenue, expenses, and net position reflects a decrease of \$92.1 million in net position at the end of the year as explained below.

Operating revenue increased \$7.3 million. The net increase is due in part to the following:

- (1) \$3.9 million increase in grants and contracts, which includes \$10.3 million increase in locally generated income, local taxes assessment, and related activities, and \$6.9 million decrease in federal student financial aid revenue. The decrease in federal student financial aid revenue is due to decrease in the number of students who qualified for income-based federal grants.
- (2) \$1.7 million increase in tuitions and fees
- (3) \$1.7 million increase in bookstore and cafeteria revenue.

Other revenue increased by \$13.7 million. The net increase is due in part to the following:

- (1) \$11.9 million increase in local tax for G.O. Bonds related to property taxes levied for the District's debt issuances
- (2) \$1.8 million increase in state apportionment for capital purposes due to increase in the State budget allocation for education.

Nonoperating revenue decreased by \$57.4 million. The net increase is due in part to the following:

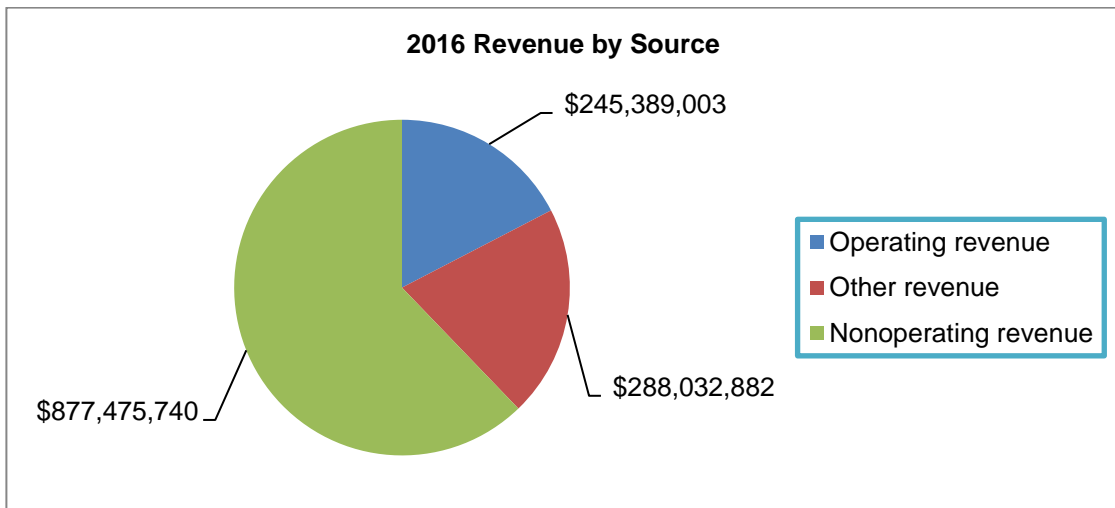
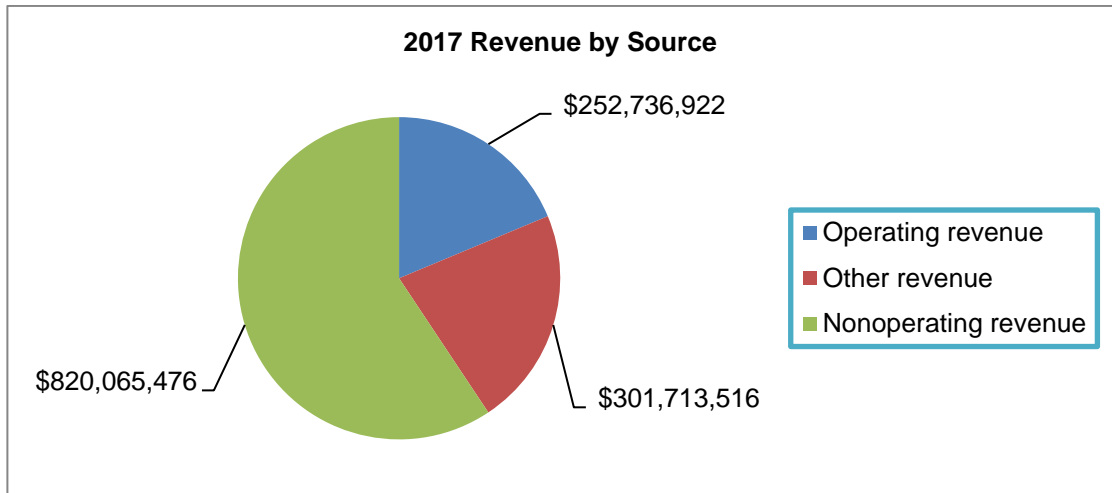
- (1) \$47.7 million decrease related to a decrease in onetime, state-mandated program cost reimbursements. State-mandated cost reimbursements provide funding to schools that have incurred costs for mandated programs as a result of statute enacted or any executive order that mandates a new program or higher level of service of an existing program. The state provided \$9.3 million and \$57 million in 2017 and 2016, respectively.
- (2) \$7.7 million decrease in local tax collections due to decreased Educational Revenue Augmentation Fund Property Tax Shift
- (3) \$9.0 million decrease in federal financial aid grants to eligible students. The decrease was caused by the number of eligible applicants.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

- (4) \$5.0 million decrease in Education Protection Act (EPA) funding due to expiration of the sales tax allocation of Proposition 30
- (5) \$7.2 million increase in state apportionment for block grants related to adult education
- (6) \$4.1 million increase in property tax revenue received from the county.



Operating expenses increased by \$116.8 million. The net increase is due in part to the following:

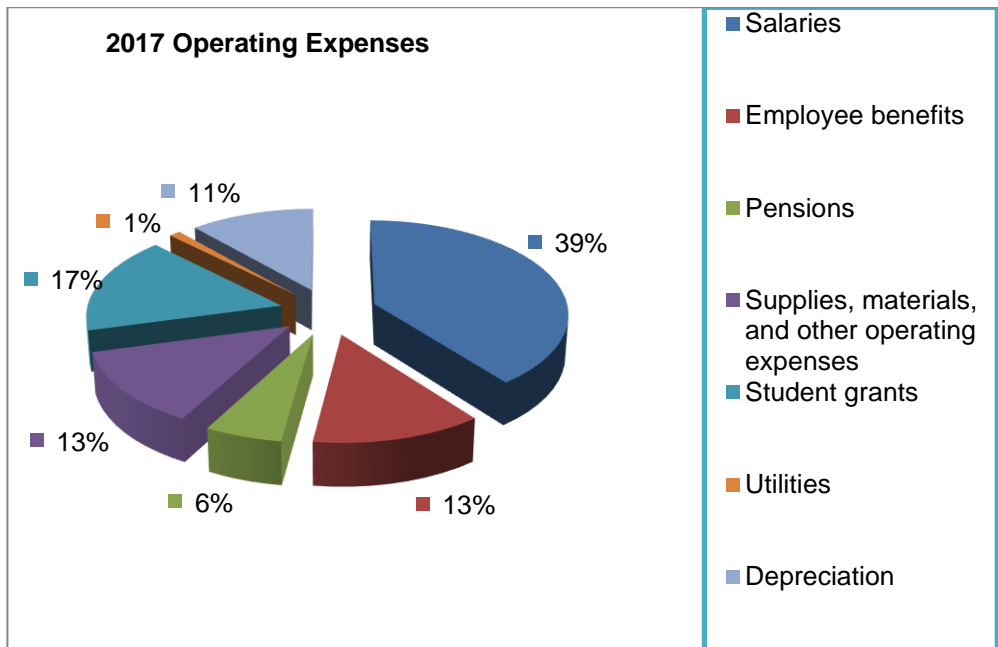
- (1) \$37.0 million increase in salary expenses is primarily due to cost-of-living adjustments to salaries and the hiring of additional full- and part-time staff.
- (2) \$23.0 million increase in employee benefits is primarily due to the SRP premium obligation that was entered into in April 2017.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

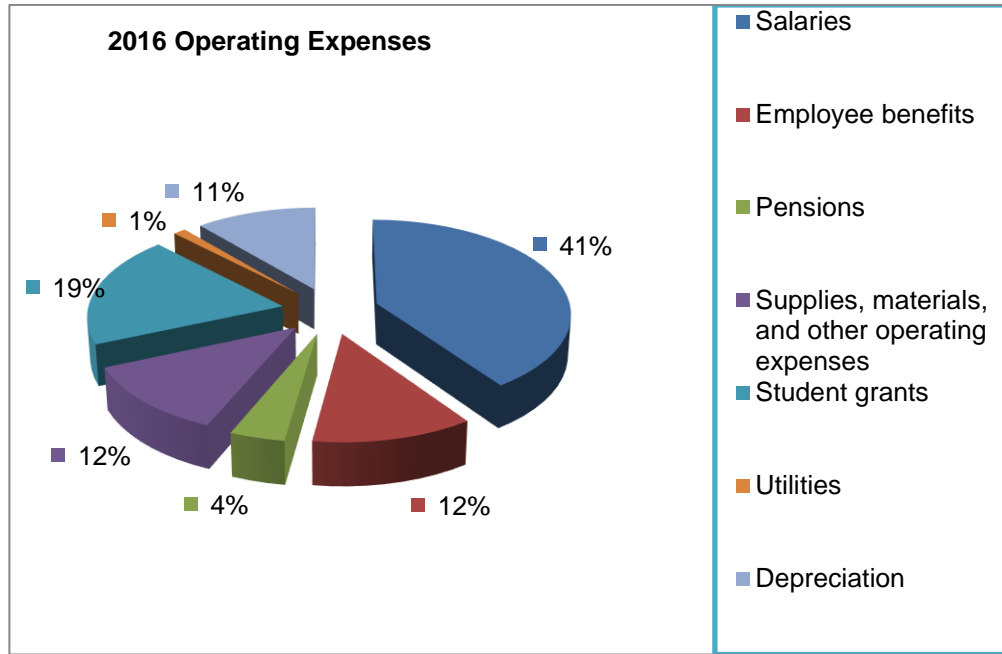
- (3) \$26.3 million increase in pension expenses is primarily due to decreased earnings on pension assets and other changes in actuarially determined, pension-related assumptions.
- (4) \$23.7 million increase in supplies, materials, and other operating expenses is primarily due to \$12.0 million increase in construction-project-related legal expenses incurred, \$7.4 million increase in election expense, and \$4.3 million increase in scheduled maintenance.



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016



Nonoperating expenses increased \$8.2 million. The net increase is due to an increase in outstanding debt and the related increase in interest expense on G.O. Bonds.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation totaled \$4.4 billion and \$4.3 billion at June 30, 2017 and 2016, respectively. 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, 2017 and 2016:

Capital Assets, Net

	Balance at June 30	
	2017	2016
Land	\$ 198,684,166	198,750,248
Land improvements	454,491,371	434,920,342
Buildings	4,208,031,711	3,885,768,325
Construction in progress	496,035,201	646,996,098
Works of art	518,000	518,000
Furniture and equipment	156,906,548	118,769,285
Infrastructure	<u>7,127,341</u>	<u>7,127,341</u>
Total	5,521,794,338	5,292,849,639
Less accumulated depreciation	<u>(1,148,699,123)</u>	<u>(998,472,932)</u>
Net capital assets	<u>\$ 4,373,095,215</u>	<u>4,294,376,707</u>

In fiscal year 2017, the District added \$199.3 million of capital assets, capitalized interest of \$30.5 million and depreciated \$150.9 million of capital assets.

During the year ended June 30, 2017, 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

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

The District is in the 16th year of Proposition A, the 14th year of Proposition AA, and the 9th 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 2027. The District has issued to date all the authorized amounts of Proposition A and Proposition AA Bonds, and \$2.525 billion of the Measure J authorization amounts.

Long-Term Debt

At June 30, 2017 and 2016, the District had \$3.8 billion and \$3.7 billion in long-term debt, respectively. The District's long-term debt increased during the year ended June 30, 2017, primarily as a result of issuance of G.O. Bond Series I for a total of \$300.0 million. The District also issued 2016 G.O. Refunding Bonds for a total of \$177.7 million.

	<u>2017</u>	<u>2016</u>
G.O. Bonds:		
G.O. Bonds Proposition A and AA, 2004 Series	\$ 33,670,000	33,670,000
G.O. Bonds Proposition AA, 2006 Series	—	10,420,000
G.O. Bonds Proposition A, 2007 Series	4,880,000	9,445,000
G.O. Bonds Proposition A and AA, 2008 Series	28,760,000	40,890,000
G.O. Bonds Measure J, 2009 Series	75,000,000	75,000,000
G.O. Bonds Measure J, 2010 Series	1,025,000,000	1,200,000,000
G.O. Bonds Measure J, 2013 Series	209,000,000	213,000,000
G.O. Bonds Measure J, 2013 Series Refunding Bond	45,505,000	48,585,000
G.O. Bonds 2015 Series G	224,160,000	230,000,000
G.O. Bonds 2015 Refunding Series A	1,459,300,000	1,462,085,000
G.O. Bonds 2015 Refunding Series B	37,655,000	42,000,000
G.O. Bonds 2015 Refunding Series C	289,955,000	305,905,000
G.O. Bonds 2016 Series I	237,250,000	—
G.O. Bonds 2016 Refunding	177,745,000	—
	<u>\$ 3,847,880,000</u>	<u>3,671,000,000</u>

The District's debt rating from Moody's was Aa1 during June 30, 2017 and 2016. The District's debt rating from Standard and Poor's was AA+ in June 30, 2017 and 2016.

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, 2017 and 2016

Economic Factors

On June 27, 2017, the governor signed a balanced state budget providing California community colleges with an increase in state funding. The 2017-2018 State Adopted Budget of \$8.6 billion for California community colleges represents a 3.9% year-over-year funding increase. The budget includes funding to increase access (growth) to college by 1%, a cost of living adjustment increase of 1.56%, and an increase to base funding of \$183.6 million. The budget also includes \$150 million for the Guided Pathways Program and continues to fund physical plant and instructional support and Proposition 39 clean energy projects.

Funding for the EPA will continue due to the passage of Proposition 55 in November 2016 of which the District will receive \$78 million for the 2018-2019 fiscal year. With the improved state economy, the state continues to invest in community colleges with continued funding for student support.

In November 2016, the voters passed another G.O. Bond, Measure CC, for \$3.3 billion. The bond measure was designed to finance additional construction, building acquisition, equipment, improvement of college and support facilities, and completion of any other projects covered by previous bond propositions and measures.

Student Enrollment and State Funding

The student enrollment fee remains at \$46 per unit in 2017-2018. The State provided 1%, or \$57.8 million, enrollment growth for apportionments for California community colleges. The District will receive \$5.5 million in enrollment growth revenue for the 2017-2018 fiscal year if earned.

We are cautioned to keep in mind that the required contribution for California Public Employees' Retirement System and California State Teachers' Retirement System will increase from \$54.0 million for the year ended June 30, 2017 to \$80.9 million for the year ended June 30, 2021. The increase is due in part to a 2016 decision by CalPERS to lower the discount rate from 7.5% to 7.0% over the next three years. Lowering the discount rate means the District will see increases in normal costs and unfunded actuarial liabilities, causing increased funding requirements and contributions. These increased contributions will claim a growing share of local operating funds; however, the District has reserved financial resources to fund the annual increases in these employer contributions through June 30, 2023.

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, 2017 and 2016

Assets and Deferred Outflows of Resources	2017	2016
Current assets:		
Cash and cash equivalents (note 3)	\$ 330,432,518	321,082,083
Accounts receivable, net of allowance (note 4)	80,651,909	68,342,882
Student loans receivable, net-current portion (note 4)	242,047	198,099
Deposit with trustee – current portion (note 3)	275,507,783	294,481,571
Inventory	4,234,001	4,335,850
Prepaid expenses and other assets	22,975,539	42,185,930
Total current assets	<u>714,043,797</u>	<u>730,626,415</u>
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	5,279,852	5,513,958
Restricted investments (note 3)	182,531,979	79,508,481
Student loans receivable, net of allowance – noncurrent portion (note 4)	3,284,358	3,640,149
Deposit with trustee – noncurrent portion (note 3)	23,207,440	29,687,434
Capital assets (note 6):		
Land	198,684,166	198,750,248
Land improvements	454,491,371	434,920,342
Buildings	4,208,031,711	3,885,768,325
Construction in progress	496,035,201	646,996,098
Works of art	518,000	518,000
Furniture, fixtures, and equipment	156,906,548	118,769,285
Infrastructure	7,127,341	7,127,341
Accumulated depreciation	<u>(1,148,699,123)</u>	<u>(998,472,932)</u>
Capital assets, net	<u>4,373,095,215</u>	<u>4,294,376,707</u>
Total assets	5,301,442,641	5,143,353,144
Deferred outflow of resources – pensions (note 8)	158,256,670	92,908,659
Deferred outflow of resources – debt refunding (note 11)	174,063,638	160,511,781
Total assets and deferred outflow of resources	<u>\$ 5,633,762,949</u>	<u>5,396,773,584</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2017 and 2016

Liabilities, Deferred Inflows of Resources and Net Position	2017	2016
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 158,323,312	167,576,336
Unearned revenue	12,074,873	8,432,153
Compensated absences (note 11)	9,262,299	8,811,764
Supplemental Retirement Plan (note 11)	5,274,946	—
General liability (notes 11 and 12)	3,082,147	3,342,989
Workers' compensation (notes 11 and 12)	3,962,679	5,052,832
Accrued interest and other accrued liabilities	86,079,868	83,198,789
Amounts held in trust for others	505,989	735,489
Long-term debt – current (note 11)	106,112,406	85,411,734
Capital leases – current (note 11)	501,544	498,147
Total current liabilities	<u>385,180,063</u>	<u>363,060,233</u>
Noncurrent liabilities:		
Compensated absences (note 11)	9,063,477	8,862,564
Supplemental Retirement Plan (note 11)	21,099,782	—
General liability (notes 11 and 12)	3,365,853	2,014,011
Workers' compensation (notes 11 and 12)	33,110,321	28,763,168
Net pension liability (note 8)	640,982,552	519,790,403
Net OPEB obligation (note 9)	99,774,744	83,666,179
Long-term debt, net of current portion (note 11)	4,107,772,097	3,930,188,950
Capital leases, net of current portion (note 11)	586,795	808,436
Total noncurrent liabilities	<u>4,915,755,621</u>	<u>4,574,093,711</u>
Total liabilities	5,300,935,684	4,937,153,944
Deferred inflow of resources (note 8)	17,027,586	51,732,543
Total liabilities and deferred inflows	<u>5,317,963,270</u>	<u>4,988,886,487</u>
Net position:		
Net investment in capital assets	490,328,813	472,655,914
Restricted for:		
Expendable:		
Scholarships and loans	8,841,301	8,791,115
Capital projects	46,675,599	37,423,819
Debt service	219,710,934	232,038,079
Other special purposes	33,244,505	37,250,989
Nonexpendable:		
Scholarships	—	1,000,000
Unrestricted	<u>(483,001,473)</u>	<u>(381,272,819)</u>
Total net position	<u>\$ 315,799,679</u>	<u>407,887,097</u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Tuition and fees	\$ 135,417,019	138,579,713
Less scholarship discounts and allowances	<u>(76,111,849)</u>	<u>(80,957,678)</u>
Net tuition and fees	<u>59,305,170</u>	<u>57,622,035</u>
Grants and contracts, noncapital:		
Federal	58,229,122	65,161,114
State	85,786,019	85,206,472
Local	<u>21,053,674</u>	<u>10,785,931</u>
Net grants and contracts, noncapital	165,068,815	161,153,517
Auxiliary enterprise sales and charges	<u>28,362,937</u>	<u>26,613,451</u>
Total operating revenue	<u>252,736,922</u>	<u>245,389,003</u>
Operating expenses:		
Salaries	518,672,016	481,688,669
Employee benefits	166,122,968	143,122,782
Pensions	75,117,606	48,857,217
Supplies, materials, and other operating expenses and services	168,880,839	145,195,888
Student grant	218,938,270	229,174,652
Utilities	13,871,070	14,091,618
Depreciation	<u>150,947,584</u>	<u>133,593,962</u>
Total operating expenses	<u>1,312,550,353</u>	<u>1,195,724,788</u>
Operating loss	<u>(1,059,813,431)</u>	<u>(950,335,785)</u>
Nonoperating revenues (expenses):		
State apportionments, noncapital	417,988,294	451,792,207
Local property taxes	203,630,922	199,513,330
State taxes and other revenue	6,156,087	5,634,165
Investment income – noncapital	2,267,630	1,575,877
Investment income – capital	4,397,327	3,344,588
Interest expense on capital asset-related debt	<u>(152,944,318)</u>	<u>(144,485,835)</u>
Federal financial aid grants, noncapital	168,683,908	177,696,484
State financial aid grants, noncapital	16,253,047	14,692,697
Other nonoperating revenue	6,358,614	21,332,782
Other nonoperating expense	<u>(1,108,661)</u>	<u>(1,322,903)</u>
Investment income (loss)	<u>(5,670,353)</u>	<u>1,893,610</u>
Total nonoperating revenues	<u>666,012,497</u>	<u>731,667,002</u>
Loss before other revenues, expenses, gains, or losses	<u>(393,800,934)</u>	<u>(218,668,783)</u>
State apportionments, capital	10,080,494	8,297,486
Federal subsidy	19,674,955	19,685,520
Local tax for G.O. Bonds	<u>271,958,067</u>	<u>260,049,876</u>
(Decrease) increase in net position	<u>(92,087,418)</u>	<u>69,364,099</u>
Net position:		
Beginning of year	<u>407,887,097</u>	<u>338,522,998</u>
End of year	\$ <u>315,799,679</u>	\$ <u>407,887,097</u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Tuition and fees	\$ 61,044,349	57,466,349
Grants and contracts	164,067,851	165,303,525
Payments to suppliers	(142,238,152)	(130,449,552)
Payments for student grants	(192,715,011)	(234,725,737)
Payments for utilities	(13,871,070)	(14,091,618)
Payments to employees	(521,642,152)	(478,217,566)
Payments for benefits	(175,663,028)	(173,590,638)
Bookstore and cafeteria sales	27,015,246	27,204,406
Other receipts	<u>(229,500)</u>	<u>188,009</u>
Net cash used in operating activities	<u>(794,231,467)</u>	<u>(780,912,822)</u>
Cash flows from noncapital financing activities:		
State apportionments	422,295,029	447,648,680
Property taxes	203,630,922	199,513,330
State taxes and other revenues	6,156,087	5,634,165
Federal financial aid grants	168,683,908	177,696,484
State financial aid grants	16,253,047	14,692,697
Other receipts	<u>5,608,913</u>	<u>6,241,388</u>
Net cash provided by noncapital financing activities	<u>822,627,906</u>	<u>851,426,744</u>
Cash flows from capital financing activities:		
Proceeds from capital debt	323,822,022	—
Capital appropriations, local property tax, grant and gift, capital	8,278,407	9,135,764
Local tax for G.O. Bond	301,486,070	409,758,383
Purchases of capital assets	(227,687,277)	(284,725,166)
Principal paid on capital debt and leases	(125,865,000)	(211,265,000)
Interest paid on capital debt and leases	<u>(195,848,224)</u>	<u>(175,885,146)</u>
Net cash provided by (used in) capital financing activities	<u>84,185,998</u>	<u>(252,981,165)</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	203,562,302	292,830,235
Purchase of investments	<u>(307,028,410)</u>	<u>(10,849,493)</u>
Net cash (used in) provided by investing activities	<u>(103,466,108)</u>	<u>281,980,742</u>
Net increase in cash and cash equivalents	9,116,329	99,513,499
Cash and cash equivalents – beginning of the year	<u>326,596,041</u>	<u>227,082,542</u>
Cash and cash equivalents – end of year	<u>\$ 335,712,370</u>	<u>326,596,041</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,059,813,431)	(950,335,785)
Depreciation expense	150,947,584	133,593,962
Supplemental Retirement Plan expense	26,374,728	—
Net pension obligations	21,139,181	3,822,109
Adjustments to reconcile operating loss to net cash used in operating activities:		
Receivables, net	(4,732,226)	(21,072,544)
Inventory	101,845	567,772
Other assets	19,361,886	4,963,976
Accounts payable	25,618,632	12,244,461
Unearned revenue	3,642,720	24,595,825
Amounts held in trust for others	(229,500)	(8,829)
General liability	1,091,000	(838,000)
Workers' compensation	3,257,000	768,000
Compensated absences	651,448	1,346,035
Net OPEB obligation	16,108,565	14,639,803
Other liabilities	<u>2,249,101</u>	<u>(5,199,607)</u>
Net cash used in operating activities	<u>\$ (794,231,467)</u>	<u>(780,912,822)</u>
Noncash capital financing activities:		
Equipment acquired through new capital lease obligations	\$ 408,374	35,810
Additions to capital assets included in accounts payable	(33,773,513)	(17,804,936)
Amortization of accrued original interest premium	23,912,620	23,076,228
Amortization of prepaid interest	(9,916,302)	(9,145,450)

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

(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 statements of net position; statements of revenue, expenses, and changes in net position; and statements 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, 2017 and 2016

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, 2017 and 2016

(g) *Accrued Employee Benefits*

The District reports 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 revenues include tuition fees, and federal, and state revenue. Operating costs include cost of services as well as materials, contracts, personnel, and depreciation.

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

(j) *Income Taxes*

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

(k) *Estimates*

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

(l) *New Accounting Standards*

(i) *Effective During Fiscal Year 2017*

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 plans meeting certain criteria. It has been determined that GASB Statement No. 78 was not applicable to the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

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. Management believes that none of the District's component units met the requirements in this statement for blending during the fiscal year ended June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*, effective for the District's fiscal year beginning July 1, 2016 (except for the requirements of paragraph 7, which are effective beginning July 1, 2017 since the District's pension liability is not measured based on its most recent fiscal year-end). The purpose of this statement is to amend GASB Statement Nos. 67, 68, and 73 and to improve consistency in the application of pension accounting and financial reporting requirements. Adoption of this standard did not result in material adjustments to the financial statements.

(ii) *To Be 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 (OPEB) to their retired employees. Management has not yet determined the impact of GASB Statement No. 75 on the District's financial statements.

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. Management has not yet determined the impact of GASB Statement No. 81 on the District's financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the District's fiscal year beginning July 1, 2018. The purpose of this statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). This statement is meant to help identify AROs that have not previously been recognized, and to provide additional information through various disclosures. Management has not yet determined the impact of GASB Statement No. 83 on the District's financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the District's fiscal year beginning July 1, 2019. The purpose of this statement is to enhance consistency in reporting by identifying fiduciary activities and how they should be reported. Management has not yet determined the impact of GASB Statement No. 84 on the District's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, effective for the District's fiscal year beginning July 1, 2017. The purpose of this statement is to enhance consistency in accounting and financial reporting in a variety of areas including but not limited to component unit blending, fair value measurement and application, OPEB, real estate held, and money market investments. Management has not yet determined the impact of GASB Statement No. 85 on the District's financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the District's fiscal year beginning July 1, 2017. The purpose of this statement is to enhance consistency in accounting and financial reporting by providing guidelines for defeasance of debt. Management has not yet determined the impact of GASB Statement No. 86 on the District's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year beginning July 1, 2020. The purpose of this statement is to enhance consistency in accounting and financial reporting by providing a methodology for identifying and reporting lease arrangements and obligations. Management has not yet determined the impact of GASB Statement No. 87 on the District's financial statements.

(3) Cash and Investments

Cash and investments at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents in the County's treasury	\$ 293,780,577	283,661,406
Cash in banks	41,931,793	42,934,635
Total cash and cash equivalents	<u>335,712,370</u>	<u>326,596,041</u>
Investments and deposits with trustee:		
Investments in the County's treasury	473,702,305	389,850,061
Other	7,544,897	13,827,425
Total investments and deposits with trustee	<u>481,247,202</u>	<u>403,677,486</u>
Total cash, and investments and deposits with trustee	<u>\$ 816,959,572</u>	<u>730,273,527</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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

- 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, 2017 and 2016, the District's had \$767,482,882 and \$673,511,467 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's treasurer, who reports on a monthly basis to the County's 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 1.84 years and 1.67 years at June 30, 2017 and 2016, 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. The investments in the Los Angeles Treasurer's Pool with maturities that exceeded one year represented 52.41% and 46.94% of the total pool at June 30, 2017 and 2016, respectively.

Investments held by the County's treasurer are stated at fair value on a recurring basis as required by GASB Statement No. 72, *Fair Value Measurement and 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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

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's investment is in 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, 2017 and 2016 consist of deposits invested with Bank of New York and nonnegotiable certificates of deposit held by the Associated Student Organizations of each campus of \$3,554,635 and \$3,990,262 and \$10,011,213 and \$3,816,212, respectively. The deposits with Bank of New York are reinvested in the County Pool by the 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, 2017 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 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 3,990,262	—	—	3,990,262	—
Investment in the County Pool	477,256,940	473,702,305	—	3,554,635	—
Total investments	\$ 481,247,202	473,702,305	—	7,544,897	—

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 1</u>	<u>Level 2</u>	<u>Level 3</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	\$ 403,677,486	389,850,061	—	13,827,425	—

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Tax delinquencies	\$ 7,595,496	5,886,095
Federal and state programs	21,614,583	21,231,910
Local tax for Geeral Obligation (G.O.) Bonds	32,412,637	23,455,429
State lottery	9,132,039	11,997,833
Interest receivable	2,820,822	1,383,608
Accounts receivable – campus students	13,290,925	10,878,217
Accounts receivable – student loan programs	3,526,405	3,838,248
Bookstore	4,066,235	2,370,338
State of California – capital outlay	1,802,087	1,628,989
Other	<u>655,455</u>	<u>2,605,222</u>
Subtotal	96,916,684	85,275,889
Less allowance for doubtful accounts	<u>(12,738,370)</u>	<u>(13,094,759)</u>
Accounts, notes, and other receivables, net	<u>\$ 84,178,314</u>	<u>72,181,130</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 2016-2017 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, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Vendors payable	\$ 81,863,921	55,005,539
Capital outlay and program management	57,078,142	90,851,655
Payroll accrual	14,360,217	14,066,158
Grants	4,272,398	6,431,526
Financial aid payable	<u>748,634</u>	<u>1,221,458</u>
Total	<u>\$ 158,323,312</u>	<u>167,576,336</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

(6) Capital Assets

A summary of changes in capital assets is as follows:

	2017				Balance at June 30, 2017
	Balance at July 1, 2016	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 198,750,248	—	(66,082)	—	198,684,166
Construction in process	646,996,098	190,957,419	(83,901)	(341,834,415)	496,035,201
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>846,264,346</u>	<u>190,957,419</u>	<u>(149,983)</u>	<u>(341,834,415)</u>	<u>695,237,367</u>
Capital assets being depreciated:					
Land improvements	434,920,342	—	—	19,571,029	454,491,371
Buildings	3,885,768,325	—	—	322,263,386	4,208,031,711
Furniture, fixtures, and equipment	118,769,285	38,860,168	(722,905)	—	156,906,548
Infrastructure	7,127,341	—	—	—	7,127,341
Total capital assets being depreciated	<u>4,446,585,293</u>	<u>38,860,168</u>	<u>(722,905)</u>	<u>341,834,415</u>	<u>4,826,556,971</u>
Total capital assets	5,292,849,639	229,817,587	(872,888)	—	5,521,794,338
Less accumulated depreciation	<u>(998,472,932)</u>	<u>(150,947,584)</u>	<u>721,393</u>	—	<u>(1,148,699,123)</u>
Capital assets, net	<u>\$ 4,294,376,707</u>	<u>78,870,003</u>	<u>(151,495)</u>	—	<u>4,373,095,215</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

	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>

Capitalized Interest

Included in additions to capital assets is \$30,544,252 and \$36,623,837 of capitalized interest at June 30, 2017 and 2016, 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 \$4,696,570 and \$6,202,045 for the year ended June 30, 2017 and 2016, respectively, have been reported in the accompanying statements of revenue, expenses, and changes in net position as operating and capital expenditures.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

At June 30, 2017, minimum capital lease commitments under long-term lease contracts were as follows:

Year ending June 30:		
2018	\$	559,433
2019		478,795
2020		123,279
2021		23,244
2022		<u>7,861</u>
Total	\$	<u><u>1,192,612</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 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 5 years of credited California service (service), are eligible for normal retirement and are entitled to a monthly benefit of 2% of their final compensation for each year of service. Final compensation is defined as the highest average salary earned during 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 5 years of service. A family benefit is available if the deceased member had at least one year of service and was an active member or on disability leave. After 5 years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, only the accumulated member contributions and interest earned on those contributions are refundable.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

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, 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 8.250% to a total of 19.100% of payroll, phased in from 2013-14 to 2020-21. 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 Web site at <http://www.calstrs.com/comprehensive-annual-financial-report>.

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

On September 2, 2003, the 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, PARS-ARS, or Social Security.

(b) California Public Employees' Retirement System

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

Employees who were hired prior to January 1, 2013 are eligible for retirement at the age of 50 with five 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 \$118,775 (2017 Social Security Contribution and Benefit Base) for employees that participate in Social Security or \$142,530 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-PEPRA members 7%).

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

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

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, 2017, the District reported an aggregate liability of \$640,982,552 for its proportionate share of the CalPERS and CalSTRS net pension liabilities. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined based on actuarial valuations as of June 30, 2015. 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 1.247% and 0.488%, respectively.

For the year ended June 30, 2017, the District recognized an aggregate pension expense of \$75,117,606, which was reported as pension expense. At June 30, 2017 and 2016, the District reported aggregate deferred outflows of and deferred inflows of resources related to pensions from the following sources:

	June 30, 2017		
	CalPERS deferred outflows of resources	CalSTRS deferred outflows of resources	Total deferred outflows of resources – pensions
District retirement contribution subsequent to the measurement date	\$ 22,483,144	31,495,282	53,978,426
Difference between expected and actual experience	10,592,541	31,378,400	41,970,941
Net difference between projected and actual earnings on pension plan investments	38,215,244	—	38,215,244
Change in the District's proportionate share	1,215,392	22,876,667	24,092,059
Total deferred outflows of resources – pensions	<u>\$ 72,506,321</u>	<u>85,750,349</u>	<u>158,256,670</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

	<u>June 30, 2016</u>		
	<u>CalPERS deferred outflows of resources</u>	<u>CalSTRS deferred outflows of resources</u>	<u>Total deferred outflows of resources – pensions</u>
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	<u>—</u>	<u>37,443,569</u>	<u>37,443,569</u>
Total deferred outflows of resources – pensions	\$ <u>29,563,343</u>	<u>63,345,316</u>	<u>92,908,659</u>
	<u>June 30, 2017</u>		
	<u>CalPERS deferred inflows of resources</u>	<u>CalSTRS deferred inflows of resources</u>	<u>Total deferred inflows of resources – pensions</u>
Changes in assumptions used	\$ 7,399,346	—	7,399,346
Net difference between projected and actual earnings on pension plan investments	<u>—</u>	<u>9,628,240</u>	<u>9,628,240</u>
Total deferred inflows of resources – pensions	\$ <u>7,399,346</u>	<u>9,628,240</u>	<u>17,027,586</u>
	<u>June 30, 2016</u>		
	<u>CalPERS deferred inflows of resources</u>	<u>CalSTRS deferred inflows of resources</u>	<u>Total deferred inflows of resources – pensions</u>
Changes in assumptions used	\$ 11,213,133	—	11,213,133
Net difference between projected and actual earnings on pension plan investments	6,248,858	33,131,130	39,379,988
Change in the District's proportionate share	<u>1,139,422</u>	<u>—</u>	<u>1,139,422</u>
Total deferred inflows of resources – pensions	\$ <u>18,601,413</u>	<u>33,131,130</u>	<u>51,732,543</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

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, 2018. The deferred inflows of resources and deferred outflows of resources related to changes in assumptions used, the difference between expected and actual experience, the net difference between projected and actual earnings on pension plan investments, and the change in the District's proportion will be recognized in pension expense during the next seven years as follows:

Year ending June 30:		
2018	\$	10,551,286
2019		10,454,084
2020		40,576,293
2021		24,827,265
2022		3,083,838
Thereafter		<u>(2,242,108)</u>
Total		<u>87,250,658</u>

(d) Contributions Required and Contributions Made

For fiscal year 2016-17, the District was required by statute to contribute 12.58%, 13.89%, 4.00%, and 4.00% of gross salary expenditures to STRS, PERS (pooled), Cash Balance, and PARS, respectively. Participants are required to contribute 10.25%, 7.00%, 4.00%, and 3.50% of gross salary to STRS, PERS, Cash Balance, and PARS, respectively, for the year ended June 30, 2017. 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 2016-17. As of June 30, 2017, 70.0% and 73.9% 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, 2017 and 2016

The District's contributions for the years ended June 30, 2017, 2016, and 2015 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
STRS:		
2017	\$ 31,495,282	100 %
2016	25,901,747	100
2015	19,166,774	100
PERS:		
2017	\$ 22,483,144	100 %
2016	19,133,361	100
2015	16,386,804	100
Cash balance STRS:		
2017	\$ 2,245,083	100 %
2016	1,977,127	100
2015	1,848,860	100
PARS-ARS:		
2017	\$ 738,091	100 %
2016	669,223	100
2015	569,881	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, 2017 and 2016

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

	June 30, 2017	
	CalSTRS	CalPERS
Measurement date	June 30, 2016	June 30, 2016
Valuation date	June 30, 2015	June 30, 2015
Actuarial assumptions:		
Discount rate	7.60 %	7.65 %
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	7.60 %	7.50 %

	June 30, 2016	
	CalSTRS	CalPERS
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 %

(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 Web site.

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 postretirement mortality rates, the revised rates include 20 years of projected ongoing mortality improvements using Scale BB published by the Society of Actuaries. Further details of the Experience Study can be found on the CalPERS Web site.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

(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 GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% 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 Web site.

According to paragraph 30 of GASB Statement No. 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 of 15 basis points. The discount rate used for the measurement period ending June 30, 2015 was 7.5%, which was net of administrative expenses.

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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

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 one-percentage point lower or one-percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
1% decrease	6.60 %	6.65 %	
Net pension liability	\$ 568,061,280	367,456,012	935,517,292
Current discount rate	7.60 %	7.65 %	
Net pension liability	\$ 394,699,281	246,283,271	640,982,552
1% increase	8.60 %	8.65 %	
Net pension liability	\$ 250,714,880	145,383,119	396,097,999

(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 %	6.30 %
Fixed income	12	0.30
Private equity	13	9.30
Real estate	13	5.20
Absolute return	9	2.90
Inflation sensitive	4	3.80
Cash	2	(1.00)
	<u>100 %</u>	
Total		

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

	<u>New strategic allocations</u>	<u>Long-term rate of return</u>
CalSTRS – asset class:		
Global equity	51 %	5.71 %
Global fixed income	20	2.43
Inflation sensitive	6	3.36
Private equity	10	6.95
Real estate	10	5.13
Infrastructure and forestland	2	5.09
Liquidity	<u>1</u>	(1.05)
Total	<u><u>100 %</u></u>	

(9) Other Postemployment Benefits

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 District's Postretirement Health Benefits Plan (the Plan). The Plan is an agent 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:

	<u>Years of service</u>	<u>Premium paid by district</u>
Hire date:		
Before 2/11/1992	3	100 %
Between 2/11/1992 and 6/30/1998	7	100
On or after 7/1/1998	10 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, 2017 and 2016

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, 2017 and 2016

(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 \$6,064,254 and \$5,597,042 to the irrevocable trust with CalPERS during FY 2017 and FY 2016, 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:

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 43,795,000	42,591,000
Interest on net OPEB obligation	4,580,000	3,865,000
Adjustment to annual required contribution	<u>(3,920,000)</u>	<u>(3,309,000)</u>
Annual OPEB cost	44,455,000	43,147,000
Contributions made	<u>(28,346,435)</u>	<u>(28,507,197)</u>
Increase in net OPEB obligation	16,108,565	14,639,803
Net OPEB obligation, beginning of year	<u>83,666,179</u>	<u>69,026,376</u>
Net OPEB obligation, end of year	\$ <u><u>99,774,744</u></u>	<u><u>83,666,179</u></u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB costs</u>	<u>Actual Contributions</u>	<u>Percentage of annual OPEB costs contributed</u>	<u>Net OPEB obligation</u>
June 30, 2017	\$ 44,455,000	28,346,435	63.76 %	\$ 99,774,744
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, 2017 and 2016

(e) Funded Status Information

The District's funding status information is as follows (dollars 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	198.00 %
July 1, 2013	51,823	478,320	426,497	10.83	275,000	155.09

As of June 30, 2017 and 2016, the District has set aside approximately \$68.9 million and \$62.9 million, respectively, in an external trust fund. The fair value of the trust fund as of June 30, 2017 and 2016 was approximately \$98.7 million and \$83.4 million, respectively. Refer to the schedule of other postemployment benefit, funding progress and employer contribution on page 50.

(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 was \$6.0 million each for the fiscal years ended June 30, 2017 and 2016. This benefit was approved by the board of trustees on November 19, 2014 for a two-year extension. This HRA 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, 2017. 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, 2017, the total value of these outstanding commitments is \$440,906,735.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

(11) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2017 and 2016:

	2017				
	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>	<u>Due within one year</u>
G.O. Bonds 2004 Series A and B	\$ 33,670,000	—	—	33,670,000	—
G.O. Bonds 2006 Series E	10,420,000	—	(10,420,000)	—	—
G.O. Bonds 2007 Series A	9,445,000	—	(4,565,000)	4,880,000	4,880,000
G.O. Bonds 2008 Series E1 and F1	40,890,000	—	(12,130,000)	28,760,000	13,605,000
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	—	(175,000,000)	1,025,000,000	—
G.O. Bonds 2013 Series F	213,000,000	—	(4,000,000)	209,000,000	4,000,000
G.O. Bonds 2013 Refunding Bond	48,585,000	—	(3,080,000)	45,505,000	3,200,000
G.O. Bonds 2015 Series G	230,000,000	—	(5,840,000)	224,160,000	5,955,000
G.O. Bonds 2015 Refunding Series A	1,462,085,000	—	(2,785,000)	1,459,300,000	12,635,000
G.O. Bonds 2015 Refunding Series B	42,000,000	—	(4,345,000)	37,655,000	4,385,000
G.O. Bonds 2015 Refunding Series C	305,905,000	—	(15,950,000)	289,955,000	17,870,000
G.O. Bonds 2016 Series I	—	300,000,000	(62,750,000)	237,250,000	13,340,000
G.O. Bonds 2016 Refunding	—	177,745,000	—	177,745,000	2,180,000
Unamortized bond premiums	344,600,684	51,293,654	(29,889,835)	366,004,503	24,062,406
Pension obligations	519,790,403	121,192,149	—	640,982,552	—
Supplemental Retirement Plan	—	26,374,728	—	26,374,728	5,274,946
Workers' compensation liabilities	33,816,000	7,219,679	(3,962,679)	37,073,000	3,962,679
General liabilities	5,357,000	4,173,147	(3,082,147)	6,448,000	3,082,147
Compensated absences	17,674,328	651,448	—	18,325,776	9,262,299
Capital lease obligations	1,306,583	408,374	(626,618)	1,088,339	501,544
Total	\$ 4,593,544,998	689,058,179	(338,426,279)	4,944,176,898	128,196,021

	2016				
	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>	<u>Due within one year</u>
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	—	(23,076,228)	344,600,684	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	(243,213,589)	4,073,754,595	103,117,466

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

(a) General Obligation Bonds

The voters passed four G.O. Bond measures that 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. On November 8, 2016 the voters of the County passed Measure CC, a \$3.3 billion G.O. Bond measure.

During FY 2017, 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 a difference between the reacquisition price and net carrying amount on the refunded debt 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 District has issued to date all the authorized amounts of Proposition A and Proposition AA, and \$2.525 billion of Measure J, and no amounts have been issued for Measure CC as of June 30, 2017. The G.O. Bond measures were issued with interest ranging from 0.85% to 7.53%. The effective interest rate at the financial statement date is 5.0%.

The deferred outflows of resources (cash provided to escrow to cover part of interest) 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:		
2018	\$	10,173,253
2019		10,173,253
2020		10,173,253
2021		10,173,253
2022		10,173,253
Thereafter		<u>123,197,373</u>
	\$	<u><u>174,063,638</u></u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

Total Debt service requirements to maturity of the G.O. Bonds at June 30, 2017 are as follows:

	Total G.O. Bond debt service		
	Principal	Interest	Total
Year(s) ending June 30:			
2018	\$ 82,050,000	197,044,906	279,094,906
2019	83,195,000	193,649,215	276,844,215
2020	87,615,000	189,945,075	277,560,075
2021	88,405,000	185,884,879	274,289,879
2022	95,160,000	181,559,857	276,719,857
2023–2027	612,875,000	827,863,523	1,440,738,523
2028–2032	930,575,000	633,872,282	1,564,447,282
2033–2037	710,715,000	420,654,760	1,131,369,760
2038–2042	442,670,000	298,259,461	740,929,461
2043–2047	416,855,000	173,258,629	590,113,629
2048–2050	297,765,000	30,736,969	328,501,969
Total	\$ <u>3,847,880,000</u>	<u>3,332,729,556</u>	<u>7,180,609,556</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.

(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 2017. The amount of the outstanding liability at June 30, 2017 and 2016 includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases, which occurred through that date.

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2017 and 2016

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2017 and 2016 were as follows:

		2017			
		Balance at July 1, 2016	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2017
Workers' compensation	\$	33,816,000	7,219,679	(3,962,679)	37,073,000
General liability		5,357,000	4,173,147	(3,082,147)	6,448,000

		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

During the years ended June 30, 2017 and 2016, the District made total premium payments of approximately \$3,182,071 and \$3,281,564, respectively, for general liability and workers' compensation claims.

(13) Subsequent Events

The District issued \$300 million in bonds from Measure J and \$100 million in bonds from Measure CC, comprising \$50 million in tax-exempt bonds and \$50 million in taxable bonds, in November 2017.

The Los Angeles College Promise Program was initiated in the summer of 2017 and provides for tuition free enrollment for full-time, first year students who graduated from the Los Angeles Unified School District.

REQUIRED SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Other Postemployment Benefits Funding Progress and Employer Contributions

Year ended June 30, 2017

(Unaudited)

Schedule of funding progress:

The following schedule of funding progress, presented as required supplementary information, follows the notes to the basic 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	198.00 %
July 1, 2013	51,823	478,320	426,497	10.83	275,000	155.09
July 1, 2011	34,185	593,389	559,203	5.76	272,400	205.29

District contributions made:

<u>Fiscal year</u>	<u>Contributions made</u>
2017	\$ 28,346,435
2016	28,507,197
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, 2017

(Unaudited)

Schedule of the District's Proportionate Share of the Net Pension Liability

CalSTRS and CalPERS pension plans

Last 10 fiscal years*

	2017		2016	
	CalPERS	CalSTRS	CalPERS	CalSTRS
District's proportion of the collective net pension liability	1.25 %	0.49 %	1.24 %	0.50 %
District's proportionate share of the collective net pension liability	\$ 246,283,271	394,699,280	182,497,163	337,293,240
District's covered 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 percent of covered payroll	1.58 %	1.67 %	1.44 %	1.60 %
Pension plan's fiduciary net position as a percentage of total pension liability	0.74	0.70	79.43	74.00

* 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*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contributions as a percentage of covered-employee payroll	16.67 %	12.78 %	12.92 %	11.68 %	11.87 %	11.05 %	10.76 %	9.76 %	9.46 %	9.27 %
Contractually required contribution	\$ 33,740,364	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
Contributions in relation to the contractually required contributions	33,740,364	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
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered payroll	252,688,729	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
Contributions as a percentage of covered payroll	13.35 %	11.82 %	9.94 %	8.98 %	9.37 %	9.01 %	8.94 %	8.74 %	8.89 %	8.96 %

* 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.

CalPERS pension plan

Last 10 fiscal years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 22,483,144	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
Contributions in relation to the contractually required contributions	22,483,144	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
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered payroll	148,815,636	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

* 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, 2017

Assets	
Cash in county treasury	\$ 181,963,195
Cash in banks	21,359,672
Cash in revolving fund	166,503
Accounts, notes, interest and loans receivable, net	37,574,351
Cash held with trustee	65,402
Due from other funds	4,552,079
Prepaid expenses and other assets	<u>7,076,682</u>
Total assets	\$ <u>252,757,884</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 93,338,381
Due to other funds	3,203,527
Amounts held in trusts	505,989
Unearned revenue	<u>10,934,882</u>
Total liabilities	<u>107,982,779</u>
Fund balance:	
Restricted	32,030,181
Unrestricted	<u>112,744,924</u>
Total fund balance	<u>144,775,105</u>
Total liabilities and fund balance	\$ <u>252,757,884</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, 2017

Revenues:

Federal revenues:

Higher Education Acts	\$ 11,218,248
Job Training Partnership Act	4,189,994
Temporary Assistance for Needy Families (TANF)	1,063,425
Vocational Education Act	4,911,641
Veterans Education	11,523
College Work Study	2,838,831
Supplemental educational opportunity grants	141,779
Pell (Basic educational opportunity grants)	246,815
Other	<u>7,363,651</u>
Total federal revenues	<u>31,985,907</u>

State revenues:

State apportionments	397,625,159
Tax relief subvention	6,156,087
State lottery	21,499,801
CA Works Opportunity and Responsibility to Kids	6,071,156
Extended opportunity program	9,380,433
Matriculation program	43,338,291
Disabled Students Programs and Services	7,290,627
Other	<u>7,222,069</u>
Total state revenues	<u>498,583,623</u>

Local revenues:

Local property taxes	203,630,921
Enrollment fees	29,585,056
Tuition and fees, net of scholarship discounts and allowance	14,757,557
Community service fees	5,885,413
Parking fees	2,924,022
Health service fees	4,725,598
Student fees and charges	1,068,483
Interest	2,295,998
Other	<u>14,717,834</u>
Total local revenues	<u>279,590,882</u>

Total revenues

810,160,412

Expenditures:

Current:

Academic salaries	326,579,232
Classified salaries	180,156,878
Employee benefits	167,823,870
Books and supplies	16,613,143
Contract services, student grants, and other operating expenditures	104,205,452
Capital outlay and equipment replacement:	19,718,010
Other	<u>1,275,704</u>

Total expenditures

816,372,289

Excess of revenues over expenditures:

(6,211,877)

Other financing uses:

Operating transfers out	<u>(19,992,631)</u>
-------------------------	---------------------

Net increase in fund balance

(26,204,508)

Fund balances at July 1, 2016

170,979,613

Fund balances at June 30, 2017

\$ 144,775,105

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2017

Assets	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Cash in county treasury	\$ 111,428,414	—	1,583,734	—	113,012,148
Cash in banks	479,711	787,808	443,222	3,647,319	5,358,060
Cash in revolving fund	—	2,889	(313)	96,680	99,256
Accounts, notes, interest and loans receivable, net of allowance for doubtful accounts	2,351,699	100,489	932,925	4,066,234	7,451,347
Due from other funds	1,913,681	126,109	280,398	587,807	2,907,995
Prepaid expenses	—	—	—	250	250
Inventory	—	58,810	—	4,170,454	4,229,264
Total assets	\$ 116,173,505	1,076,105	3,239,966	12,568,744	133,058,320
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 796,522	34,571	1,217,914	17,174	2,066,181
Due to other funds	2,248,486	145,527	907,728	636,138	3,937,879
Unearned revenue	—	265	—	910,033	910,298
Total liabilities	3,045,008	180,363	2,125,642	1,563,345	6,914,358
Fund balance:					
Capital projects	113,128,497	—	—	—	113,128,497
Unrestricted	—	895,742	—	8,635,982	9,531,724
Reserve for facility improvements and inventory	—	—	—	2,369,417	2,369,417
Reserve for program and capital expenditures	—	—	1,114,324	—	1,114,324
Total fund balance	113,128,497	895,742	1,114,324	11,005,399	126,143,962
Total liabilities and fund balance	\$ 116,173,505	1,076,105	3,239,966	12,568,744	133,058,320

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, 2017

	Special Reserve Fund	Cafeteria Fund	Child Development Fund	Bookstore Fund	Total
Revenues:					
Federal revenues:					
Tuition and fees	\$ —	—	402,554	—	402,554
Child and Adult Care	—	—	—	—	—
Others	120,098	43,771	1,764,618	—	1,928,487
Total federal revenues	120,098	43,771	2,167,172	—	2,331,041
State revenues:					
State apportionment	10,080,494	—	—	—	10,080,494
Child Development Program	—	—	6,434,305	—	6,434,305
Other	3,925,689	—	(88,080)	—	3,837,609
Total state revenues	14,006,183	—	6,346,225	—	20,352,408
Local revenues:					
Food service sales	—	1,565,444	—	—	1,565,444
Bookstore sales	—	—	—	26,547,699	26,547,699
Interest	988,128	—	34,616	—	1,022,744
Other	3,476,998	348,924	—	9,615	3,835,537
Total local revenues	4,465,126	1,914,368	34,616	26,557,314	32,971,424
Total revenues	18,591,407	1,958,139	8,548,013	26,557,314	55,654,873
Expenditures:					
Current:					
Academic salaries	—	—	4,392,846	—	4,392,846
Classified salaries	—	315,097	2,895,234	4,329,068	7,539,399
Employee benefits	—	24,926	1,545,179	1,508,425	3,078,530
Books and supplies	—	1,407,789	711,636	17,962,303	20,081,728
Contract services, student grant, and other operating expenditures	14,193,519	38,271	20,964	1,036,114	15,288,868
Utilities	—	—	—	254,579	254,579
Capital outlay	2,152,686	207	88,064	51,141	2,292,098
Total expenditures	16,346,205	1,786,290	9,653,923	25,141,630	52,928,048
Excess of revenues over expenditures	2,245,202	171,849	(1,105,910)	1,415,684	2,726,825
Other financing sources – operating transfers in	12,747,864	39,537	1,210,526	(61,693)	13,936,234
Net increase in fund balances	14,993,066	211,386	104,616	1,353,991	16,663,059
Fund balances at July 1, 2016	98,135,431	684,356	1,009,708	9,651,408	109,480,903
Fund balances at June 30, 2017	\$ <u>113,128,497</u>	<u>895,742</u>	<u>1,114,324</u>	<u>11,005,399</u>	<u>126,143,962</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2017

Assets

Cash held with trustee	\$ 271,931,862
Accounts, notes, interest and loans receivable, net	<u>24,215,698</u>
Total assets	<u><u>\$ 296,147,560</u></u>

Liabilities and Fund Balance

Liabilities:	
Other liabilities	\$ <u>107,230,505</u>
Total liabilities	<u>107,230,505</u>
Fund balance:	
Restricted	<u>188,917,055</u>
Total fund balance	<u>188,917,055</u>
Total liabilities and fund balance	<u><u>\$ 296,147,560</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, 2017

Revenue	\$	<u>—</u>
Total local revenues		<u>—</u>
Expenditures:		
Current:		
Debt service		125,865,000
Contract services, student grant, and other operating expenditures		
Interest expense on capital asset-related debt		<u>197,484,888</u>
Total expenditures		<u>323,349,888</u>
Deficit of expenditures over revenues		<u>(323,349,888)</u>
Other financing sources:		
Local tax for G.O. Bonds		<u>305,627,900</u>
Total other financing sources		<u>305,627,900</u>
Net decrease in fund balance		(17,721,988)
Fund balances at July 1, 2016		<u>206,639,043</u>
Fund balances at June 30, 2017	\$	<u><u>188,917,055</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Post Retirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2017

Assets

Assets	\$	<u>—</u>
Total assets	\$	<u><u>—</u></u>

Liabilities and Fund Balance

Liabilities:		
Unfunded OPEB payable	\$	<u>99,774,744</u>
Total liabilities		<u>99,774,744</u>
Fund balance:		
Restricted		<u>(99,774,744)</u>
Total fund balance		<u>(99,774,744)</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, 2017

Revenue:		
Other nonoperating revenue	\$	<u>7,854</u>
Total local revenues		<u>7,854</u>
Expenditures:		
Current:		
Employee benefits		<u>22,172,819</u>
Total expenditures		<u>22,172,819</u>
Deficit of expenditures over revenues		<u>(22,164,965)</u>
Other financing sources:		
Operating transfers in		<u>6,056,400</u>
Total other financing sources		<u>6,056,400</u>
Net decrease in fund balance		(16,108,565)
Fund deficit at July 1, 2016		<u>(83,666,179)</u>
Fund deficit at June 30, 2017	\$	<u><u>(99,774,744)</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

Schedule of Balance Sheet Accounts

June 30, 2017

Assets

Cash held with trustee	\$	—
Accounts, notes, interest and loans receivable, net		—
		<hr/>
Total assets	\$	—
		<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:		
Due to other funds	\$	—
Other liabilities		—
		<hr/>
Total liabilities		—
		<hr/>
Fund balance:		
Reserve for expendable fund balance		—
Reserve for nonexpendable fund balance		—
		<hr/>
Total fund balance		—
		<hr/>
Total liabilities and fund balance	\$	—
		<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, 2017

Revenue:		
Investment income – noncapital		\$ <u>1,331</u>
Total revenues		<u>1,331</u>
Expenditures:		
Other operating expenses and services		<u>1,005,171</u>
Total expenditures		<u>1,005,171</u>
Excess of expenditure over revenues		<u>(1,003,840)</u>
Net decrease in fund balance		(1,003,840)
Fund balances at July 1, 2016		<u>1,003,840</u>
Fund balances at June 30, 2017		\$ <u><u>—</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2017

Assets

Cash in county treasury	\$ 179,610,935
Cash in banks	5,041,960
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	1,181,731
Due from other funds	2,586,708
Prepaid expenses and other assets	15,898,607
Deposit with trustee	<u>28,506,802</u>
Total assets	<u>\$ 232,826,743</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 57,077,892
Due to other funds	<u>631,056</u>
Total liabilities	<u>57,708,948</u>

Fund balance:

Reserve for capital expenditures	<u>175,117,795</u>
Total fund balance	<u>175,117,795</u>
Total liabilities and fund balance	<u>\$ 232,826,743</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, 2017

Local revenues:	
Interest	\$ 3,374,567
Other	154
Total revenue	<u>3,374,721</u>
Expenditures:	
Other operating expenses and services	13,164,487
Capital outlay	185,261,035
Total expenditures	<u>198,425,522</u>
Deficit of expenditures over revenues	<u>(195,050,801)</u>
Other financing sources:	
Proceeds from issuance of debt	<u>300,000,000</u>
Total other financing sources	<u>300,000,000</u>
Net increase in fund balance	104,949,199
Fund balances at July 1, 2016	<u>70,168,596</u>
Fund balances at June 30, 2017	<u>\$ 175,117,795</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2017

Assets

Cash in county treasury	\$	791,644
Cash in banks		4,626,492
Accounts, notes, interest and loans receivable, net		5,490,007
Due from other funds		<u>575,454</u>
Total assets	\$	<u><u>11,483,597</u></u>

Liabilities and Fund Balance

Liabilities:		
Accounts payable	\$	5,620,794
Due to other funds		<u>2,854,886</u>
Total liabilities		<u>8,475,680</u>
Fund balance:		
Restricted		<u>3,007,917</u>
Total fund balance		<u>3,007,917</u>
Total liabilities and fund balance	\$	<u><u>11,483,597</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, 2017

Revenues:

Federal revenues:

Supplemental educational opportunity grants	\$ 3,163,117
Pell (basic educational opportunity grants)	162,293,367
Direct loan	27,229,525
Other	<u>324,429</u>
Total federal revenues	<u>193,010,438</u>

State revenues:

Extended opportunity program	7,854,564
Cal Grant	16,253,047
Other	<u>407,792</u>
Total state revenues	<u>24,515,403</u>

Local revenues:

Interest	1,799
Other	<u>206,334</u>
Total local revenues	<u>208,133</u>
Total revenues	<u>217,733,974</u>

Expenditures:

Student grants	<u>217,662,372</u>
Total expenditures	<u>217,662,372</u>
Excess of revenues over expenditures	<u>71,602</u>
Net increase in fund balance	71,602

Fund balances at July 1, 2016	<u>2,936,315</u>
Fund balances at June 30, 2017	<u>\$ 3,007,917</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

ASO Trust Fund – Combined Schedule of Balance Sheet Accounts

June 30, 2017

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	\$ 286,208	241,214	114,626	381,893	1,059,299	115,128	1,183,860	942,398	155,784	4,480,410
Investments	1,342,555	168,627	100,000	72,560	610,453	—	1,643,024	1,758	—	3,938,977
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	9,396	—	—	—	25,357	14,403	11,486	120	60,762
Inventory	—	—	—	—	3,669	—	—	—	1,068	4,737
Capital assets	42,361	—	—	—	—	—	296,689	293,120	54,685	686,855
Total assets	\$ 1,671,124	419,237	214,626	454,453	1,673,421	140,485	3,137,976	1,248,762	211,657	9,171,741
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	\$ —	10,052	17,121	146,242	875,899	5,978	449,868	27,630	32,472	1,565,262
Unearned revenue	9,546	—	—	—	—	—	—	—	—	9,546
Long-term liabilities	1,105,454	—	—	—	—	13,044	816,178	—	—	1,934,676
Total liabilities	1,115,000	10,052	17,121	146,242	875,899	19,022	1,266,046	27,630	32,472	3,509,484
Fund balance:										
Investment in fixed assets	42,361	—	—	—	—	—	296,690	293,119	54,685	686,855
Fund balances – designated for future expenditures	513,763	409,185	197,505	308,211	797,522	121,463	1,575,240	928,013	124,500	4,975,402
Total fund balance	556,124	409,185	197,505	308,211	797,522	121,463	1,871,930	1,221,132	179,185	5,662,257
Total liabilities and fund balance	\$ 1,671,124	419,237	214,626	454,453	1,673,421	140,485	3,137,976	1,248,762	211,657	9,171,741

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, 2017

	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
Revenues:										
Other	\$ 215,968	71,194	18,165	255,117	180,980	28,529	263,060	40,455	45,891	1,119,359
Total revenues	<u>215,968</u>	<u>71,194</u>	<u>18,165</u>	<u>255,117</u>	<u>180,980</u>	<u>28,529</u>	<u>263,060</u>	<u>40,455</u>	<u>45,891</u>	<u>1,119,359</u>
Expenditures:										
Contract services and other operating expenditures	198,085	63,812	11,066	353,430	124,290	23,915	74,558	40,105	27,172	916,433
Total expenditures	<u>198,085</u>	<u>63,812</u>	<u>11,066</u>	<u>353,430</u>	<u>124,290</u>	<u>23,915</u>	<u>74,558</u>	<u>40,105</u>	<u>27,172</u>	<u>916,433</u>
Net increase (decrease) in fund balance	17,883	7,382	7,099	(98,313)	56,690	4,614	188,502	350	18,719	202,926
Fund balances at July 1, 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>
Fund balances at June 30, 2017	<u>\$ 556,124</u>	<u>409,185</u>	<u>197,505</u>	<u>308,211</u>	<u>797,522</u>	<u>121,463</u>	<u>1,871,930</u>	<u>1,221,132</u>	<u>179,185</u>	<u>5,662,257</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, 2017

	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
Assets										
Cash in banks	\$ 32,572	125,050	78,604	61,760	324,271	11,032	38,438	115,328	12,384	799,439
Accounts, notes, interest and receivable, net of allowance for doubtful accounts	—	—	—	—	—	5,571	—	1,688	—	7,259
Investments	—	—	—	—	—	—	—	51,285	—	51,285
Total assets	\$ 32,572	125,050	78,604	61,760	324,271	16,603	38,438	168,301	12,384	857,983
Fund Balance										
Fund balance:										
Fund balances – designated for future expenditures	\$ 32,572	125,050	78,604	61,760	324,271	16,603	38,438	168,301	12,384	857,983
Total fund balance	32,572	125,050	78,604	61,760	324,271	16,603	38,438	168,301	12,384	857,983
Total liabilities and fund balance	\$ 32,572	125,050	78,604	61,760	324,271	16,603	38,438	168,301	12,384	857,983

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, 2017

	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
Revenues:										
Other	\$ 58,344	33,675	19,180	17,843	44,741	15,380	29,051	28,208	20,994	267,416
Total revenues	<u>58,344</u>	<u>33,675</u>	<u>19,180</u>	<u>17,843</u>	<u>44,741</u>	<u>15,380</u>	<u>29,051</u>	<u>28,208</u>	<u>20,994</u>	<u>267,416</u>
Expenditures:										
Contract services and other operating expenditures	36,184	46,351	17,477	7,493	12,267	13,947	26,942	10,905	32,462	204,028
Total expenditures	<u>36,184</u>	<u>46,351</u>	<u>17,477</u>	<u>7,493</u>	<u>12,267</u>	<u>13,947</u>	<u>26,942</u>	<u>10,905</u>	<u>32,462</u>	<u>204,028</u>
Net increase (decrease) in fund balance	22,160	(12,676)	1,703	10,350	32,474	1,433	2,109	17,303	(11,468)	63,388
Fund balances at July 1, 2016	10,412	137,726	76,901	51,410	291,797	15,170	36,329	150,998	23,852	794,595
Fund balances at June 30, 2017	<u>\$ 32,572</u>	<u>125,050</u>	<u>78,604</u>	<u>61,760</u>	<u>324,271</u>	<u>16,603</u>	<u>38,438</u>	<u>168,301</u>	<u>12,384</u>	<u>857,983</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of District Organization, Board and Administration Members
 Year ended June 30, 2017

The District Organization

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

Name	Office	Term expires
Scott J. Svonkin	President	June 30, 2019
Sydney K. Kamlager	First Vice President	June 30, 2019
Mike Fong	Second Vice President	June 30, 2019
Mike Eng	Member	June 30, 2017
Andra Hoffman	Member	June 30, 2019
Ernest H. Moreno	Member	June 30, 2017
Nancy Pearlman	Member	June 30, 2017
Christopher Martinez	Student Trustee	May 31, 2018

The Administration

Name	Office
Dr. Francisco C. Rodriguez	Chancellor
(Vacant)	Deputy Chancellor
Dr. Robert B. Miller	Vice Chancellor, Finance and Resource Development
Dr. Ryan M. Cornner	Vice Chancellor, Educational Programs and Institutional Effectiveness
Dr. Albert Roman	Vice Chancellor, Human Resources
Ms. Jeanette L. Gordon	Chief Financial Officer/Treasurer
Mr. Thomas Hall	Interim Chief Facilities Executive
Dr. Kevin D. Jeter	Interim General Counsel

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of District Organization, Board and Administration Members
Year ended June 30, 2017

The College Presidents

Name	Office
Mr. Marvin R. Martinez	East Los Angeles College
Ms. 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 F. Burke	Los Angeles Pierce College
Dr. Denise F. Noldon*	Los Angeles Southwest College
Mr. Laurence B. Frank	Los Angeles Trade-Technical College
Dr. Erika A. Endrijonas	Los Angeles Valley College
Dr. James M. Limbaugh	West Los Angeles College

* Interim

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards by College
Year ended June 30, 2017

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:				
Los Angeles City College	10.558	04056-CACFP-19-CC-CS	\$ —	58,926
East Los Angeles College	10.558	04056-CACFP-19-CC-CS	—	107,162
Los Angeles Harbor College	10.558	04056-CACFP-19-CC-CS	—	42,073
Los Angeles Mission College	10.558	04056-CACFP-19-CC-CS	—	118,463
Pierce College	10.558	04056-CACFP-19-CC-CS	—	85,911
Los Angeles Southwest College	10.558	04056-CACFP-19-CC-CS	—	115,380
Los Angeles Trade Technical College	10.558	04056-CACFP-19-CC-CS	—	79,079
Los Angeles Valley College	10.558	04056-CACFP-19-CC-CS	—	128,899
West Los Angeles College	10.558	04056-CACFP-19-CC-CS	—	59,445
Summer Food Service:				
Los Angeles Southwest College	10.558	USDA-SFSP	—	43,771
Subtotal pass-through programs			—	839,109
Total U S Department of Agriculture			—	839,109
U S Department of Labor:				
Direct programs:				
H-1B Job Training Grants:				
West Los Angeles College	17.268	HG-22731-12-60-A-6	—	178,494
Los Angeles Southwest College	17.268	HG-22706-12-60-A-6	—	427,102
Trade Adjustment Assistance Community College and Career Training:				
East Los Angeles College	17.282	TC-23-756-12-60-A-6	—	83,678
Los Angeles Healthcare Competency Career Consortium:				
Los Angeles Trade Technical College	17.282	TC-25-083-13-60-A-6	—	3,282,391
Los Angeles City College	17.282	TC-25-084-13-60-A-6	—	234,162
East Los Angeles College	17.282	TC-25-085-13-60-A-6	—	574,666
Los Angeles Harbor College	17.282	TC-25-086-13-60-A-6	—	253,448
Los Angeles Mission College	17.282	TC-25-087-13-60-A-6	—	273,235
Pierce College	17.282	TC-25-088-13-60-A-6	—	391,939
Los Angeles Southwest College	17.282	TC-25-089-13-60-A-6	—	147,410
Los Angeles Valley College	17.282	TC-25-090-13-60-A-6	—	46,247
West Los Angeles College	17.282	TC-25-091-13-60-A-6	—	515,638
Subtotal direct programs			—	6,408,410
Pass-through City of Los Angeles:				
Industry Sector Expert Strategists-Biote:				
Los Angeles Valley College	17.258	129096	—	54,040
Los Angeles Valley College	17.277	129096	—	66,510
Industry Sector Expert Strategists-Biote:				
Los Angeles Valley College	17.278	129096	—	29,099
Industry Sector Partnership Initiative:				
Los Angeles Valley College	17.277	127688	—	320,743
Mayor's Vulnerable/Underrepresented Init:				
Los Angeles Valley College	17.278	129569	—	66,498
Early Childhood Education Certification:				
Los Angeles City College	17.258	C-129397	—	84,857
Los Angeles City College	17.278	C-129397	—	69,429
Unmanned Aerial Vehicle Training Project:				
East Los Angeles College	17.258	129240	—	41,247
East Los Angeles College	17.259	129240	—	7,279
East Los Angeles College	17.278	129240	—	32,350
YouthSource System:				
Los Angeles Harbor College	17.259	128313	43,334	637,429
Pass-through County of Los Angeles:				
Workforce Training LAVC:				
Los Angeles Valley College	17.258	WIOA-CH-04	—	32,370
Pass-through Employment Development Department:				
EDD Strengthening Working Families:				
Los Angeles Valley College	17.258	K6103085	—	150,000
Pass-through Forsyth Technical Community College:				
Trade Adjustment Assistance Community College and Career Training:				
Consortium for Bioscience Credentials:				
Los Angeles Valley College	17.282	FTCC-LAVC	—	64,007
Subtotal pass-through programs			43,334	1,655,858
Total U.S. Department of Labor			43,334	8,064,268

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards by College
Year ended June 30, 2017

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
National Science Foundation:				
Direct programs:				
Academic and Student Support to Improve STEM Transfers:				
East Los Angeles College	47.076	1068483	\$ —	143,053
Riding the Road Map to Transfer Program:				
West Los Angeles College	47.076	1154552	—	75,520
Scholarship in STEM to Achieve Results:				
East Los Angeles College	47.076	1458676	—	65,547
Consortium for Undergraduate Research Experiences:				
Los Angeles City College	47.049	AST-1460538	—	103,287
CAPTIVATE NSF:				
Pierce College	47.076	1565706	—	59,507
Subtotal direct programs			—	446,914
Pass-through The University Corporation:				
RE-C*2: Research Experi in Comm Coll NSF:				
Los Angeles Mission College	47.049	F-15-3665-LAMC	—	9,299
Subtotal pass-through programs			—	9,299
Total National Science Foundation			—	456,213
U S Department of Education:				
Direct programs:				
Higher Education Act :				
Higher Education Institutional Aid:				
Los Angeles City College	84.031		—	212,873
East Los Angeles College	84.031		133,914	1,550,097
Los Angeles Harbor College	84.031		—	888,428
Los Angeles Mission College	84.031		—	756,766
Pierce College	84.031		—	362,257
Los Angeles Southwest College	84.031		—	146,801
Los Angeles Trade Technical College	84.031		—	20,000
Los Angeles Valley College	84.031		—	776,168
West Los Angeles College	84.031		—	396,495
Undergraduate International Studies and Foreign Language Programs:				
West Los Angeles College	84.016		—	113,393
TRIO-Student Support Services:				
Los Angeles City College	84.042		—	337,694
Los Angeles Harbor College	84.042		—	361,930
Los Angeles Mission College	84.042		—	231,456
Los Angeles Southwest College	84.042		—	670,308
Los Angeles Valley College	84.042		—	221,592
West Los Angeles College	84.042		—	267,659
TRIO-Talent Search:				
Los Angeles Southwest College	84.044		—	267,696
West Los Angeles College	84.044		—	264,313
TRIO-Upward Bound:				
Los Angeles City College	84.047		—	635,011
Los Angeles Southwest College	84.047		—	591,771
Los Angeles Valley College	84.047		—	531,960
West Los Angeles College	84.047		—	1,125,258
TRIO-Educational Opportunity Centers:				
West Los Angeles College	84.066		—	262,885
Student Financial Assistance:				
Federal Supplement Educational Opportunity Grants (FSEOG):				
Los Angeles City College	84.007		—	473,825
Educational Service Center	84.007		—	23,695
East Los Angeles College	84.007		—	644,221
Los Angeles Harbor College	84.007		—	202,690
Los Angeles Mission College	84.007		—	241,455
Pierce College	84.007		—	474,467
Los Angeles Southwest College	84.007		—	162,000
Los Angeles Trade Technical College	84.007		—	465,109
Los Angeles Valley College	84.007		—	364,741
West Los Angeles College	84.007		—	246,889
Federal Work Study Program:				
Los Angeles City College	84.033		—	413,723
Educational Service Center	84.033		—	20,716
East Los Angeles College	84.033		—	482,207

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards by College
Year ended June 30, 2017

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
Los Angeles Harbor College	84.033		\$ —	233,924
Los Angeles Mission College	84.033		—	187,901
Pierce College	84.033		—	376,482
Los Angeles Southwest College	84.033		—	173,031
Los Angeles Trade Technical College	84.033		—	451,299
Los Angeles Valley College	84.033		—	345,470
West Los Angeles College	84.033		—	265,969
Federal Perkins Loan Program:				
Los Angeles City College	84.038		—	587,658
East Los Angeles College	84.038		—	549,041
Los Angeles Harbor College	84.038		—	124,647
Los Angeles Mission College	84.038		—	55,676
Pierce College	84.038		—	357,981
Los Angeles Southwest College	84.038		—	310,585
Los Angeles Trade Technical College	84.038		—	781,565
Los Angeles Valley College	84.038		—	469,309
West Los Angeles College	84.038		—	296,487
Federal Pell Grant Program:				
Los Angeles City College	84.063		—	20,607,813
Educational Service Center	84.063		—	79,323
East Los Angeles College	84.063		—	35,999,683
Los Angeles Harbor College	84.063		—	9,501,490
Los Angeles Mission College	84.063		—	10,836,766
Pierce College	84.063		—	23,703,234
Los Angeles Southwest College	84.063		—	10,008,370
Los Angeles Trade Technical College	84.063		—	18,555,322
Los Angeles Valley College	84.063		—	23,294,421
West Los Angeles College	84.063		—	10,185,750
Federal Direct Student Loans:				
Los Angeles City College	84.268		—	5,318,320
East Los Angeles College	84.268		—	2,012,240
Los Angeles Harbor College	84.268		—	515,875
Los Angeles Mission College	84.268		—	1,641,535
Pierce College	84.268		—	6,737,597
Los Angeles Southwest College	84.268		—	2,778,838
Los Angeles Trade Technical College	84.268		—	3,353,855
Los Angeles Valley College	84.268		—	2,402,079
West Los Angeles College	84.268		—	2,471,014
Subtotal direct programs			133,914	210,779,099
Pass-through California Department of Education:				
Adult Education and Family Literacy & English Literacy:				
Los Angeles City College	84.002	16-6474-4000	—	942,227
East Los Angeles College	84.002	16-6474-4000	—	139,685
Los Angeles Mission College	84.002	16-6474-4000	—	114,244
Los Angeles Southwest College	84.002	16-6474-4000	—	361,229
Los Angeles Trade Technical College	84.002	16-6474-4000	—	169,486
Los Angeles Valley College	84.002	16-6474-4000	—	236,146
Pass-through San Mateo County Community College District/Canada College:				
Higher Education Institutional Aid:				
California Alliance for the Long-term Strengthening of Trf Engine Program:				
Pierce College	84.031	P031C110159	—	13,891
Pass-through The University Corporation:				
Higher Education Institutional Aid:				
Bridging the Gap Enhancing AIMS2 for St:				
Pierce College	84.031	A17-0013-S004	—	16,215
Developing California's Workforce:				
Pierce College	84.031	A17-0033-S001	—	31,645
Pass-through California State University, Dominguez Hills:				
Higher Education Institutional Aid:				
CSUD-Title V HSI Cooperative:				
West Los Angeles College	84.031	5977	—	37,955
CSUD-Title V HSI Cooperative:				
West Los Angeles College	84.031	5832	—	6,163
Pass-through Los Angeles Unified School District:				
Gaining Early Awareness and Readiness for Undergraduate Programs:				
Los Angeles City College	84.334	4400003423	—	74,364
Los Angeles Trade Technical College	84.334	4400003478	—	14,934
Los Angeles City College	84.334	4400002613	—	30,523

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards by College
Year ended June 30, 2017

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
Pass-through Marymount College/Project GRAD Los Angeles: Gaining Early Awareness and Readiness for Undergraduate Programs: Los Angeles Valley College	84.334	PGLA 2011-18	\$ —	72,434
Pass-through California Community College's Chancellors Office: Career and Technical Education – Basic Grants to States: Perkins Title I-C: Los Angeles City College	84.048	16-C01-027	—	502,910
Educational Service Center	84.048	16-C01-027	—	232,804
East Los Angeles College	84.048	16-C01-027	—	897,239
Los Angeles Harbor College	84.048	16-C01-027	—	289,939
Los Angeles Mission College	84.048	16-C01-027	—	319,305
Pierce College	84.048	16-C01-027	—	524,755
Los Angeles Southwest College	84.048	16-C01-027	—	243,390
Los Angeles Trade Technical College	84.048	16-C01-027	—	549,692
Los Angeles Valley College	84.048	16-C01-027	—	467,562
West Los Angeles College	84.048	16-C01-027	—	490,313
Career and Technical Education – Transitions: Los Angeles City College	84.048	16-112-027	—	43,748
Educational Service Center	84.048	16-112-027	—	7,697
East Los Angeles College	84.048	16-112-027	—	40,801
Los Angeles Harbor College	84.048	16-112-027	—	43,748
Los Angeles Mission College	84.048	16-112-027	—	43,748
Pierce College	84.048	16-112-027	—	43,748
Los Angeles Southwest College	84.048	16-112-027	—	38,998
Los Angeles Trade Technical College	84.048	16-112-027	—	43,748
Los Angeles Valley College	84.048	16-112-027	—	43,748
West Los Angeles College	84.048	16-112-027	—	43,748
First in the World CSULA: West Los Angeles College	84.116	WLAC231225	—	119,567
Pass-through California Department of Rehabilitation: College to Career Program DOR: West Los Angeles College	84.126	29667	—	253,026
Pass-through Cal State L.A. University Auxiliary Services, INC: Subtotal pass-through programs			—	7,545,375
Total U.S. Department of Education			133,914	218,324,474
U.S. Department of Health and Human Services: Direct programs: Nursing Student Loans: Los Angeles City College	93.364		—	2,271
East Los Angeles College	93.364		—	1,200
Los Angeles Harbor College	93.364		—	8,291
Pierce College	93.364		—	2,297
Los Angeles Southwest College	93.364		—	9,284
Los Angeles Trade Technical College	93.364		—	6,250
Los Angeles Valley College	93.364		—	33,573
Subtotal direct programs			—	63,166
Pass-through California Community College's Chancellors Office: Temporary Assistance for Needy Families (TANF): Los Angeles City College	93.558	4362501711014	—	151,440
East Los Angeles College	93.558	4362501711014	—	143,422
Los Angeles Harbor College	93.558	4362501711014	—	57,068
Los Angeles Mission College	93.558	4362501711014	—	89,078
Pierce College	93.558	4362501711014	—	86,838
Los Angeles Southwest College	93.558	4362501711014	—	111,387
Los Angeles Trade Technical College	93.558	4362501711014	—	203,443
Los Angeles Valley College	93.558	4362501711014	—	146,184
West Los Angeles College	93.558	4362501711014	—	74,565
Pass-through California Department of Education: Family Child Care Homes: Los Angeles Mission College	93.575	CFCC-6010	—	88,148
Los Angeles Mission College	93.596	CFCC-6010	—	191,905
General Child Care and Development Program: Los Angeles City College	93.575	CCTR-6096	—	5,024
East Los Angeles College	93.575	CCTR-6096	—	9,485
Los Angeles Harbor College	93.575	CCTR-6096	—	10,271
Los Angeles Mission College	93.575	CCTR-6096	—	118,299

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards by College
Year ended June 30, 2017

<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>
Pierce College	93.575	CCTR-6096	\$ —	717
Los Angeles Southwest College	93.575	CCTR-6096	—	1,475
Los Angeles Valley College	93.575	CCTR-6096	—	66,156
West Los Angeles College	93.575	CCTR-6096	—	5,509
General Child Care and Development Program:				
Los Angeles City College	93.596	CCTR-6096	—	10,937
East Los Angeles College	93.596	CCTR-6096	—	20,648
Los Angeles Harbor College	93.596	CCTR-6096	—	22,362
Los Angeles Mission College	93.596	CCTR-6096	—	257,550
Pierce College	93.596	CCTR-6096	—	1,560
Los Angeles Southwest College	93.596	CCTR-6096	—	3,212
Los Angeles Valley College	93.596	CCTR-6096	—	144,028
West Los Angeles College	93.596	CCTR-6096	—	11,994
Pass-through City of Los Angeles:				
Youth Jobs CalWORKs:				
Los Angeles Harbor College	93.558	129080	—	29,529
Pass-through California State University Northridge:				
BUILD @ CSUN:				
East Los Angeles College	93.310	F-14-3510-ELAC	—	61,634
Los Angeles Mission College	93.310	F-14-3510-LAMC	—	4,756
Pierce College	93.310	F-14-3510-LAPC	—	15,229
Los Angeles Valley College	93.310	F-14-3510-LAVC	—	38,103
Subtotal pass-through programs			—	2,181,956
Total U.S. Department of Health and Human Services			—	2,245,122
U.S. Department of Transportation:				
Federal Transit Administration:				
Institute for Advanced Transportation:				
Los Angeles Trade Technical College	20.514	CA-64-7003-00	—	465,606
Federal Highway Administration:				
Dwight David Eisenhower Transportation Fellowship Program:				
East Los Angeles College	20.215	DTS-TP-20	—	10,000
Total U.S. Department of Transportation			—	475,606
Corporation for National and Community Service:				
American Recovery and Reinvestment Act (ARRA):				
AmeriCorps:				
Los Angeles City College	94.006		—	57,759
East Los Angeles College	94.006		—	58,331
Los Angeles Mission College	94.006		—	1,212
Pierce College	94.006		—	36,698
Los Angeles Southwest College	94.006		—	8,225
Los Angeles Trade Technical College	94.006		—	107,089
Los Angeles Valley College	94.006		—	20,455
West Los Angeles College	94.006		—	33,016
Total Corporation for National and Community Service			—	322,785
Total Expenditures of Federal Awards			\$ 177,248	230,727,577

See accompanying notes to other supplemental information and independent auditors' report on compliance for each major federal program and internal control over compliance required by the Uniform Guidance; and report on schedule of expenditures of federal awards.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Awards

Year ended June 30, 2017

<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	\$ 11,619,113	—	7,130,561	4,488,552	4,488,552
Basic Skills	1,413,510	—	—	1,413,510	1,534,960
CAL Grants	13,110,149	—	193,509	12,916,640	12,869,840
California Career Pathways Trust	4,270,175	—	641,599	3,628,576	3,628,576
California State Preschool Program	13,491,016	2,525,706	9,517,930	6,498,792	6,540,428
CalWORKs	6,188,433	—	117,278	6,071,155	6,072,362
Cooperating Agencies Foster Youth Educational Support (CAFYES)	2,814,958	—	48,094	2,766,864	2,766,864
Cooperative Agencies Resource for Education (CARE)	1,394,887	—	16,283	1,378,604	1,378,604
CTE Enhancement	1,617,156	—	—	1,617,156	1,617,605
Disabled Students Program and Services (DSPS)	7,290,627	—	—	7,290,627	8,411,820
Economic and Workforce Development	1,942,018	2,016,455	35,724	3,922,749	3,922,749
Equal Employment Opportunity	62,932	—	—	62,932	50,827
ESL/Basic Skills Professional Development	594,753	728,075	—	1,322,828	1,322,828
Extended Opportunity Program and Services (EOPS)	13,134,037	—	44,508	13,089,529	13,089,529
Family Child Care Homes	346,956	47,129	—	394,085	394,085
Foster and Kinship Care Education (FKCE)	643,841	583,007	—	1,226,848	1,226,848
Full Time Student Success Grant	4,390,425	—	1,054,018	3,336,407	3,334,599
General Child Care and Development	828,323	637,904	—	1,466,227	1,466,227
Math, Engineering, Science Achievement (MESA)	66,669	47,593	—	114,262	114,262
Middle College High School (MCHS)	39,600	69,400	—	109,000	109,000
Nursing Education	1,133,256	87,836	—	1,221,092	1,221,092
Osher Scholar	176,725	—	10,096	166,629	166,629
Strong Workforce Program – Local	14,712,502	—	12,563,719	2,148,783	2,148,783
Student Equity	17,104,098	—	—	17,104,098	20,531,472
Student Financial Aid Administration	5,235,062	—	—	5,235,062	5,241,213
Student Success & Support (Credit)	24,329,918	—	—	24,329,918	26,392,733
Student Success & Support (Noncredit)	1,904,275	—	—	1,904,275	1,548,282
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	7,222,069	—	—	7,222,069	4,796,147
Other State Assistance Programs	5,021,665	894,301	2,893,024	3,022,942	3,057,802
Total State Programs	\$ 162,099,148	7,637,406	34,266,343	135,470,211	139,444,718

See accompanying independent auditors' report on schedule of state awards and state compliance.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of Workload Measures for State General Apportionment
 Annual 2016-17 Apportionment Attendance Report

Categories	Reported data
A. Summer Intersession (Summer Seg 2 Only):	
1. Noncredit	1,302.02
2. Credit	4,337.52
B. Summer Intersession (Summer Seg 1 Only):	
1. Noncredit	123.57
2. Credit	6,453.40
C. Primary Terms (Exclusive Of Summer Intersessions):	
1. Census Procedure Courses:	
a. Weekly Census Contact Hours	65,344.89
b. Daily Census Contact Hours	8,469.88
2. Actual Hours Of Attendance Procedure Courses:	
a. Noncredit	5,224.76
b. Credit	5,251.53
3. Independent Study/Work Experience Education Courses:	
a. Weekly Census Procedure Crs	7,035.33
b. Daily Census Procedure Crs	4,449.00
c. Noncredit Independent Study	—
D. Total FTES	<u>107,991.90</u>
Supplemental Information	
E. In-Service Training Courses	3,856.43
H. Basic Skills Courses:	
1. Noncredit	5,076.19
2. Credit	4,956.28
I. CCFS-320 Addendum: CDCP Noncredit FTES	4,424.00
J. Centers FTES:	
1. Noncredit	N/A
2. Credit	N/A

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of the 50 Percent Law Calculation to Audited Financial Statements

Year ended June 30, 2017

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	\$ 121,179,145	—	121,179,145	121,524,415	—	121,524,415
Other	1300	101,788,091	—	101,788,091	104,524,702	—	104,524,702
Total instructional salaries		<u>222,967,236</u>	<u>—</u>	<u>222,967,236</u>	<u>226,049,117</u>	<u>—</u>	<u>226,049,117</u>
Noninstructional salaries:							
Contract or regular	1200	—	—	—	48,125,204	—	48,125,204
Other	1400	—	—	—	5,600,809	—	5,600,809
Total noninstructional salaries		<u>—</u>	<u>—</u>	<u>—</u>	<u>53,726,013</u>	<u>—</u>	<u>53,726,013</u>
Total academic salaries		<u>222,967,236</u>	<u>—</u>	<u>222,967,236</u>	<u>279,775,130</u>	<u>—</u>	<u>279,775,130</u>
Classified salaries:							
Noninstructional salaries:							
Regular status	2100	—	—	—	105,571,695	—	105,571,695
Other	2300	—	—	—	5,706,741	—	5,706,741
Total noninstructional salaries		<u>—</u>	<u>—</u>	<u>—</u>	<u>111,278,436</u>	<u>—</u>	<u>111,278,436</u>
Instructional aides:							
Regular status	2200	10,737,302	—	10,737,302	11,287,512	—	11,287,512
Other	2400	1,210,285	—	1,210,285	1,551,905	—	1,551,905
Total instructional aides		<u>11,947,587</u>	<u>—</u>	<u>11,947,587</u>	<u>12,839,417</u>	<u>—</u>	<u>12,839,417</u>
Total classified salaries		<u>11,947,587</u>	<u>—</u>	<u>11,947,587</u>	<u>124,117,853</u>	<u>—</u>	<u>124,117,853</u>
Employee benefits	3000	67,206,277	—	67,206,277	145,551,764	—	145,551,764
Supplies and materials	4000	—	—	—	4,058,550	—	4,058,550
Other operating expenses	5000	3,995,700	—	3,995,700	73,606,358	—	73,606,358
Equipment replacement	6420	—	—	—	—	—	—
Total expenditures prior to exclusions		<u>306,116,800</u>	<u>—</u>	<u>306,116,800</u>	<u>627,109,655</u>	<u>—</u>	<u>627,109,655</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of the 50 Percent Law Calculation to Audited Financial Statements

Year ended June 30, 2017

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	—	—	—	53,511	53,511
Noninstructional staff-retirees' benefits and retirement incentives	6740	—	—	—	22,282,181	22,282,181
Objects to exclude:						
Rents and leases	5060	—	—	—	1,790,403	1,790,403
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	—	—	—	16,323,984	16,323,984
Capital outlay:						
Library books	6300	—	—	—	—	—
Equipment:						
Equipment – additional	6410	—	—	—	—	—
Equipment – replacement	6420	—	—	—	—	—
Total equipment		—	—	—	—	—
Total capital outlay		—	—	—	—	—
Other outgo	7000	—	—	—	—	—
Total exclusions		—	—	—	40,450,079	40,450,079
Total for ECS 84362, 50% Law		\$ 306,116,800	—	306,116,800	586,659,576	586,659,576
Percent of CEE (Instructional Salary Cost/Total CEE)		52.18 %		52.18 %	100.00 %	100.00 %
50% of current expense of education					\$ 293,329,788	293,329,788

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Annual Financial and Budget Report (CCFS 311)
 Year ended June 30, 2017

	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, 2017 total fund balances per annual financial budget report – 311	\$ 147,376,871	123,928,670	—	(99,774,744)	161,971,959	3,007,862	6,520,242	—	—	—	343,030,860
Audit adjustments to fund balance:											
Adjustments to cash with bond trustee	—	—	305,627,900	—	—	—	—	—	—	—	305,627,900
Adjustments to accrued interest expense	—	—	(197,484,888)	—	—	—	—	—	—	—	(197,484,888)
Adjustments to accrued interest income	—	—	—	—	—	—	—	—	—	—	—
Adjustments to investment income	—	—	—	—	(53,603)	—	—	—	—	—	(53,603)
Adjustments to payables	—	—	(125,865,000)	—	—	—	—	—	—	—	(125,865,000)
Adjustments to revenues	274,671	—	206,639,043	—	(4,102,475)	55	(2)	—	—	—	202,811,292
Adjustments to expenditures	(4,776,437)	(247,114)	—	—	17,301,914	—	—	—	—	—	12,278,363
Adjustments to bookstore's reserve for inventory and facility improvements	—	2,462,406	—	—	—	—	—	—	—	—	2,462,406
Adjustments to worker's compensation payable reserve	1,900,000	—	—	—	—	—	—	—	—	—	1,900,000
Adjustments and reclass	(2,601,766)	2,215,292	188,917,055	—	13,145,836	55	(2)	—	—	—	201,676,470
June 30, 2017 unaudited ending fund balance	144,775,105	126,143,962	188,917,055	(99,774,744)	175,117,795	3,007,917	6,520,240	—	—	—	544,707,330
Current assets:											
Adjustment to receivables	—	—	—	—	—	—	—	—	—	—	—
Adjustment to payables	—	—	—	—	—	—	—	—	—	—	—
Adjustment to cash and deposit with trustee	(4,844,470)	—	—	—	32,412,635	—	—	—	—	—	27,568,165
Prepaid Assets	—	—	174,063,638	—	—	—	—	—	—	—	174,063,638
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	—	—	4,372,408,360	—	4,372,408,360
Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	—	—	—
Deferred Outflows	158,256,670	—	—	—	—	—	—	—	—	—	158,256,670
Long-term liabilities are not booked as part of fund balances:											
G.O. Bonds	—	—	—	—	—	—	—	—	—	(26,374,728)	(26,374,728)
Unamortized premiums bond	—	—	—	—	—	—	—	—	—	(3,847,880,000)	(3,847,880,000)
Pension Obligation	—	—	—	—	—	—	—	—	—	(366,004,503)	(366,004,503)
Workers' compensation claims payable	—	—	—	—	—	—	—	—	—	(640,982,552)	(640,982,552)
General liability	—	—	—	—	—	—	—	—	—	(37,073,000)	(37,073,000)
Vacation benefits payable	—	—	—	—	—	—	—	—	—	(6,448,000)	(6,448,000)
Capital lease payable	—	—	—	—	—	—	—	—	—	(18,325,776)	(18,325,776)
Deferred Inflows	—	—	—	—	—	—	—	—	—	(1,088,339)	(1,088,339)
Deferred Inflows	—	—	—	—	—	—	—	—	—	(17,027,586)	(17,027,586)
June 30, 2017 net position	\$ 298,187,305	126,143,962	362,980,693	(99,774,744)	207,530,430	3,007,917	6,520,240	—	4,372,408,360	(4,961,204,484)	315,799,679

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

Year ended June 30, 2017

Activity classification	Activity code				Total
EPA proceeds	8630				\$ 82,795,554
		Salaries and benefits (1000-3000)	Operating expenses (4000-5000)	Capital outlay (6000)	Total
Activity classification	Activity code	(1000-3000)	(4000-5000)	(6000)	Total
Instructional activities	0100-5900	\$ 81,980,944	—	—	81,980,944
Other support activities	6XXX	—	—	—	—
Total expenditures for EPA		\$ 81,980,944	—	—	81,980,944
Revenues less expenditures					\$ 814,610

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year ended June 30, 2017

	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, 2017 unaudited ending fund balance	\$ 144,775,105	126,143,962	188,917,055	(99,774,744)	175,117,795	3,007,917	6,520,240	—	—	—	544,707,330
Current assets:											
1 Adjustment to receivables	—	—	—	—	—	—	—	—	—	—	—
2 Adjustment to payables	—	—	—	—	—	—	—	—	—	—	—
3 Adjustment to cash and deposit with trustee	(4,844,470)	—	—	—	32,412,635	—	—	—	—	—	27,568,165
4 Prepaid assets	—	—	174,063,638	—	—	—	—	—	—	—	174,063,638
5 Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	—	4,372,408,360	—	—	4,372,408,360
6 Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	—	—	—
7 Deferred Outflows	158,256,670	—	—	—	—	—	—	—	—	—	158,256,670
Long-term liabilities are not booked as part of fund balances:											
8 G.O. Bonds	—	—	—	—	—	—	—	—	—	(3,847,880,000)	(3,847,880,000)
9 Unamortized premiums bond	—	—	—	—	—	—	—	—	—	(366,004,503)	(366,004,503)
10 Pension Obligation	—	—	—	—	—	—	—	—	—	(640,982,552)	(640,982,552)
11 Supplemental Retirement Plan	—	—	—	—	—	—	—	—	—	(26,374,728)	(26,374,728)
12 Workers' compensation claims payable	—	—	—	—	—	—	—	—	—	(37,073,000)	(37,073,000)
13 General liability	—	—	—	—	—	—	—	—	—	(6,448,000)	(6,448,000)
14 Vacation benefits payable	—	—	—	—	—	—	—	—	—	(18,325,776)	(18,325,776)
15 Capital lease payable	—	—	—	—	—	—	—	—	—	(1,088,339)	(1,088,339)
16 Deferred Inflows	—	—	—	—	—	—	—	—	—	(17,027,586)	(17,027,586)
June 30, 2017 net position	<u>\$ 298,187,305</u>	<u>126,143,962</u>	<u>362,980,693</u>	<u>(99,774,744)</u>	<u>207,530,430</u>	<u>3,007,917</u>	<u>6,520,240</u>	<u>—</u>	<u>4,372,408,360</u>	<u>(4,961,204,484)</u>	<u>315,799,675</u>

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

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2017

(1) Purpose of Schedules

(a) Schedule of Expenditures of Federal Awards by College (SEFA)

The Schedule of Expenditures of Federal Awards includes all federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies for the year ended June 30, 2017.

(b) Schedule of State Awards

This Schedule of State Awards includes the State grant activity of the District under categorical programs of the State of California for the year ended June 30, 2017.

(c) Schedule of Workload Measures for State General Apportionment

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 of accumulating attendance data. "Full time Equivalent Students" (FTES) is a measurement of the number of students attending classes of the District.

(d) Reconciliation of the 50% Law Calculation to Audited Financial Statements

This schedule provides the information necessary to reconcile the 50% Law Calculation reported on the CCFS 311 to the Audited Financial Statements.

(e) Reconciliation of Annual Financial and Budget Report (CCFS-311) to Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the Audited Financial Statements.

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

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

(g) 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2017

(2) Basis of Presentation and Accounting of the Schedule of Expenditures of Federal Awards and Schedule of State Awards

Basis of Presentation

The District's reporting entity is defined in the basic financial statements.

Schedule of Expenditures of Federal Awards by College (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). 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.

Schedule of State Awards

The information in this schedule is presented to comply with the reporting requirements of the *California Community Colleges Contracted District Audit Manual 2016-17*.

Basis of Accounting

The accompanying SEFA and the Schedule of State 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%. On July 1, 2017, a new rate for salaries and wages of 40% was negotiated which will expire at June 30, 2021.

(3) Reconciliation of the Schedule of State Awards to the Basic Financial Statements

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

State revenue in fund financial statements:	
General fund	\$ 498,583,623
Special revenue funds	14,006,183
Child development fund	6,346,225
Student financial aid fund	<u>24,515,403</u>
Total state revenue in fund financial statements	\$ <u><u>543,451,434</u></u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2017

State revenue in schedule of state awards:	
Total state revenue	\$ 135,470,211
Add general fund:	
Basic and equalization aid	341,122,324
State mandated costs	12,897,713
State lottery	21,499,801
Tax relief subvention	6,156,087
Other state funds	<u>16,224,804</u>
Total general fund revenue	397,900,729
Add special revenue fund:	
Community college construction act	<u>10,080,494</u>
Total state revenue in fund financial statements	\$ <u><u>543,451,434</u></u>

(4) 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. Loan advances to students and loans outstanding held by the District as of June 30, 2017 are as follows:

<u>Cluster name/program title</u>	<u>CFDA number</u>	<u>Loan advances made</u>	<u>Loan balances outstanding</u>
Student Financial Assistance Cluster:			
Federal Perkins Loan Program	84.038	\$ 16,222	3,532,949
Federal Direct Student Loans	84.268	27,231,353	—
Nursing Student Loans	93.364	—	63,166

(5) Administrative Cost Allowances

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

Federal supplemental educational opportunity grant	\$ 141,779
Federal work-study program	<u>109,966</u>
	\$ <u><u>251,745</u></u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2017

(6) 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	84.007	\$ 3,299,092
Federal Work Study Program	84.033	2,950,722
Federal Perkins Loan Program	84.038	3,532,949
Federal Pell Grant Program	84.063	162,772,172
Federal Direct Student Loans	84.268	27,231,353
Nursing Student Loans	93.364	<u>63,166</u>
		\$ <u>199,849,454</u>
Child nutrition cluster:		
Summer food service program	10.559	\$ 43,771
TRIO Cluster:		
TRIO – Student support services	84.042	\$ 2,090,639
TRIO – Talent search	84.044	532,009
TRIO – Upward bound	84.047	2,884,000
TRIO – Educational opportunity centers	84.066	<u>262,885</u>
		\$ <u>5,769,533</u>
477 Cluster:		
Temporary assistance for needy families (TANF)	93.558	\$ 1,063,425
Family child care homes	93.575	88,148
Family child care homes	93.596	191,905
General child care and development program	93.575	216,936
General child care and development program	93.596	<u>472,291</u>
		\$ <u>2,032,705</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2017

	<u>CFDA number</u>	<u>Expenditures</u>
Workforce Innovation and Opportunity Act (WIOA) Cluster:		
Industry Sector Expert Strategists-Biote	17.258	\$ 54,040
Early Childhood Education Certification	17.258	84,857
Unmanned Aerial Vehicle Training Project	17.258	41,247
Workforce Training LAVC	17.258	32,370
EDD Strengthening Working Families	17.258	150,000
Unmanned Aerial Vehicle Training Project	17.259	7,279
Youth Source Center	17.259	637,429
Industry Sector Expert Strategists-Biote	17.278	29,099
Mayor's Vulnerable/Underrepresented Init	17.278	66,498
Early Childhood Education Certification	17.278	69,429
Unmanned Aerial Vehicle Training Project	17.278	<u>32,350</u>
		\$ <u><u>1,204,598</u></u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS



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

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

The Honorable Board of Trustees:

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 financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, identified as FS-2017-001 that is described in the accompanying summary of auditors' results section of the schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

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



The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying summary of auditors' results section of the schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

KPMG LLP

Los Angeles, California
December 6, 2017

Independent Auditors' Report 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, 2017. 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, 2017.



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 FA 2017-001 to FA 2017-019. 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 FA 2017-012 and FA 2017-017 that we consider to be significant deficiencies.

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



Purpose of this Report

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

Vasquez + Company LLP

**Los Angeles, California
December 6, 2017**

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

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

Report on the Schedule of Expenditures of Federal Awards by College and Schedule of State Awards

We have audited the accompanying schedule of expenditures of federal awards by college and schedule of state awards of the Los Angeles Community College District (the District) for the year ended June 30, 2017.

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

Management is responsible for the preparation and fair presentation of the schedule of expenditures of federal awards by college and schedule of state 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 by college and the schedule of state 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 by college and schedule of state 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 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 by college and schedule of state 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 by college and the schedule of state 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 by college and schedule of state awards. We believe that our audit provides a reasonable basis for our opinion.



Opinion on the Schedule of Expenditures of Federal Awards by College and Schedule of State Awards

In our opinion, the schedule of expenditures of federal awards by college and schedule of state 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, 2017, in conformity with accounting principles generally accepted in the United States of America.

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

Vargus + Company LLP

**Los Angeles, California
December 6, 2017**

Independent Auditors' Report on State Compliance

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) 2016-17*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2017.

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) 2016-17*, 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 Percent Law)
Section 423 - Apportionment for Instructional Service Agreements/Contracts
Section 424 - State General Apportionment Funding System



- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Dual Enrollment of K-12 Students in Community College Credit Courses
- Section 428 - Student Equity
- 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 and 51 State Bond Funded Projects
- Section 491 - Proposition 55 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, 2017.

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) 2016-17*, issued by the California Community Colleges Chancellor's Office, and which are described in the accompanying schedule of findings and questioned costs as findings SC 2017-001 through SC 2017-006. 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) 2016-17*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2017.

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) 2016-17*, issued by the California Community Colleges Chancellor's Office 2016-17. The other supplementary information on pages 69 through 87 is presented for purposes of additional analysis as required by the California Community Colleges *CDAM* issued 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) 2016-17*, 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, 2017 audited by other auditors, whose report is included herein on pages 1 through 3, and other records, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplemental information is fairly stated, in all material respects, in relation to financial statements taken as a whole, audited by other auditors whose report was dated December 6, 2017.

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) 2016-17*. Accordingly, this report is not suitable for any other purpose.

Vasquez + Company LLP

**Los Angeles, California
December 6, 2017**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS' RESULTS**

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

(1) Summary of Auditors' Results

Financial Statements

- (a) The type of report issued on the financial statements: **Unmodified.**
- (b) Internal control over financial reporting:
- Material Weakness(es) identified: **None.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See finding FS-2017-001.**
- (c) Noncompliance which is material to the basic financial statements: **None.**

Federal Awards

- (d) Internal control over financial reporting:
- Material Weakness(es) identified: **None.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See findings FA 2017-012 and FA 2017-017.**
- (e) The type of report issued on compliance for major programs:
- Student Financial Assistance Cluster – **Unmodified.**
 - Trade Adjustment Assistance Community College and Career Training – **Unmodified.**
 - Higher Education – Institutional Aid – **Unmodified.**
 - Career and Technical Education – Basic Grants to States – **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
- Student Financial Assistance (SFA) Cluster:
 - CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG)
 - CFDA 84.033 Federal Work Study Program
 - CFDA 84.038 Federal Perkins Loan Program
 - CFDA 84.063 Federal Pell Grant Program
 - CFDA 84.268 Federal Direct Student Loans
 - CFDA 93.364 Nursing Student Loans
 - CFDA 17.282 Trade Adjustment Assistance Community College and Career Training

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

- CFDA 84.031 Higher Education – Institutional Aid
- CFDA 84.048 Career and Technical Education – Basic Grants to States

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

State Awards

(j) Internal control over financial reporting:

- Material Weakness(es) identified: **None**.
- Significant deficiencies identified that are not considered to be material weaknesses: **None**.

(k) The type of auditor’s report issued on compliance for state programs: **Unmodified**.

(2) Summary of Financial Statement Findings

<u>Finding No.</u>	<u>Description</u>	<u>Page No.</u>
FS-2017-001	Information Technology	102

(3) Summary of Federal Findings

<u>Finding No.</u>	<u>CFDA No.</u>	<u>Compliance requirement and description</u>	<u>Page No.</u>
SFA Cluster:			
FA 2017-001	SFA Cluster	Eligibility – Incorrect Cost of Attendance	104
FA 2017-002	SFA Cluster	Special Tests and Provisions: Borrower Data Transmission and Reconciliation – Untimely Reporting of Direct Loan Disbursements (Repeat Finding)	106
FA 2017-003	SFA Cluster	Eligibility – Incorrect Priority for FSEOG Award	107
FA 2017-004	SFA Cluster	Eligibility – Overstatement of Unmet Need	109
FA 2017-005	SFA Cluster	Special Tests and Provisions: Written Arrangements – Inadequate Controls on Monitoring Compliance With Written Arrangements	110
FA 2017-006	SFA Cluster	Special Tests and Provisions: Enrollment Reporting – Enrollment Status Change Not Reported and Untimely Reporting of Status Change	112
H-1B Job Training Grants:			
FA 2017-007	17.268	Eligibility – Incomplete Review of Participant Information (Repeat Finding)	114
FA 2017-008	17.268	Procurement and Suspension and Debarment – Vendor Status Verification (Repeat Finding)	116
FA 2017-009	17.268	Reporting – Inaccurate Reporting of Expenditures in Federal Financial Reports (Repeat Finding)	117

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

<u>Finding No.</u>	<u>CFDA No.</u>	<u>Compliance requirement and description</u>	<u>Page No.</u>
FA 2017-010	17.268	Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Inaccurate Reporting of Program Expenditures	119
Trade Adjustment Assistance Community College and Career Training:			
FA 2017-011	17.282	Level of Effort – Unmet Level of Effort (Repeat Finding)	121
Higher Education – Institutional Aid:			
FA 2017-012	84.031	Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Missing Payroll Documentation for Time and Effort	123
FA 2017-013	84.031	Procurement and Suspension and Debarment – Vendor Status Verification	125
FA 2017-014	84.031	Reporting – Incorrect Period Reporting of Expenditures and Lack of Supporting Information and Records Retention of Reported Performance Data	127
FA 2017-015	84.031	Equipment Management – Policies and Procedures Staff Training	130
Career and Technical Education – Basic Grants to States:			
FA 2017-016	84.048	Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Improper Charging of Expenditures to Federal Program	131
FA 2017-017	84.048	Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Missing Documentation for Time and Effort	133
FA 2017-018	84.048	Equipment Management – Absence of Physical Inventory of Equipment (Repeat Finding)	136
FA 2017-019	84.048	Procurement and Suspension and Debarment – Vendor Status Verification	138

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

(4) Summary of State Findings

<u>Finding No.</u>	<u>Compliance section</u>	<u>Compliance requirement and description</u>	<u>Page No.</u>
SC 2017-001	Section 435	<i>Open Enrollment</i> Inconsistent Prerequisite Information Between College Catalog and Per Published Class Schedule	141
SC 2017-002	Section 475	<i>Disabled Student Programs and Services (DSPS)</i> Ineligible DSPS Participants	142
SC 2017-003	Section 427	<i>Dual Enrollment of K-12 Students in Community College Credit Courses</i> Missing Approval of Classes Attended by K-12 Students. (Repeat Finding)	143
SC 2017-004	Section 427	<i>Dual Enrollment of K-12 Students in Community College Credit Courses</i> Incorrect Coding of Student as K-12	145
SC 2017-005	Section 431	<i>GANN Limit Calculation</i> Error in the Calculation of FY16-17 GANN "Appropriations Subject to Limit"	147
SC 2017-006	Section 426	<i>Students Actively Enrolled</i> Inclusion of Dropped Students in 'Students Actively Enrolled' Apportionment	148

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Financial Statement Findings

Year ended June 30, 2017

FS-2017-001: Information Technology

Condition and Context

During our review of the District's information technology (IT) controls during the fiscal 2007 audit, we 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 2017 fiscal audit, we evaluated the progress made and the controls implemented to remediate the weaknesses identified during the 2007 audit to determine if we could place reliance on the IT environment and controls.

During our review of the District's general information technology controls during the fiscal 2017 audit, we noted that significant progress had 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, we could not place reliance on the IT environment and controls.

Cause and Effect

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

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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Financial Statement Findings

Year ended June 30, 2017

Recommendation

As noted above, significant IT control issues exist that prevent us 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, we recommend the following action items:

- Perform a security assessment to remediate the extensive segregation of duties conflicts. This assessment should include a thorough review of user profiles, creation of a segregation of duties (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

District management agrees with the finding and the recommendation that they perform a comprehensive security assessment of the Security Roles in SAP for all LACCD Employees. The District plans to use a third party to help address the finding. During FY 2017, the District developed a plan and scope of work that will address the finding. Funding has been identified and the work will be contracted prior to June 30, 2018 with a planned completion during fiscal year FY 2019.

SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Finding FA 2017-001: Incorrect Cost of Attendance

Federal Program Information

Federal Catalog Number:	CFDA 84.007 and 84.063
Federal Program Name:	Student Financial Assistance Cluster <i>Federal Supplemental Educational Opportunity Grants Federal Pell Grant Program</i>
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P007A160450/P063P160033
Federal Award Year:	July 1, 2016 to June 30, 2017
Campus:	Los Angeles City College
Compliance Requirement:	Eligibility

Criteria or Specific Requirement

Per the *Uniform Guidance Compliance Supplement*, “the determination of SFA award amounts is based on financial need. Financial need is generally defined as the student’s Cost of Attendance (COA) minus financial resources reasonably available”.

Per the *Higher Education Act Title IV Section 472 [20 U.S.C. 1087II]*: *Cost of Attendance* means:

- (1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study;
- (2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, for a student attending the institution on at least a half-time basis, as determined by the institution;
- (3) an allowance (as determined by the institution) for room and board costs incurred by the student which:
 - (A) shall be an allowance determined by the institution for a student without dependents residing at the home with parents;
 - (B) for students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount normally assessed most of its residents for the room and board; and
 - (C) for all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board;

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

In addition, per the Uniform Guidance, in order to determine eligibility, students must complete a paper or electronic application (Free Application for Federal Student Aid (FAFSA)) and send it to a central processor (a contractor of the Department of Education (ED) that administers the Central Processing System). The central processor provides Student Aid Reports (SARs) to applicants and provides Institutional Student Information Records (ISIRs) to institutions. Among other things, the SAR contains the applicant's Expected Family Contribution (EFC). Students take their SARs to the institution (or the institution uses the ISIR) to help determine student eligibility, award amounts, and disbursements.

Identified Condition

We noted that the cost of attendance for 1 out of 30 students selected for eligibility testwork was incorrectly coded. The student's Institutional Student Information Record (ISIR) states that the student is a California resident living off-campus (cost of attendance code C). However, the student was incorrectly assigned cost of attendance code A (living at home with parents). The student's cost of attendance should be \$19,661. However, the District's system (DEC screen A301) reported the student's cost of attendance as \$12,263. As a result of this coding error, the student's financial need was understated by \$7,398.

Causes and Effect

The District's Financial Aid Manager stated that this student was "autopackaged" by the District's system from the ISIR, whereby the student's ISIR information was automatically captured and imported into the District's system with no exceptions. As such, the student was not selected for verification procedures. Using the incorrect cost of attendance could lead to an inaccurate calculation of a student's financial need which could result in an over or understatement of a student's financial aid award amount.

The student will not be entitled to a larger award as the student has been given the maximum grant award. The understatement in the student's financial need could have an impact in the student's ability to receive additional grants in the future if she were eligible to receive additional grants other than Pell.

Questioned Costs

This error did not result in questioned costs. The student has not been erroneously denied an award based on an understated financial need amount.

Recommendation

We recommend that the District review their "autopackaging" process and implement procedures and controls to ensure the system's "data capture process" of the ISIR information are complete and accurate.

Views of Responsible Officials and Planned Corrective Actions

The District reviewed the auto-packaging process and did not find any irregularities. The District also confirmed with the DEC programmers that cost of attendance (COA) code C is programmed to display \$19,661. The District also randomly sampled 30 students that had a "3" (with parent) housing code and did not find any COAs of \$12,263. The only plausible explanation for the exception identified above is that a user changed the housing code status from "2" (off campus) to "3" and did not click on the repackage button which caused the COA discrepancy.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

The District acknowledges that the COA discrepancy could also be a result of manual data entry at the Campus. The District believes that this was an isolated incident, but will provide additional training to the financial aid staff to ensure that the correct COA is used in the system. The Financial Aid Manager at the Campus and the Financial Aid Manager at the District will be responsible for implementing the corrective action plan by December 31, 2017.

Finding FA 2017-002: Untimely Reporting of Direct Loan Disbursement (Repeat Finding)

Federal Program Information

Federal Catalog Number:	CFDA 84.268
Federal Program Name:	Student Financial Assistance Cluster; <i>Federal Direct Student Loans</i>
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P268K170033/P268K175262
Federal Award Year:	July 1, 2016 to June 30, 2017
Campuses:	Los Angeles City College and West Los Angeles College
Compliance Requirement:	Special Tests and Provisions – Borrower Data Transmission and Reconciliation

Criteria or Specific Requirement

The *Uniform Guidance* requires that institutions report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 15 days of disbursement (OMB No. 1845-0021).

Identified Condition

Los Angeles City College

We noted that 1 out of 30 students selected for compliance testwork was reported late to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) report. The required report was submitted 81 days after the disbursement was made to the student. The disbursement to the student was dated September 2, 2016 and the District submitted the report to the DLSS on November 22, 2016. The submittal was late by 66 days.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

West Los Angeles College

We noted that 1 out of 30 students selected for compliance testwork was reported late to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) report. The required report was submitted 25 days after the disbursement was made to the student. The disbursement to the student was dated July 7, 2017 and the District submitted the report to the DLSS on August 1, 2017. The submittal was late by 10 days.

Causes and Effect

Adequate monitoring controls do not appear to be in place to ensure that direct loan disbursements are reported to COD pursuant to required submittal dates.

Questioned Costs

None.

Recommendation

We recommend that the District implement additional monitoring controls to ensure compliance with the submission due date requirements.

Views of Responsible Officials and Planned Corrective Actions

The District concurs with this finding. The District would also like to note that there will be no future instances of this issue because all campuses within the District are using PeopleSoft for the 2017-18 award year. PeopleSoft utilizes an automated solution to send and receive COD, thereby eliminating the manual process and the risk of not sending the COD records on time. The corrective action plan (CAP) is currently in place as the campus is using PeopleSoft to process 2017-18 direct loans. The Financial Aid Manager at the Campus and the Financial Aid Manager at the District will be responsible for monitoring and implementation of the corrective action plan.

Finding FA 2017-003: Incorrect Priority for FSEOG Awards

Federal Program Information

Federal Catalog Number:	CFDA 84.007
Federal Program Name:	Student Financial Assistance Cluster; Federal Supplemental Educational Opportunity Grants
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P007A160455
Federal Award Year:	July 1, 2016 to June 30, 2017
Campus:	Los Angeles Southwest College
Compliance Requirement:	Eligibility

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Criteria or Specific Requirement

Per 34 CFR 676.10 Federal Supplemental Educational Opportunity Grants (FSEOG) students' selection criteria is as follows:

- (1) In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year.
- (2) If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Federal Pell Grants.

Further, per Financial Student Aid (FSA) Handbook 2016-17 pg. 3-124: "Students who have reached or exceeded 600% of their Pell Grant Lifetime Eligibility Used (LEU) may still be eligible to receive FSEOG, however, they should be considered in the second selection group".

Identified Condition

From a sample of 30 students receiving Federal Pell grants during the award year, one (1) student was awarded FSEOG even though the student had already reached the 600% Pell Grant Lifetime Eligibility Usage (LEU) during the award year. The student should have been included only in the second selection group after all FSEOG awards had been initially awarded to Federal Pell Grant recipients. Not all Federal Pell Grant recipients in the sample tested had received FSEOG for the current award year, and therefore, the student sample exception should not have received FSEOG prior to the other eligible students in the first selection group.

Causes and Effect

The Financial Aid Manager stated that the FSEOG student selection policies and procedures allow FSEOG to be awarded first to students with exceptional need on a first come first served basis. This interpretation of policy is contrary to the FSA Handbook 2016-17 which states that a school would not be in compliance with the Higher Education Act and with the FSEOG regulations were it to award FSEOG on a first-come, first-served basis.

Questioned Costs

The student was incorrectly awarded FSEOG in the amount of \$400.

Recommendation:

We recommend that the District review and update its policies and procedures related to FSEOG student selection criteria as set forth in 34 CFR 676.10. Additionally, the District should implement stricter controls and monitoring procedures to ensure adherence to the FSEOG student selection criteria prescribed by the federal regulations.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

The District concurs with this finding. To ensure that students that have exceeded 600% LEU are now awarded FSEOG in the 1st selection group, the campus will use an external file load process in PeopleSoft. The external file load will be based on a selection criteria for the most needy students (zero EFC) and will exclude students that have used 600% of their Pell LEU. In addition, PeopleSoft assigns a checklist item to all students that have exceeded 600% LEU. The checklist is designed to prevent the authorization of T4 disbursements in the system. The CAP is currently in place as the campus is using PeopleSoft to process 2017-18 FSEOG awards.

Finding FA 2017-004: Overstatement of Unmet Need

Federal Program Information

Federal Catalog Number:	CFDA 84.268
Federal Program Name:	Student Financial Assistance Cluster; <i>Federal Direct Student Loans</i>
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P268K175261
Federal Award Year:	July 1, 2016 to June 30, 2017
Campus:	Los Angeles Southwest College
Compliance Requirement:	Eligibility

Criteria or Specific Requirement

Per the *Uniform Guidance Compliance Supplement*, “the determination of SFA award amounts is based on financial need. Financial need is generally defined as the student’s Cost of Attendance (COA) minus financial resources reasonably available”.

Additionally, in determining loan amounts for subsidized loans for Federal Direct Student Loans or in determining additional awards, the financial aid administrator computes “unmet need”. Unmet need is computed by subtracting from the COA the Expected Family Contribution (EFC) and the estimated financial awards for the period of enrollment that the student will receive from Federal, State, institutional or other sources.

Condition

We noted that 2 out of 30 students selected for eligibility testwork had an overstated “unmet need” because certain financial assistance was not considered in the calculation of unmet need. One student had been awarded a Full-Time Student Success Grant (FTSSG) in the amount of \$300. Another student had been awarded an FSEOG in the amount of \$400.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

The above awards were manually entered in the system's "Screen for Awards" (screen A403) but were incorrectly excluded from the "Financial Aid Summary Screen", which is used to calculate a student's unmet need (screen A301).

Causes and Effect

The Financial Aid Manager stated that, for any remaining funds for the award program, the Financial Aid Office determines a student's eligibility and manually posts the award to the student's accounts on screen A403. During this process, the system is expected to also capture the manually entered awards in screen A301 which is the "Financial Aid Summary Screen" used in the computation of unmet need.

The District relies on the "unmet need" amount in the system to determine additional awards. Overstatement of unmet needs could cause an overstatement in additional awards to the mentioned students.

Questioned Costs

None. For the 2 students, there are no questioned costs because no additional aid was awarded based on the overstated unmet need. The students' awards did not exceed the amount that would have been allowed had the unmet need been properly calculated.

Recommendation

We recommend that the District implement additional monitoring controls to ensure that manually entered awards are appropriately captured for the computation of students' unmet need.

Views of Responsible Officials and Planned Corrective Actions

The District concurs with this finding. Going forward, all campuses within the District will be using PeopleSoft for the 2017-18 award year. The FTSSG process will utilize an external file load process which eliminates manual entry of awards into the system. The CAP is currently in place as the campuses are using PeopleSoft to process FTSSG for the 2017-18 year.

Finding FA 2017-005: Inadequate Controls on Monitoring Compliance with Written Arrangements.

Federal Program Information

Federal Catalog Number:	CFDA 84.063
Federal Program Name:	Student Financial Assistance Cluster; Federal Pell Grant Program
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P063P165261/P063P165262
Federal Award Year:	July 1, 2016 to June 30, 2017
Campuses:	Los Angeles Southwest College and West Los Angeles College

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Compliance Requirement:

Special Tests and Provisions – Written Arrangements

Criteria or Specific Requirement

Per the *Uniform Guidance*, it is required that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR Section 200.514 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs, and plan the testing of internal control over major programs for the assertions relevant to the compliance requirements for each major program and perform testing of internal control as planned.

Per the campus' Consortium Agreement (Written Arrangements), students must submit an official transcript to the Financial Aid Office at the end of each enrolled semester. The campus is not to disburse financial aid for future semesters until grades are received.

Identified Condition

Los Angeles Southwest College

Of 5 written arrangements selected for testwork, one (1) student did not submit an official transcript at the conclusion of the semester for which she was enrolled. However, the campus's system has no indication of any hold barring future disbursements for this sampled student.

West Los Angeles College

Of seven (7) written consortium agreements selected for testwork, one (1) agreement was retroactively approved after the end of the semester. The student's consortium agreement was for the Spring 2017 semester which ended on June 5, 2017. The student received an incomplete grade at the end of the semester but subsequently received credit during the Summer of 2017. The agreement was retroactively approved on July 26, 2017.

Causes and Effect

Los Angeles Southwest College

A transcript was not collected by the end of the semester and the campus did not indicate that the student is not aid eligible in the system. The absence of a hold on the student's account, indicating a flag for the missing transcripts, could have allowed the campus to disburse funds to this student in the event of subsequent re-enrollment.

West Los Angeles College

The Financial Aid Manager stated that the student made an appeal for consideration due to personal hardship. The Financial Aid Office personnel made the decision to process the student's consortium agreement retroactively. Unmonitored retroactive approvals of consortium agreements could result in disbursement of awards for applicants who may ultimately not be eligible to receive aid for the claimed semester.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Questioned Costs

Los Angeles Southwest College

None. The student was not enrolled during the subsequent semester and no disbursements were released after the end of the enrolled semester.

West Los Angeles College

None. No disbursements were released after the end of the enrolled semester.

Recommendation

We recommend that the campus implement appropriate controls over the monitoring of compliance with written agreements.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The District concurs with this finding. The Financial Aid Manager will provide additional training to Financial Aid Staff by December 31, 2017 to increase monitoring and ensure the timely submittal of transcripts by students.

West Los Angeles College

The District concurs with this finding. The District believes this is an isolated incident, but will provide additional training to Financial Aid Staff to ensure that consortium agreements are approved by the Financial Aid Office prior to the last day of the semester. The Campus Financial Aid Manager and District Financial Aid Manager will be responsible for implementing the CAP by December 31, 2017.

Finding FA 2017-006: Enrollment Status Change Not Reported and Untimely Reporting of Status Change

Federal Program Information

Federal Catalog Number:	CFDA 84.268
Federal Program Name:	Student Financial Assistance Cluster; <i>Federal Direct Student Loans</i>
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P268K175261 and P268K175262
Federal Award Year:	July 1, 2016 to June 30, 2017
Campuses:	Los Angeles Southwest College and West Los Angeles College
Compliance Requirement:	Special Tests and Provisions – Enrollment Reporting

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Criteria or Specific Requirement

Per 34 CFR section 674.19; Pell, 34 CFR section 690.83(b) (2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309, the institution must update the required enrollment reports for changes in student status, the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the National Student Loan Data System (NSLDS) website.

At a minimum, schools are required to certify enrollment for all those who are included on the roster file Title IV aid recipients at least every two months and within 15 days of the date that NSLDS sends a roster file to the school or its third-party servicer.

Identified Condition

In performing test work over enrollment reporting, we noted the following:

- At Los Angeles Southwest College, 1 of 30 students selected had a change in status which was not reported to the NSLDS as of our testing date. The student status changed to “Graduate” as of June 5, 2017.
- At West Los Angeles College, 2 of 30 students selected for compliance testing had status changes (“graduate”) reported late to the NSLDS. The required report was submitted 99 days after the status change. The submittal was late by 39 days.

Causes and Effect:

Los Angeles Southwest College

The District’s Student Financial Aid Manager stated that the student’s status change date was submitted in m/yy format rather than the m/d/yy format. Because the day field was absent, the clearinghouse’s system defaulted to the first of the month – in this case 6/1/17. The student’s last term of enrollment ended on 6/5/17. The reported graduate (G) status did not transfer to the enrollment record or NSLDS because the status date reported was before the end of the term. In order for the enrollment record to be updated to G status, the status date reported must be on or after the term end date. This is why the enrollment status appears to have been reported late although it was originally submitted on 7/3/17.

West Los Angeles College

These students had two degrees. The students’ first degree was entered into DEC on 5/31/17 and was submitted to the clearinghouse on 6/7/17 using the m/yy format. Because the day field was not included, the clearinghouse system defaulted to the first day of the month – in this case 6/1/17. The reported graduate (G) status did not transfer to the enrollment record or NSLDS because the status date reported was before the end of the term. In order for the enrollment record to be updated to G status, the status date reported must be on or after the term end date. The second degree was entered into DEC on 8/9/17 and submitted to clearinghouse on 9/5/17.

Reporting of graduation status is critical to the protection of a student’s interest subsidy and initiation of repayment periods. If graduates are not reported accurately and timely, the students’ six-month repayment grace period may have passed, leaving little time for lenders to notify students of their repayment obligations and deadlines.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Questioned Costs

None.

Recommendation

We recommend that the campus implement appropriate controls over the monitoring of compliance with enrollment status reporting.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The District concurs with the finding, but would like to note that all campuses within the District began using Peoplesoft for the 2017-18 award year and all NSC submissions will be generated using delivered functionality. The delivered functionality will produce output files using m/d/yy format which will ensure that enrollment reporting is correct. The Financial Aid Manager at the District is responsible for implementing the new SIS and ensuring the functionality works correctly.

West Los Angeles College

The District concurs with the finding, but would like to note that all campuses within the District began using Peoplesoft for the 2017-18 award year and all NSC submissions will be generated using delivered functionality. The delivered functionality will produce output files using m/d/yy format which will ensure that enrollment reporting is correct. The Financial Aid Manager at the District is responsible for implementing PeopleSoft's enrollment reporting functionality.

The Financial Aid Manager at the campus will work with Student Records to provide training to staff regarding enrollment reporting. The training will include enrollment status change reporting in Peoplesoft as well as clearinghouse reporting timelines. The training will be completed by 12/31/17.

Finding FA 2017-007: Incomplete Review of Participant Information (Repeat Finding)

Federal Program Information

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Criteria or Specific Requirement

Per the Grant's "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.

Identified Condition

In performing testwork, we noted the following control deficiencies over eligibility determinations at Los Angeles Southwest College:

- There is limited evidence that the intake forms were reviewed to ensure that participants meet the program eligibility requirements; The District's prior year Corrective Action Plan stated that Program staff would add a "Staff Only" section on the participant application and would initial and record the date it and the eligibility documents were reviewed. No such section was added to the application to document that eligibility was reviewed.
- Documentation was not maintained to verify high school information.

Causes and Effect

Additional controls as specified in the prior year's corrective action plan were not in place at the time of acceptance of the two new program participants in January, 2017. The two responsible persons indicated in the CAP, the Program Specialist and Office Assistant, were no longer employed with the program.

Questioned Costs

None.

Recommendation

We recommend that the campus properly document reviews of beneficiary participant applications and maintain adequate documentation to verify eligibility information.

Views of Responsible Officials and Planned Corrective Actions

A "Staff Only" section will be added to the application or in-take form. The staff will initial and record the date they reviewed the participant intake forms and eligibility documents. The Program staff will require participants to provide a copy of their high school diploma or university transcript with the date of graduation and name of high school. They will record the date they reviewed the document on the application. Responsibility for the implementation of CAP is the Program Specialist or in their absence, the Dean of CTE. The anticipated date of completion of the CAP will be November 20, 2017.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Finding FA 2017-008: Vendor Status Verification (Repeat Finding)

Federal Program Information

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

Criteria or Specific Requirement

Per 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, sub awards, 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

The suspension and debarment statuses of vendors were not regularly verified prior to procurement.

Causes and Effect

District personnel represent that the suspension and debarment status of vendors is checked upon initial contract execution, but not with each subsequent procurement activity. District procurement training does not include procurement procedures requiring vendor verification at each procurement action.

Questioned Costs

None.

Recommendation

We recommend that the District communicate clearly and regularly with the campuses regarding District and campus responsibilities for verifying the suspension and debarment status of each vendor. This verification should occur prior to the initial procurement from a vendor using new federal award funds.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

Campus grant program staff will check and record vendor suspension and debarment status at each procurement activity. Responsibility for the Implementation of this corrective action plan lies with the Program Specialist or in their absence, the Dean of CTE. The anticipated date of completion of the corrective action plan will be November 20, 2017.

Finding FA 2017-009: Inaccurate Reporting of Expenditures in Federal Financial Reports (Repeat Finding)

Federal Program Information

Federal Catalog Number:	CFDA 17.268
Federal Program Name:	H-1B Job Training Grant
Federal Agency:	U.S. Department of Labor
Passed Through Entity:	N/A
Federal Award Number:	HG-22706-12-60-A-6
Federal Award Year:	April 2, 2012 to March 31, 2017
Campus:	Los Angeles Southwest College and West Los Angeles College
Compliance Requirement:	Reporting

Criteria or Specific Requirement

Per Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.34 Expenditures means charges made by a non-Federal entity to a project or program for which a Federal award was received. The charges may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied. Paragraph (c) states that for reports prepared on an accrual basis, expenditures are the sum of:

- (1) Cash disbursements for direct charges for property and services;
- (2) The amount of indirect expense incurred;
- (3) The value of third-party in-kind contributions applied; and
- (4) The net increase or decrease in the amounts owed by the non-Federal entity for:
 - (i) Goods and other property received;
 - (ii) Services performed by employees, contractors, sub recipients, and other payees; and
 - (iii) Programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

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.

Identified Condition

Los Angeles Southwest College

Expenditures on the Schedule of Expenditures of Federal Awards by College are reported on the accrual basis of accounting. During our testwork over allowable costs and cost principles, we noted that services performed by an employee in the prior period were recorded and accrued in the current fiscal year.

West Los Angeles College

The cumulative recipient's (District's) share of expenditures was inaccurately reported in the quarterly financial report submitted to the grantor in the current fiscal year as part of the program's closeout reporting procedures. The prior year finding resulted from review of quarterly financial reports ending September 30, 2015 and June 30, 2016. The quarterly financial reports include a section 'Cumulative Recipient Share of Expenditures'. Since the actual error occurred in FY2013-2014, both prior year quarterly financial reports sampled contained the error in the cumulative amounts. For the current year, we reviewed the quarterly financial report ending September 30, 2016 as part of the program's close-out documents submitted to the grantor in December 2016. The same error was not corrected in the final quarterly financial report after the issue was noted during the prior year audit. The effect is an overstatement of the District's share of expenditures of \$135,343, which includes the District's and company partners' leveraged resources and matched funds. These are not federal expenditures charged to the program but are presented to report on compliance with the 50% Matching requirement. However, the overstatement did not result in non-compliance with the matching requirement of the grant.

Causes and Effect

Los Angeles Southwest College

The timesheet in question was received on June 30 and related to services rendered in June 2016, which is part of fiscal year 2015-2016. However, the payroll expense amounting to \$1,365 was recorded in fiscal year 2016-2017, thus resulting in an under-accrual in FY2015-16 and overstatement of FY2016-17 payroll expenditures.

West Los Angeles College

This error was noted in the fiscal year 2015-2016 quarterly report. It was carried over to the reports in fiscal year 2016-2017.

Questioned Costs

None.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Recommendation

Los Angeles Southwest College

We recommend Los Angeles Southwest College personnel closely monitor its program expenditures to ensure timely reporting under the accrual basis of accounting. The performance of federal program administrative functions, including specifically reporting to the Federal grantor, should be subject to a supervisory review to ensure that the procedures are performed, performed accurately and properly documented. We also suggest additional District-wide training be provided to those assigned responsibility for preparing and reviewing Federal Financial Reports.

West Los Angeles College

We recommend West Los Angeles College personnel perform a more intensive review of financial reports and underlying supporting documentation to ensure accuracy. Supervisory review of financial reports should be performed and documented. We also suggest additional District-wide training be provided to those assigned responsibility for preparing and reviewing Federal Financial Reports.

We recommend that the College perform a more intensive review of financial reports and underlying supporting documentations to ensure accuracy.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

The Campus will request that timesheets submitted during the final month of the fiscal year to be submitted at least one week prior to the last day of month, allowing more time to post the accrual in the appropriate fiscal period. We will review with program staff the procedures for accepting timesheets and provide training to reinforce these procedures. Responsibility for the Implementation of CAP is the Program Specialist or in their absence, the Dean of CTE. The anticipated date of completion of the CAP will be November 20, 2017.

West Los Angeles College

Grant performance ended June 30, 2016. For similar grants, the District will establish procedures to ensure that all issues noted from review of previous reports are taken into consideration during the preparation of subsequent reports.

Finding FA 2017-010: Inaccurate Reporting of Program Expenditures

Federal Program Information

Federal Catalog Number:	CFDA 17.268
Federal Program Name:	H-1B Job Training Grant; <i>The Leading Engineering Education for the Future in Los Angeles for Los Angeles Southwest College</i>
Federal Agency:	U.S. Department of Labor
Passed Through Entity:	N/A
Federal Award Number:	HG-22706-12-60-A-6

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Federal Award Year:	April 2, 2012 to March 31, 2017
Campus:	Los Angeles Southwest College
Compliance Requirement:	Activities Allowed or Unallowed and Allowable Costs/ Cost Principles

Criteria or Specific Requirement

Per Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.302 Financial Management. (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §200.450 Lobbying.

Identified Condition

In performing testwork, we noted discrepancies between timesheets for overtime charges and amounts recorded and charged to the grant. A total of 19.5 hours were charged to activities not related to the program. However, it was also noted that other program-related time and effort reports totaling 83 hours were not charged to the grant. Although this condition did not result in overstating federal program expenditures requested for reimbursement, it indicates a lack of monitoring the proper charging of labor effort to the program.

Causes and Effect

The Dean of CTE and Workforce Development at the college stated that, for one of the overtime charges, the error is not on the timesheet but on the encoding of the hours in the SAP payroll system. The campus payroll assistant subsequently corrected the hours recorded in SAP. The college did not identify this error during their review of expense transactions. An amount of \$5,521 was incorrectly charged to the grant. The college's timesheets as submitted recorded the correct grant budget reference number. However, overtime was not properly charged in the correct grant in the SAP system. A journal entry was made to correct this error.

Questioned Costs

None.

Recommendation

We recommend that the campus perform detailed reviews of payroll expenditures to ensure that they are properly charged to the correct H-1B Job Training Grant, *The Leading Engineering Education for the Future in Los Angeles Program*.

Views of Responsible Officials and Planned Corrective Actions

The campus will make sure that detailed reviews of payroll expenditures are in place to ensure that the expenditures are properly charged to the correct program. Responsibility for the implementation of the corrective action plan lies with the Program Specialist or in their absence, the Dean of CTE. The anticipated date of completion will be on November 20, 2017.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of Federal Findings and Questioned Costs
 Year ended June 30, 2017

Finding FA 2017-011: Unmet Level of Effort (Repeat Finding)

Federal Program Information

Federal Catalog Number: CFDA 17.282

Federal Program Name: Trade Adjustment Assistance Community College and Career Training;
Los Angeles Healthcare Competency Career Consortium

Federal Agency: U.S. Department of Labor

Passed Through Entity: N/A

Federal Award Number: TC-25084-13-60-A-6

Federal Award Year: October 1, 2013 to September 30, 2017

Campus: Los Angeles Trade Technical College

Compliance Requirement: Level of Effort

Criteria or Specific Requirement

Per the Grant's "Statement of Work", the Consortium has projected levels of outcome for certain performance measures as of the end of the third program year as follows:

No.	Outcome Measures	Total
1	Total Unique Participants Served	\$ 7,800
2	Total Number of Participants Completing a Grant-Funded program of study	5,475
3	Total Number of Participants Retained in Their program of study or Program of Study	2,209
4	Total Number of Participants Completing Credit Hours	6,885
5	Total Number of Participants Earning Credentials	5,475
6	Total Number of Participants Enrolled in Further Education After Grant-funded program of study Completion	2,453
7	Total Number of Participants Employed After Grant-funded program of study Completion	2,570
8	Total Number of Participants Retained in Employment After program of study Completion	2,183
9	Total Number of Those Participants Employed at Enrollment Who Received a Wage Increase Post-Enrollment	332

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Identified Condition

In performing testwork, we noted that the Consortium did not meet 8 out of 9 targeted levels of outcome for the third program year as follows:

No.	Outcome Measures	Total	Actual	% Met
1	Total Unique Participants Served	7,800	7,156	92 %
2	Total Number of Participants Completing a Grant-Funded program of study	5,475	1,600	29 %
3	Total Number of Participants Retained in Their program of study or Program of Study	2,209	2,395	100 %
4	Total Number of Participants Completing Credit Hours	6,885	6,513	95 %
5	Total Number of Participants Earning Credentials	5,475	2,336	43 %
6	Total Number of Participants Enrolled in Further Education After Grant-funded program of study Completion	2,453	469	19 %
7	Total Number of Participants Employed After Grant-funded program of study Completion	2,570	171	7 %
8	Total Number of Participants Retained in Employment After program of study Completion	2,183	67	3 %
9	Total Number of Those Participants Employed at Enrollment Who Received a Wage Increase Post-Enrollment	332	99	30 %

Causes and Effect

The Dean of Pathway Innovation & Institutional Effectiveness stated that the grants were developed in an effort to balance innovation in community colleges with workforce priorities and needs. This new program was an attempt by the Department of Labor and US Department of Education to collaborate and provide funding to colleges who could demonstrate clear plans to innovate in key sectors. There was little guidance provided to grantees at the proposal development and funding stage to help guide project outcomes. The campus developed program outcomes based on information from the field that focused on interventions that touched groups of students. The Department of Labor (DOL) did not provide participant outcome guidance until November 2014, more than a year after the grant was funded. As such, the campus developed projected program outcomes with the information available in the Solicitation for Grant Applications and through DOL. When the program measures were ultimately articulated and defined, including the level of documentation required, the campus attempted to modify the project plan to align with feasible and achievable outcomes. DOL did not accept any program outcome modifications.

Questioned Costs

None.

Recommendation

We recommend that the campus continue its outreach and recruitment activities and, when practical, create more intensive collaborations with different employers, unions, and workforce agencies in accordance with the Grant's "Statement of Work".

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

Henceforth, the college will request information from the funding agency when program outcomes are in question prior to grant submission. This will avoid any future program performance concerns while memorializing concerns from the funding agency. With the program ending in September 30, 2017, the corrective action plans to correct unmet level of efforts will be implemented if a grant with similar requirements is granted to the District in the future.

Finding FA 2017-012: Payroll Documentation for Time and Effort

Federal Program Information

Federal Catalog Number:	CFDA 84.031
Federal Program Name:	Higher Education – Institutional Aid
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P031S150078 – 16; P031S160232
Federal Award Year:	October 1, 2015 to September 30, 2020; October 1, 2016 to September 30, 2021
Campuses:	East Los Angeles College and Los Angeles Harbor College
Compliance Requirement:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria or Specific Requirement

Per 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

- 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;
 - (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
 - (vii) 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

In performing testwork over payroll-related expenditures charged to the grant, we noted the following:

- At East Los Angeles College, 5 of 11 employees sampled (primarily instructors) did not prepare Time and Effort Certification forms and therefore did not have documentation of the actual time and effort the employee expended on the program.
- At Los Angeles Harbor College, 1 of 6 employees sampled (the Program Director) did not have "supervisor approval" of the actual time and effort the employee expended on the program.

Causes and Effect

East Los Angeles College

The documentation for time and effort for faculty paid to the program was not available. The campus experienced a transition in management during the FY16-17 which caused a level of uncertainty in the required documentation. As a result, the processing of documentation for payroll records was insufficient in meeting program guidelines.

Los Angeles Harbor College

The program director for the Title V program used a different time and effort format that did not require a supervisor's signature. The Director used a form she had used from a previous employer and assumed it was acceptable. The form is a self-certification of time and effort.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Questioned Costs

East College – \$13,495.95 out of \$41,464.93 sampled.

Harbor College – \$7,429.72 out of \$76,921 sampled.

Recommendation

We recommend the District strengthen controls to ensure compliance with the federal program requirements regarding allowable/unallowable expenditures and specifically time and effort reporting. Additional internal controls should include formal District-wide training in time and effort reporting and enhanced supervisory reviews of related time and effort reports. Periodic monitoring of compliance should be performed by Internal Audit. Actual time and effort that employees spend on grant-funded activities should be properly documented to support salaries charged to the program and avoid the potential for disallowed costs and required remittance of unsupported labor costs to the grantor.

Views of Responsible Officials and Planned Corrective Actions

East College

All grant related payroll activities will be approved in advance and accompanied by appropriate time and effort documentation. Time and effort documentation will include but is not limited to monthly time reported and activities performed related to the grant. The new Project Director approves all related payroll activities in consultation with grant staff. Any payroll activities that do not definitively adhere to grant regulations will be discussed with the federal grant monitor before approval.

Los Angeles Harbor College

As of October 31, 2017 the Title V director will utilize the standard Economic and Workforce Development's (EWD) time and effort form that requires the Dean of EWD's (supervisor's) signature. Copies of signed Time and efforts will be maintained on file with other grant documents.

Finding FA 2017-013: Vendor Status Verification

Federal Program Information

Federal Catalog Number:	CFDA 84.031
Federal Program Name:	Higher Education – Institutional Aid
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P031S150078 – 16; P031S160232
Federal Award Year:	October 1, 2015 to September 30, 2020; October 1, 2016 to September 30, 2021
Campuses:	East Los Angeles College and Los Angeles Harbor College

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Compliance Requirement:

Procurement and Suspension and Debarment

Criteria or Specific Requirement

Per 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, sub awards, 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

The suspension and debarment statuses of vendors were not verified prior to the first procurement activity using program funds.

Causes and Effect

East Los Angeles College

The vendors are checked for debarment and suspension prior to being issued a SAP vendor number. This task is performed by the District Purchasing Agent and is documented using the "LACCD Create/Change Checklist" (on file at the Educational Services Center). Due to the existence of this form, the campus's assumption that the District was reviewing these criteria during the procurement process is valid. However, the campus is submitting a corrective action plan to ensure this finding is corrected in subsequent years.

Los Angeles Harbor College

The campus needed clarification from the District regarding vendor master agreements. The campuses are encouraged to use vendors from the approved Master Agreements for the District and because of that, the campus assumed that the District is negotiating on behalf of the campus and that the District bears the responsibility for performing verification procedures of the vendor's suspension and debarment status. The campus assumed that utilizing the master vendor list ensured that this step was already completed. Therefore, the campus did not take further steps in checking the vendor's status.

Questioned Costs

None.

Recommendation

We recommend that the District communicate clearly and regularly with the campuses regarding District and campus responsibilities for verifying the suspension and debarment status of each vendor. This verification should occur prior to the initial procurement from a vendor using new federal award funds.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

Effective immediately, the department will be using the System for Award Management (SAM) to verify the vendor status prior to the procurement process. The implementation of this procedure will be the responsibility of the program manager. In addition, the program manager will attach a confirmation to be included with all pertinent documentation filed at the college. This will ensure that repeated deficiencies are eliminated and program guidelines are met.

Los Angeles Harbor College

This audit finding will be discussed with grant staff at the next scheduled Economic and Workforce Development (EWD) staff meeting and training will be provided to the staff as to how to access the suspensions and disbarments list on the government website. The next EWD staff meeting is scheduled for November 15th 2017. The Dean will be responsible for training the staff.

Finding FA 2017-014: Incorrect Period Reporting of Expenditures and Lack of Supporting Information and Records Retention of Reported Performance Data

Federal Program Information

Federal Catalog Number:	CFDA 84.031
Federal Program Name:	Higher Education – Institutional Aid
Federal Agency:	U.S. Department of Education
Passed Through Entity:	N/A
Federal Award Number:	P031S150078 – 16
Federal Award Year:	October 1, 2015 to September 30, 2020
Campus:	East Los Angeles College and Los Angeles Harbor College
Compliance Requirement:	Reporting

Criteria or Specific Requirement

Per *Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.34* Expenditures means charges made by a non-Federal entity to a project or program for which a Federal award was received. The charges may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied. Paragraph (c) states that for reports prepared on an accrual basis, expenditures are the sum of:

- (1) Cash disbursements for direct charges for property and services;
- (2) The amount of indirect expense incurred;
- (3) The value of third-party in-kind contributions applied; and

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

- (4) The net increase or decrease in the amounts owed by the non-Federal entity for:
- (i) Goods and other property received;
 - (ii) Services performed by employees, contractors, sub recipients, and other payees; and
 - (iii) Programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments.

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.

Identified Condition

East Los Angeles College

Expenditures on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. We noted that services performed by a subrecipient in the prior fiscal year totaling \$73,092 were not recorded until the current fiscal year.

Los Angeles Harbor College

During our review of the Interim Performance Report for the Title V grant at Los Angeles Harbor College, we noted that there was no supporting documentation maintained on file to validate performance data submitted as of the report date. The system used to track performance data is updated on a real time basis and therefore does not retain and cannot generate a report to identify information as of a certain point in time.

Causes and Effect

East Los Angeles College

The campus experienced a transition in the administration of the program. During this transition, there was a lack of communication in the transfer of information caused by the departure of the former Assistant Dean, which created a void. As a result, the newly assigned SFP Specialist and Dean of STEM were unaware of this pending item. Once this item was discovered, the invoice by University of Southern California (sub recipient), for the months of October 2015 to January 2016 was processed immediately.

Los Angeles Harbor College

Representatives of the campus explained that, during the first half of the grant term, there was no full time director or staff assigned on a permanent basis to the grant. The activities were performed as extra assignments or other duties as assigned until the director was hired and was able to hire the staff for the grant. This led to data and activities being tracked on various spreadsheets housed on different staff computers. In addition, the campus transitioned to a new student information system during the first year of the grant and this led to the project director not being able to retrieve data in the same manner as previously done.

Questioned Costs

None.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Recommendation

East Los Angeles College

We recommend that East Los Angeles College review the program budget on an ongoing basis and closely monitor expenditures to ensure timely reporting under the accrual basis of accounting. Supervisory review should be performed and documented. We also suggest additional District-wide training be provided to those assigned responsibility for processing transactions and maintaining the accounting records which support the Schedule of Expenditure of Federal Awards and ultimately the Federal Financial Reports.

Los Angeles Harbor College

We recommend that Harbor Los Angeles College establish and maintain a system to track and retain performance data in accordance with program requirements. We also suggest additional District-wide training in Federal Records Retention requirements be provided to those assigned responsibility for maintaining the accounting records which support the Schedule of Expenditure of Federal Awards and ultimately the Federal Financial Reports.

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

The campus concurs with the condition identified. Due to the discovery of this item by the newly appointed administrator, measures were implemented at that time to ensure that all program expenditures are recorded within the fiscal year they are incurred. Therefore, the corrective action plan for this condition is considered implemented by the Dean of STEM. The Dean, along with the technical assistance from the Fiscal Office, will continue to provide guidance to staff who oversees the budget and expenditures of this specially funded program. Furthermore, the campus will coordinate training for current and/or future staff as needed to ensure that proper procedures and program guidelines are met.

Los Angeles Harbor College

The data reported was accurate at the time of the report but the supporting documents were not properly kept to ensure audit compliance. Moving forward, the project director is aware of the documentation needed to ensure proper compliance. The project director will train all staff on what is required documentation for compliance and will ensure that documents are kept in a location that is safe and accessible to the staff. Training will take place no later than December 30th, 2017. In addition, with the recent implementation of PeopleSoft (new student information system), there are ways to extrapolate data, and store data accordingly. Additionally, the Office of Institutional Effectiveness is now more able to support running queries. Lastly, Harbor Advantage, through the Title V grant, is purchasing (with support of other programs) B2B to utilize as a data management tool. This program will also help generate reports in order to identify data from specified periods.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Finding FA 2017-015: Equipment Management – Policies and Procedures Staff Training

Federal Program Information

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

Criteria or Specific Requirement

Per 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.

Identified Condition

In performing testwork over equipment management, we noted that at Los Angeles Mission College, 10 out of 11 units were missing LACCD tags (inventory number) on the equipment, however the Specially Funded Program tags were noted. Inquiries were made to college grant program personnel to identify the LACCD tags to which they were unable to provide any substantive information. The LACCD tags were subsequently located

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of Federal Findings and Questioned Costs
 Year ended June 30, 2017

as an attachment to the related bills of lading, in accordance with District policy based on the related asset type. We noted that campus grant program personnel were not aware of District asset management policies and procedures regarding tagging of the various asset types.

Causes and Effect

The College Financial Administrator stated that there are times when the vendor would deliver the equipment directly to the requester and by-pass the receiving department. As a result, some assets may not get properly tagged or the assets may get delivered to the department without proper tagging during rush hours at year end.

Questioned Costs

Not applicable.

Recommendation

We recommend the campus closely monitor program expenditures to ensure that expenditures are properly charged to the correct fund or program. We further recommend that management continue to place a strong emphasis on the importance of exercising due care in processing and recording grant-funded transactions to ensure compliance with federal and state funding agreements, the Uniform Guidance and the CDAM.

Views of Responsible Officials and Planned Corrective Actions

The College Financial Administrator is responsible in ensuring that all assets are properly tagged with LACCD tags, properly maintained and accurately recorded in the assets inventory record of the respective departments. The VP Administrative Services has instructed College Financial Administrator to hold a training and workshop in the upcoming months to reiterate the importance of this assets control and management. The College will ensure all assets purchased be delivered to College Receiving Unit to tag with LACCD tag before delivering to requesters.

Finding FA 2017-016: Improper Charging of Expenditure to Federal Program

Federal Program Information

Federal Catalog Number:	CFDA 84.048
Federal Program Name:	Career and Technical Education – Basic Grants to States
Federal Agency:	U.S. Department of Education
Passed Through Entity:	California Community College’s Chancellors Office
Federal Award Number:	16-C01-027
Federal Award Year:	July 1, 2016 to June 30, 2017
Campus:	Los Angeles City College
Compliance Requirement:	Activities Allowed or Unallowed and Allowable Costs / Cost Principles

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Criteria or Specific 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.
- (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.

Identified Condition

In performing testwork over nonpayroll expenditures at Los Angeles City College, we noted that 1 of 5 expenditures sampled was incorrectly charged to the program. The Program Director acknowledged that this expenditure relates to the "ReInvent Conference" costs which should have been charged to the LA HI-TECH program and not to the Career and Technical Education (Perkins IV) program.

Causes and Effect

Adequate monitoring of controls did not appear to be in place to ensure proper charging of program expenditures to the correct program budget. This increases the risk that there might be other potential incorrect charges to the program during the year.

Questioned Costs

\$1,917.92 out of \$16,867.94 sampled.

Recommendation

We recommend that the campus closely monitor program expenditures to ensure that expenditures are properly charged to the correct fund or program.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

Expenditures charged to grants will be regularly reviewed and monitored by the designated program managers to ensure that no costs are charged incorrectly to the various grant programs. For each proposed expenditure, a SAP budget report, along with a copy of the relevant grant work plan, will be submitted to ensure that the expenditure is budgeted and allowable. Budget reports must be attached to conference and travel requests by the conference attendee(s) and shall be reviewed and signed off by the program director to further ensure allowable expenditures are charged to the correct program. Responsibility to implement this corrective action lies with the Dean of Academic Affairs, Office of Economic and Workforce Development effective December 31, 2017.

Finding FA 2017-017: Missing Documentation for Time and Effort

Federal Program Information

Federal Catalog Number:	CFDA 84.048
Federal Program Name:	Career and Technical Education – Basic Grants to States
Federal Agency:	U.S. Department of Education
Passed Through Entity:	California Community College's Chancellors Office
Federal Award Number:	16-C01-027
Federal Award Year:	July 1, 2016 to June 30, 2017
Campus:	Los Angeles Pierce College
Compliance Requirement:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria or Specific Requirement

Per 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.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

- 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;
 - (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
 - (vii) 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

In performing testwork over payroll expenditures charged to the grant, we noted that at Los Angeles Pierce College, 1 of 4 employees sampled did not have documentation of actual time and effort expended on the program.

Causes and Effect

The program team stated that payroll time and effort certifications are maintained only for noninstructional staff. Instructional staff with a teaching assignment do not keep time and effort records.

Questioned Costs

\$3,873.12 out of \$13,790.96 sampled.

Recommendation

We recommend the District strengthen controls to ensure compliance with the federal program requirements regarding allowable/unallowable expenditures and specifically time and effort reporting. Additional internal controls should include formal District-wide training in time and effort reporting and enhanced supervisory reviews of related time and effort reports. Periodic monitoring of compliance should be performed by Internal Audit. Actual time and effort that employees spend on grant-funded activities should be properly documented to support salaries charged to the program and avoid the potential for disallowed costs and required remittance of unsupported labor costs to the grantor.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

The Program will create an instructional Time and Effort Certification for use in the instances that the program funds courses to augment the course assignment data. The individual responsible for this action will be the Dean of CTE. The new policy will finalize by January 2018, be implemented by February 5, 2018.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Finding FA 2017-018: Absence of Physical Inventory of Equipment (Repeat Finding)

Federal Program Information

Federal Catalog Number:	CFDA 84.048
Federal Program Name:	Career and Technical Education – Basic Grants to States (Perkins IV)
Federal Agency:	U.S. Department of Education
Passed Through Entity:	California Community College’s Chancellors Office
Federal Award Number:	16-C01-027
Federal Award Year:	July 1, 2016 to June 30, 2017
Campus:	East Los Angeles College and Los Angeles Pierce College
Compliance Requirement:	Equipment Management

Criteria or Specific Requirement

Per 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.

District policy requires that a physical inventory of capital assets occur every year.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Identified Condition

In performing testwork, we noted that:

- At East Los Angeles College, there was limited evidence and supporting documentation that a physical inventory of the equipment was taken and that the results were reconciled with the District's accounting records for the current year (in line with the District's policy to conduct inventory at the campus every year). Per inquiry with the Specially Funded Program (SFP) Technician, physical inventory is taken towards the end of each fiscal year and reconciled with the SAP records item by item. However, the only documentation of this inventory and the reconciliation to the accounting records is an excel file with the inventory date and a print out from the SAP system of an equipment listing. There was no other documentation of this important internal control procedure such as the physical count team's signature, variance reports, reconciliations to the general ledger, and signature of an auditor or third person other than the inventory custodian. In the prior year a signed physical inventory and reconciliation report were created.
- At Los Angeles Pierce College, there was limited evidence that a physical inventory of the equipment was taken and that the results were reconciled with the District's accounting records at least every two years, as required by Federal regulations. The College's inventory records indicate that the last inspection dates of most of the equipment range from 2012 to 2015. Further, we noted the following:
 - 2 of 8 sampled units of equipment are missing the LACCD inventory tag
 - 1 of 8 sampled units of equipment has a serial number that does not match the tag number.

Causes and Effect

East Los Angeles College

The Continuing Education and Workforce Development (CEWD) office has recently experienced a significant administrative transition, both at the Vice President and Dean levels. During the transition period, an internal equipment management reconciliation system was not in place.

Los Angeles Pierce College

The program has had a leadership change during FY 2016/17 and has not had dedicated technical support to provide for all required functions. The program maintains a record of all equipment purchased but due to lack of technical support and technology, has not maintained inventory tracking and condition records of all program-purchased equipment.

Questioned Costs

None.

Recommendation

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

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

The Continuing Education and Workforce Development (CEWD) management team will implement a new equipment management system to monitor assets at regular intervals throughout the fiscal year, from purchasing stage, campus receiving, department distribution, and tracking of product service life. Equipment monitoring will require quarterly inventory inspections—signed off by the vice president, dean, and designated staff. In addition equipment acknowledgement forms will be made available when equipment is requested for check-out. SFP Technician will be in charge of reconciling the inventory. Once reconciliation is done, it will be signed and certified by the Vice President of Continuing Education and Workforce Development. For fiscal year 2016-2017, reconciliation and certification has been completed. For Fiscal year 2017-18 and moving forward, reconciliation and certification will be implemented quarterly.

Los Angeles Pierce College

The program will purchase software to allow for inventory tracking of all program purchased equipment. The program will recruit and hire a dedicated SFP technician to manage inventory documents and program tagging and equipment data reconciliation. The SFP technician will be in place by February 1, 2017. The software for inventory tracking will be purchased and in place by April 1, 2017, and the inventory completed by July 1, 2017. Dean of CTE, will be responsible for implementing this plan.

Finding FA 2017-019: Vendor Status Verification

Federal Program Information

Federal Catalog Number:	CFDA 84.048
Federal Program Name:	Career and Technical Education – Basic Grants to States
Federal Agency:	U.S. Department of Education
Passed Through Entity:	California Community College's Chancellors Office
Federal Award Number:	16-C01-027
Federal Award Year:	July 1, 2016 to June 30, 2017
Campus:	East Los Angeles College and Los Angeles City College
Compliance Requirement:	Procurement and Suspension and Debarment

Criteria or Specific Requirement

Title 2, Subtitle A, Chapter II, Part 200, Subpart C, §200.213 Suspension and debarment. Non-federal entities are subject to the nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, sub awards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2017

Identified Condition

In performing testwork, we noted that the suspension and debarment status of vendors was not verified prior to the first procurement activity using program funds. This is a repeat finding.

Causes and Effect

East Los Angeles College

The vendors are checked for debarment and suspension prior to being issued a SAP vendor number. This task is performed by the District Purchasing Agent and is documented using the "LACCD Create/Change Checklist" (on file at the Educational Services Center). Due to the existence of this form, the College's assumption that the District was reviewing these criteria during the procurement process is valid. However, the campus is submitting a corrective action plan to ensure this finding is corrected in subsequent years.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2017

Los Angeles City College

There is uncertainty as to who is responsible for checking suspension and debarment. The District's procurement department indicated that the specially funded program (SFP) directors at the campuses are the ones responsible regarding all the requirements of the program, including verifying the suspension and debarment statuses of vendors. The lack of verification of vendor statuses prior to procurement increases the risk of transacting with suspended or debarred entities using federal funds.

Questioned Costs

None.

Recommendation

We recommend that the District communicate clearly and regularly with the campuses regarding District and campus responsibilities for verifying the suspension and debarment status of each vendor. This verification should occur prior to the initial procurement from a vendor using new federal award funds.

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

Effective immediately, the Office of Continuing Education and Workforce Development will be using the System for Award Management (SAM) to verify the vendor status prior to the procurement process. The implementation of this procedure will be the responsibility of the program manager. In addition, the program manager will attach a confirmation to be included with all pertinent documentation filed at the college. This will ensure that repeated deficiencies are eliminated and program guidelines are met.

Los Angeles City College

The college will verify the suspension and debarment status of each vendor prior to procurement to ensure vendors are eligible for participation in federal activities. The Program director or designee will verify using the Federal Debarred Listing website 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. Responsibility to implement this corrective action lies with the Dean of Academic Affairs, Office of Economic and Workforce Development effective December 31, 2017.

SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

Finding SC 2017-001: Inconsistent Prerequisite Information Between College Catalog And Published Class Schedule

State Compliance Requirement Information

State Compliance Section:	Section 435
State Compliance Requirement:	Open Enrollment
Campus:	Los Angeles Southwest College

State Criteria or Requirement

California Code of Regulations, Title 5, Section 58102, for Open Enrollment, the description of each course shall be clear and understandable to the prospective student and shall be published in the official catalog, and/or schedule of classes, and/or addenda.

Further, Contracted District Audit Manual (CDAM) Section 435 – Open Enrollment, states that the auditors should test a sample of classes to ensure that all classes are listed in the college catalog and in the class schedule for the term the respective classes were offered. There should be a clear and understandable description of each class.

References

California Code of Regulations, Title 5, Sections 58102.

Identified Condition

For 1 of 10 classes sampled at Los Angeles Southwest College, prerequisite information presented in the college catalog differed from that published in the class schedule. In the Class Schedule, “Art 204” indicates that the course has no prerequisites, while in the College Catalog the subject has a prerequisite of Art 201.

The Class Schedule is expected to contain more comprehensive and updated information regarding a class being offered for enrollment. The Class Schedule is updated regularly (at least once per semester), while the Class Catalog is only published once a year; some colleges only publish Class Catalogs once every three years. A student would likely depend on the Class Schedule when deciding which classes to enroll. This discrepancy does not conform to the criteria that the class descriptions should be clear and understandable. Information is not consistent throughout the College’s published documents.

Causes and Effect

Courses are developed by the faculty and submitted to the following areas for approval 1) Curriculum committee, 2) Academic Senate, 3) LACCD Board. Once approved the Curriculum Dean submits the course to the State Chancellors’ office. Due to courses being created yearly by the faculty and approved at various times throughout the year, the approval date on the Course Outline of Records (COR) will change. The COR are often updated and created to ensure that the content of each COR is the most recent information for that subject area. Additionally, due to the Associate Degrees for Transfer (ADT), the College has decided to update CORs every two years. Depending on when the COR is reviewed the prerequisite and / or co-requisites may not match what is in the catalog.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

Questioned Costs

None.

Recommendation

We recommend that the Campus review published schedules of classes to ensure descriptions and identification of classes, including prerequisites, are consistent throughout the documents.

Views of Responsible Officials and Planned Corrective Actions

The COR has an updated date on the document which is very important depending on the catalog and when the COR was updated. It would benefit LASC to store old CORs with the corresponding catalog for that year. This would prevent the overlap while the ECD system is a year round updating process. Additionally, the catalog committee will commit to putting the COR updated date in the Catalog in the Course description section.

The LASC Catalog committee has determined that only courses and programs approved by April of each year will be listed in the Catalog for the next year. i.e. if a course or program was approved prior to April 2017, then the course or program will be in the 2018-2019 catalog. That will be published July 1 of each year. Effective April of each year, beginning April, 2018, the Curriculum Dean and the Articulation Officer will update the Catalog of each year with all course outline of record updates.

The Articulation officer and Curriculum Dean will be responsible for ensuring that the information is in the catalog. The Curriculum Dean will inform faculty at the Curriculum committee of the implemented changes which will be documented in the formal minutes.

Finding SC 2017-002: Ineligible Disabled Student Programs and Services (DSPS) Participants

State Compliance Requirement Information

State Compliance Section:	Section 475
State Compliance Requirement:	Disabled Student Programs and Services
Campus:	Los Angeles Southwest College

State Criteria or Requirement

The Contracted District Audit Manual (CDAM) Section 475 – Disabled Student Programs and Services states that the auditors should test student files for eligibility, including that the students are “enrolled” (if prior to January 1, 2017), or have “applied to or enrolled” in the college (if after January 1, 2017) for state-sponsored disabled student services programs or courses.

References

California Education Code, Sections 14020.1, 66010.4, 66701, 67300-67313, 70901, 71020.5, 84320-84328, and 84850. Beginning January 1, 2017, this section changes language for eligibility from “enrolled” to “applied to or enrolled” in state-sponsored disabled student services programs or courses.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of State Findings and Questioned Costs
Year ended June 30, 2017

Identified Condition

We noted that 5 out of 20 students sampled were not enrolled at the campus. These students received general services from the "Disabled Student Programs and Services" campus department.

Causes and Effect

There were changes to Title V that took effect on July 1, 2016 that changed the requirement "that for one contact to be counted the student must be enrolled in a class at the college". The change associated with the enrollment was in effect for only 6 months and therefore the College did not make the change for the six months. The College is now in compliance, as effective January 1, 2017 AB2791 was passed which allows the college to take credit for a service contact regardless of the enrollment status of the student. Student must be registered as DSPS.

Questioned Costs

None.

Recommendation

We recommend that the Campus review eligibility requirements to ensure that all colleges comply with the state compliance requirements.

Views of Responsible Officials and Planned Corrective Actions

The College is now in compliance, as effective January 1, 2017, AB2791 was passed which allows the college to take credit for a service contact regardless of the enrollment status of the student. Student must be registered as DSPS.

Finding SC 2017-003: Missing Approval of Classes Attended by K-12 Students (Repeat Finding)

State Compliance Requirement Information

State Compliance Section:	Section 427
State Compliance Requirement:	Dual Enrollment of K-12 Students in Community College Credit Courses
Campus:	Los Angeles Southwest College

State Criteria or Requirement

Per *Education Code Section 48800*, the governing board of a school district may authorize K-12 pupils who would benefit from advanced scholastic or vocational work, upon recommendation of the principal of the pupil's school of attendance, and with parental permission, to attend community college as special part-time or full-time students. In addition:

- a. Recommended pupils must demonstrate adequate preparation in the discipline they wish to study.
- b. The pupil must exhaust all opportunities to enroll in an equivalent course, if any, at his or her school of attendance.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

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 96 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.

We noted that 11 of 17 K-12 students sampled from Los Angeles Southwest College were enrolled in courses other than those 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. The District has developed a plan to contact the principals who approved the initial course enrollments and seek documentation of approval for additional courses in which the students enrolled. This is a repeat finding.

Causes and Effect

The K-12 application process currently in place allows a high school student already in the District's system to take any course at the College. It does not restrict the student to a specific course. The District asserts that students may find that the approved course is not available and instead enroll online in a course that is not yet full, but which also was not pre-approved by the school principal.

Full-Time Equivalent Student (FTES) Impact

Los Angeles Southwest College: 8.21 FTES exceptions out of the 10.37 credit FTES sampled, or 79.17% of the total sample at the campus.

There were no noncredit FTES and noncredit "Career Development and College Preparation" (CDCP) FTES associated with this finding.

Questioned Costs

\$41,097.21 (8.21 FTES exception x \$5,005.75 credit FTES reimbursement rate).

Extrapolated Finding

Based on the schedule of FY 2017 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: 173.32 FTES (79.17% x 218.92 total credit FTES claimed for K-12 Students)

These findings have not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2017.

Recommendation

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. We

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

also recommend that the form be modified to include all possible courses the students can take within the period. We recommend the District provide training to all colleges participating in the Dual Enrollment of K-12 Students in Community College Credit Courses program to ensure more effective monitoring of course registration by K-12 students.

Views of Responsible Officials and Planned Corrective Actions

The District concurs with the finding, and will contact the principals who approved the initial course enrollments and seek documentation of approval for any additional, unapproved courses in which the students enrolled. In order to ensure that the High school student is enrolled in the course listed on the K-12 form, the course number must be listed and the instructor will have to allow the student to register even if the class is full.

The College admissions will have to automatically put the student in the class after the approval process is complete. This will have to be done before the start of the class. Once the first day of class begins only the instructor can add a student. Additionally, effective Fall 2017, Admissions & Records staff will implement an additional check system of verification whereas the College will conduct two verification of the classes that the students have enrolled in to ensure that they are in the courses that were approved. The Registrar will be responsible for this process and in training Admissions & Records staff of the process.

Finding SC 2017-004: Incorrect Coding of Regular Student as K-12

State Compliance Requirement Information

State Compliance Section:	Section 427
State Compliance Requirement:	Dual Enrollment of K-12 Students in Community College Credit Courses
Campus:	Los Angeles Southwest College and Los Angeles Valley College

State Criteria or Requirement

Per *Education Code Section 48800*, the governing board of a school district may authorize K-12 pupils who would benefit from advanced scholastic or vocational work, upon recommendation of the principal of the pupil's school of attendance, and with parental permission, to attend community college as special part-time or full-time students.

References

California Education Code, Section 48800.

Identified Condition

To verify eligibility of K-12 students claimed for apportionment, we selected a sample of 60 K-12 students enrolled in courses offered by the District.

During our audit we noted the following

- At Los Angeles Southwest College, we noted that 1 of 17 K-12 Students sampled had been incorrectly included as part of the K-12 Roster. The student as of term date summer 2016 was already a high school graduate. The student submitted paperwork to change his status from K-12 to regular college student but it

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

was not processed correctly and was still inaccurately classified as a K-12 student at the time of the audit test.

- At Los Angeles Valley College, we noted that 1 of 22 K-12 Students sampled had been incorrectly included as part of the K-12 Roster. The student was not a K-12 student at LACCD and had graduated from high school on June 7, 2017. The student was incorrectly coded as a K-12 student and was claimed for apportionment.

Cause and Effect

Los Angeles Southwest College

In Spring 2017, a K-12 student attended as a concurrent student. The student graduated from High School in June 2017 and informed Admissions & Records (A&R) by submitting a change form. The A&R assistant removed the K-12 hold but did not change the student's enrollment status to a *Nonapplicable* High School status. This resulted in the Student Information System (SIS) reflecting the student as a K-12 student.

Los Angeles Valley College

Student was mistakenly included as a part of the Dual Enrollment Sample due to a clerical error. Admissions and Records updated the student's Educational Status reflecting her status as a high school graduate, but did not change her Dual Admission Status in DEC.

Full-Time Equivalent Student (FTES) Impact

- Los Angeles Southwest College: 0.41 FTES exceptions out of the 9.71 credit FTES sampled, or 4.22% of the total sample at the campus.
- Los Angeles Valley College: 0.14 FTES exceptions out of the 12.30 credit FTES sampled, or 1.14% of the total sample at the campus.

There were no noncredit FTES and noncredit "Career Development and College Preparation" (CDCP) FTES associated with this finding.

Questioned Costs

None. There is no fiscal impact since apportionment is collected for both K-12 and regular students. The error in the coding did not result in an excessive claim.

Recommendation

We recommend that the Campus implement controls to ensure that K-12 Rosters include only eligible K-12 students.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Southwest College

This error was committed by a new employee who thought that she was taking all of the necessary steps to handle this issue. Effective Fall 2017, following this finding, the Registrar will provide all employees with training on such matters.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

Los Angeles Valley College

Admissions and Records has a process for auditing the accuracy of records in which staff reviews records to determine whether the transactions were properly recorded. To improve our accuracy rates, Los Angeles Valley College plans to review current practice and review with staff importance of posting accurate transactions. The responsible officials for this corrective action plan are the Dean of Admissions and Records. Anticipated date of completion would be on June 30, 2018.

Finding SC 2017-005: Error in the Calculation of FY16-17 GANN “Appropriation Subject to Limit”

State Compliance Requirement Information

State Compliance Section: Section 431

State Compliance Requirement: GANN Limit Calculation

State Criteria or Requirement

California Government Code Section 7908(c) requires each community college district to report to the Chancellor of the California Community Colleges at least annually its appropriation limit, appropriations subject to limit, the amount of state aid apportionments and subventions included within the proceeds of taxes of the district, and amounts excluded from the appropriations subject to limit.

Further, CDAM requires auditors, as part of annual financial audits, to verify the calculation and adoption of the compliance requirements for Section 431 GANN Limit Calculation.

References

California Government Code Section 7908(c).

Identified Condition

Fiscal Services memo 16-05 issued by the California Community Colleges Chancellor’s Office states that only General Apportionment, Apprenticeship Allowance and EPA Revenue are to be included in the “State Aid” Line Item.

The FY 2016-2017 worksheet used by the District incorrectly included the amount for “Basic Skills” in the computation of the “State Aid” line item. This resulted in an error in computing “Appropriations Subject To Limit”. This overstatement of “Appropriations Subject to Limit” did not impact the District’s compliance with the Appropriations Limit.

Questioned Costs

None.

Recommendation

We recommend that the GANN Limit calculation worksheet be reviewed by someone other than the preparer. The reviewer should agree the data used in the calculation to supporting schedules and ensure that recently updated worksheets issued by the Chancellor’s office are used to perform and document the calculation.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

The District accepts this recommendation and will provide in-service training to staff responsible for the preparation and review of the GANN limit calculation. The responsible official for this corrective action plan is the Director of Budget and Management Analysis. The date of completion of the plan will be February 2018.

Finding SC 2017-006: Inclusion of Dropped Students in ‘Students Actively Enrolled’ Apportionment

State Compliance Requirement Information

State Compliance Section:	Section 426
State Compliance Requirement:	Students Actively Enrolled
Campus:	Los Angeles Valley College

State Criteria or Requirement

As set forth in the CDAM, each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date. The auditors are required to test supporting disenrollment records to see whether they substantiate the count of active enrollment recorded on selected census procedure course tabulations. As of the last day of business that precedes the census day, any student who has:

- a. Been identified as a no show, or
- b. Officially withdrawn from the course, or
- c. Been dropped from the course

Will not be eligible for funding in the course pursuant to California Code of Regulations, title 5, Sections 58003.1 and 58004.

References

California Code of Regulations, Title 5, Sections 58003.1 and 58004.

Identified Condition

We noted that 2 of 37 claimed as “Students Actively Enrolled”, as of census date, have been dropped from the course. These students should have not been included in the apportionment.

Cause and effect

The Vice Chancellor for Education Programs and Institutional Effectiveness stated that Student exclusions are processed by the faculty member through the submission of a web-based exclusion form. In this case, the faculty member and college determined that these two students should have been excluded and were not. The students were thus excluded which back dates the action to allow for no impact on the student record as it relates to the course. This is a rare occurrence. The District provided a list of all students who were excluded after the period in which FTES was calculated for the 320 report. The District compiled the list by looking at the transaction date of all exclusions and pulling those in which the transaction was posted after the computing of the District FTES. As such, the District identified a total of 80 students District-wide. In addition, some of the

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2017

identified 80 students were in fact non-residents and would have been excluded from the FTES calculations already. The District provided the total FTES impact based on the resident students claimed for apportionment.

Full-Time Equivalent Student (FTES) Impact

Los Angeles Valley College: 2.54 FTES exceptions out of the 99.17 credit FTES sampled, or 2.56% of the total sample at the campus.

There were no noncredit FTES associated with this finding.

The District identified a total of 80 students including the students from Los Angeles Valley College identified in this finding, and determined that 7.52 FTES was claimed district wide.

Questioned Costs

\$37,633.71 (7.52 FTES exception district wide x \$5,005.75 credit FTES reimbursement rate).

Extrapolated Finding

The District identified a total of 80 students including the 2 students from Los Angeles Valley College, and determined that 7.52 FTES was improperly claimed district wide.

The error has not been corrected in the Annual Apportionment Report submitted for the year ended June 30, 2017.

Recommendation

We recommend that the District implement controls to ensure that only students actively enrolled are included in the claims for apportionment.

Views of Responsible Officials and Planned Corrective Actions

The District already has an existing process to ensure that all exclusion rosters are turned in prior to calculation of FTES for apportionment. In some student specific circumstances, students request exclusion past the period in which exclusions are due. The District will work within the new SIS to establish a hard cutoff for exclusions that will occur prior to final FTES calculations. Additionally, the District will develop a process that will mandate that all exclusion requests occurring after the generation of apportionment reports be provided to the District Office of Attendance Accounting for inclusion in the apportionment reports as required. The responsible person for the corrective action plan would be the Vice Chancellor for Education Programs and Institutional Effectiveness. The anticipated completion date would be during the FY2017-18 submission.



Los Angeles Community College District

Corrective Action Plans and Schedule of Prior Year Audit Findings

June 30, 2017

CORRECTIVE ACTION PLANS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-001	<p><i>Student Financial Assistance Cluster</i></p> <p>Eligibility – Incorrect Cost of Attendance</p> <p>At Los Angeles City College, we noted that 1 of 30 students selected for eligibility testwork was assigned the incorrect cost of attendance (COA). Per the student’s Institutional Student Information Record (ISIR), the student would be living off-campus (cost of attendance code C). However, the student was incorrectly assigned cost of attendance code A (living at home with parents). Based on the student’s ISIR, the student is living off-campus (away from home) and is a resident of California. As a result of this coding error, the student’s financial need was understated by \$7,398.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>The Financial Aid Manager at the Campus and the District Financial Aid Manager.</p> <p><i>Anticipated Completion Date</i></p> <p>December 31, 2017.</p> <p><i>Corrective Action Plan</i></p> <p>The District acknowledges that the COA discrepancy could also be a result of manual data entry at the Campus. The District believes that this was an isolated incident, but will provide additional training to the financial aid staff to ensure that the correct COA is used in the system.</p>
FA 2017-002	<p><i>Student Financial Assistance Cluster</i></p> <p>Special Tests and Provisions: Borrower Data Transmission and Reconciliation – Untimely Submission of Direct Loan Disbursement Records (Repeat Finding)</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>The Financial Aid Manager at the Campus and the District Financial Aid Manager.</p> <p><i>Anticipated Completion Date</i></p> <p>The CAP is currently in place as the campus is using PeopleSoft to process 2017-18 direct loans.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
	<p>Los Angeles City College:</p> <p>We noted that 1 of 30 students selected for compliance testing, were reported late to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) report. The required report was submitted 81 days after the disbursement was made to the student. The disbursement to the student was dated September 2, 2016 and the District submitted the report to the DLSS on November 22, 2016. The submittal was late by 66 days.</p> <p>West Los Angeles College:</p> <p>We noted that 1 of 30 students selected for compliance testing was reported late to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) report. The required report was submitted 25 days after the disbursement was made to the student. The disbursement to the student was dated July 7, 2017 and the District submitted the report to the DLSS on August 1, 2017. The submittal was late by 10 days.</p>	<p><i>Corrective Action Plan</i></p> <p>The District concurs with this finding. The District would also like to note that there will be no future instances of this issue because all campuses within the District are using PeopleSoft for the 2017-18 award year. Peoplesoft utilizes an automated solution to send and receive COD, thereby eliminating the manual process and the risk of not sending the COD records on time.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-003	<p><i>Student Financial Assistance Cluster</i></p> <p>Eligibility – Incorrect Priority for FSEOG Awards</p> <p>Los Angeles Southwest College:</p> <p>From a sample of 30 students receiving Federal Pell grants during the award year, one (1) student was awarded FSEOG even though the student had already reached the 600% Pell Grant Lifetime Eligibility Usage (LEU) during the award year. The student should have been included only in the second selection group after all FSEOG awards had been initially awarded to Federal Pell Grant recipients. Not all Federal Pell Grant recipients in the sample tested had received FSEOG for the current award year, and therefore, the student sample exception should not have received FSEOG prior to the other eligible students in the first selection group.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>The Financial Aid Manager at the Campus and the District Financial Aid Manager</p> <p><i>Anticipated Completion Date</i></p> <p>The CAP is currently in place as the campus is using PeopleSoft to process 2017-18 FSEOG.</p> <p><i>Corrective Action Plan</i></p> <p>The District concurs with this finding. To ensure that students that have exceeded 600% LEU are now awarded FSEOG in the 1st selection group, the campus will use an external file load process in PeopleSoft. The external file load will be based on selection criteria for the most needy students (zero EFC) and will exclude students that have used 600% of their Pell LEU. In addition, PeopleSoft assigns a checklist item to all students that have exceeded 600% LEU. The checklist is designed to prevent the authorization of T4 disbursements in the system.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-004	<p><i>Student Financial Assistance Cluster</i></p> <p>Eligibility – Overstatement of Unmet Need</p> <p>Los Angeles Southwest College:</p> <p>We noted that 2 of 30 students selected for eligibility testwork had an overstated “unmet need” because certain financial assistance was not considered in the calculation of unmet need. One student had been awarded a Full-Time Student Success Grant (FTSSG) in the amount of \$300. Another student had been awarded an FSEOG in the amount of \$400.</p> <p>The above awards were manually entered in the system’s “Screen for Awards” (screen A403) but were incorrectly excluded from the “Financial Aid Summary Screen”, which is used to calculate a student’s unmet need (screen A301).</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>The Financial Aid Manager at the Campus and the District Financial Aid Manager</p> <p><i>Anticipated Completion Date</i></p> <p>The CAP is currently in place as the campuses are using PeopleSoft to process FTSSG for the 2017-18 year.</p> <p><i>Corrective Action Plan</i></p> <p>The District concurs with this finding. Going forward, all campuses within the District will be using PeopleSoft for the 2017-18 award year. The FTSSG process will utilize an external file load process which eliminates manual entry of awards into the system. The CAP is currently in place as the campuses are using PeopleSoft to process FTSSG for the 2017-18 year.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-005	<p><i>Student Financial Assistance Cluster</i></p> <p>Special Tests and Provisions: Written Arrangements – Monitoring Compliance with Written Arrangements.</p> <p>Los Angeles Southwest College:</p> <p>Of 5 written arrangements selected for testwork, one (1) student did not submit an official transcript at the conclusion of the semester for which she was enrolled. However, the campus’s system has no indication of any hold barring future disbursements for this sampled student.</p> <p>West Los Angeles College:</p> <p>Of seven (7) written consortium agreements selected for testwork, one (1) agreement was retroactively approved after the end of the semester. The student’s consortium agreement was for the Spring 2017 semester which ended on June 5, 2017. The student received an incomplete grade at the end of the semester but subsequently received credit during the Summer of 2017. The agreement was retroactively approved on July 26, 2017.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>The Financial Aid Manager at the Campus and the District Financial Aid Manager</p> <p><i>Anticipated Completion Date</i></p> <p>December 31, 2017</p> <p><i>Corrective Action Plan</i></p> <p>Los Angeles Southwest College:</p> <p>The District concurs with this finding. The Financial Aid Manager will provide additional training to Financial Aid Staff by December 31, 2017 to increase monitoring and ensure the timely submittal of transcripts by students.</p> <p>West Los Angeles College:</p> <p>The District concurs with this finding. The District believes this is an isolated incident, but will provide additional training to Financial Aid Staff to ensure that consortium agreements are approved by the Financial Aid Office prior to the last day of the semester. The Campus Financial Aid Manager and District Financial Aid Manager will be responsible for implementing the CAP by December 31, 2017.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-006	<p><i>Student Financial Assistance Cluster</i></p> <p>Special Tests and Provisions: Enrollment Reporting – Enrollment Status Change Not Reported and Untimely Reporting of Status Change.</p> <p>In performing testwork over enrollment reporting, we noted the following:</p> <ul style="list-style-type: none"> • At Los Angeles Southwest College, 1 of 30 students selected had a change in status which was not reported to the NSLDS as of our testing date. The student status changed to “Graduate” as of June 5, 2017. • At West Los Angeles College, 2 of 30 students selected for compliance testing had status changes (“graduate”) reported late to the NSLDS. The required report was submitted 99 days after the status change. The submittal was late by 39 days. 	<p><i>Persons Responsible For Corrective Action</i></p> <p>Los Angeles Southwest College: Financial Aid Manager</p> <p>West Los Angeles College: Financial Aid Manager</p> <p><i>Anticipated Completion Date</i></p> <p>Los Angeles Southwest College: Effective Immediately</p> <p>West Los Angeles College: December 31, 2017</p> <p><i>Corrective Action Plan</i></p> <p>Los Angeles Southwest College: The District concurs with the finding, but would like to note that all campuses within the District began using Peoplesoft for the 2017-18 award year and all NSC submissions will be generated using delivered functionality. The delivered functionality will produce output files using m/d/yy format which will ensure that enrollment reporting is correct. The Financial Aid Manager at the District is responsible</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
		<p>for implementing the new SIS and ensuring the functionality works correctly.</p> <p>West Los Angeles College:</p> <p>The District concurs with the finding, but would like to note that all campuses within the District began using Peoplesoft for the 2017-18 award year and all NSC submissions will be generated using delivered functionality. The delivered functionality will produce output files using m/d/yy format which will ensure that enrollment reporting is correct. The Financial Aid Manager at the District is responsible for implementing PeopleSoft's enrollment reporting functionality.</p> <p>The Financial Aid Manager at the campus will work with Student Records to provide training to staff regarding enrollment reporting. The training will include enrollment status change reporting in Peoplesoft as well as clearinghouse reporting timelines.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-007	<p data-bbox="594 505 898 529"><i>H-1B Job Training Grants</i></p> <p data-bbox="594 548 1115 607">Eligibility – Incomplete Review of Participant Information (Repeat Finding)</p> <p data-bbox="594 643 1220 732">In performing testwork, we noted the following control deficiencies over eligibility determinations at Los Angeles Southwest College:</p> <ul data-bbox="594 764 1220 1151" style="list-style-type: none"> <li data-bbox="594 764 1220 1078">• There is limited evidence that the intake forms were reviewed to ensure that participants meet the program eligibility requirements; The District’s prior year Corrective Action Plan stated that Program staff would add a “Staff Only” section on the participant application and would initial and record the date it and the eligibility documents were reviewed. No such section was added to the application to document that eligibility was reviewed. <li data-bbox="594 1097 1220 1151">• Documentation was not maintained to verify high school information. 	<p data-bbox="1287 505 1797 529"><i>Persons Responsible For Corrective Action</i></p> <p data-bbox="1287 548 1892 607">Program Specialist or in their absence, the Dean of CTE.</p> <p data-bbox="1287 643 1625 667"><i>Anticipated Completion Date</i></p> <p data-bbox="1287 686 1520 711">November 20, 2017</p> <p data-bbox="1287 745 1551 769"><i>Corrective Action Plan</i></p> <p data-bbox="1287 789 1892 1070">A “Staff Only” section will be added to the application or in-take form. The staff will initial and record the date they reviewed the participant intake forms and eligibility documents. The Program staff will require participants to provide a copy of their high school diploma or university transcript with the date of graduation and name of high school. They will record the date they reviewed the document on the application.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-008	<p><i>H-1B Job Training Grants</i></p> <p>Procurement and Suspension and Debarment – Vendor Status Verification (Repeat Finding)</p> <p>The suspension and debarment statuses of vendors were not regularly verified prior to procurement.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>Program Specialist or in their absence, the Dean of CTE.</p> <p><i>Anticipated Completion Date</i></p> <p>November 20, 2017</p> <p><i>Corrective Action Plan</i></p> <p>The Campus will have the grant program staff check and record vendor suspension and debarment status at each procurement activity.</p>
FA 2017-009	<p><i>H-1B Job Training Grants</i></p> <p>Reporting – Inaccurate Reporting of Expenditures in Federal Financial Reports (Repeat Finding)</p> <p>Los Angeles Southwest College:</p> <p>Expenditures on the Schedule of Expenditures of Federal Awards by College are reported on the accrual basis of accounting. During our tests of controls and compliance over allowable costs and cost principles, we noted that services performed by an employee in the prior period were recorded and accrued in the current fiscal year.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>Los Angeles Southwest College:</p> <p>Program Specialist or in their absence, the Dean of CTE.</p> <p>West Los Angeles College:</p> <p>Not applicable</p> <p><i>Anticipated Completion Date</i></p> <p>Los Angeles Southwest College:</p> <p>November 20, 2017</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

West Los Angeles College:

The cumulative recipient's (District's) share of expenditures was inaccurately reported in the quarterly financial report submitted to the grantor in the current fiscal year as part of the program's closeout reporting procedures. Prior year finding resulted from review of quarterly financial reports ending September 30, 2015 and June 30, 2016. The quarterly financial reports include a section 'Cumulative Recipient Share of Expenditures'. Since the actual error occurred in FY2013-2014, both prior year quarterly financial reports sampled contained the error in the cumulative amounts. For the current year, we reviewed the quarterly financial report ending September 30, 2016 as part of the program's close-out documents submitted to the grantor in December 2016. The same error was not corrected in the final quarterly financial report after the issue was noted during prior year audit. The effect is an overstatement of the District's share of expenditures of \$135,343, which includes the District's and company partners' leveraged resources and matched funds. These are not federal expenditures charged to the program but are presented to report on financial report compliance with the 50% Matching requirement. However, the overstatement did not result in the non-compliance with the matching requirement of the grant.

West Los Angeles College:

Not applicable

Corrective Action Plan

Los Angeles Southwest College:

The Campus will request that timesheets submitted during the final month of the fiscal year to be submitted at least one week prior to the last day of month, allowing more time to post the accrual in the appropriate fiscal period. We will review with program staff the procedures for accepting timesheets and provide training to reinforce these procedures.

West Los Angeles College:

Grant performance ended June 30, 2016. For similar grants, the District will establish procedures to ensure that all issues noted from review of previous reports are taken into consideration during the preparation of subsequent reports.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-010	<p><i>H-1B Job Training Grants</i></p> <p>Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Inaccurate Reporting of Program Expenditures.</p> <p>In performing testwork, we noted discrepancies between timesheets for overtime charges and amounts recorded and charged to the grant. A total of 19.5 hours were charged to activities not related to the program. However, it was also noted that other program-related time and effort reports totaling 83 hours were not charged to the grant. Although this condition did not result in overstating federal program expenditures requested for reimbursement, it indicates a lack of monitoring proper charging of labor effort to the program.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>Program Specialist or in their absence, the Dean of CTE.</p> <p><i>Anticipated Completion Date</i></p> <p>November 20, 2017.</p> <p><i>Corrective Action Plan</i></p> <p>The campus will make sure that detailed reviews of payroll expenditures are in place to ensure that the expenditures are properly charged to the correct program.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-011	<p><i>Trade Adjustment Assistance Community College and Career Training</i></p> <p>Level of Effort – Unmet Level of Effort (Repeat Finding)</p> <p>In performing testwork, we noted that the Consortium did not meet 8 of 9 targeted levels of outcome for the third program year.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>N/A</p> <p><i>Anticipated Completion Date</i></p> <p>N/A</p> <p><i>Corrective Action Plan</i></p> <p>Henceforth, the campus will request information from the funding agency when program outcomes are in question prior to grant submission. This will avoid any future program performance concerns while memorializing concerns from the funding agency. With the program ending in September 30, 2017, the corrective action plans to correct unmet level of efforts will be implemented if a grant with similar requirements is granted to the District in the future.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-012	<p><i>Higher Education – Institutional Aid</i></p> <p>Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Missing Payroll Documentation for Time and Effort</p> <p>In performing testwork over payroll-related expenditures charged to the grant, we noted the following:</p> <ul style="list-style-type: none"> • At East Los Angeles College, 5 of 11 employees sampled (primarily instructors) did not prepare Time and Effort Certification forms and therefore did not have documentation of the actual time and effort the employee expended on the program. • At Los Angeles Harbor College, 1 of 6 employees sampled (the Program Director) did not have “supervisor approval” of the actual time and effort the employee expended on the program. 	<p><i>Persons Responsible For Corrective Action</i></p> <p>Program Directors at each Campus</p> <p><i>Anticipated Completion Date</i></p> <p>East Los Angeles College – Effective Immediately Los Angeles Harbor College – October 31, 2017</p> <p><i>Corrective Action Plan</i></p> <p>East Los Angeles College:</p> <p>All grant related payroll activities will be approved in advance and accompanied by appropriate time and effort documentation. Time and effort documentation will include but is not limited to monthly time reported and activities performed related to the grant. The new Project Director approves all related payroll activities in consultation with grant staff. Any payroll activities that do not definitively adhere to grant regulations will be discussed with the federal grant monitor before approval.</p> <p>Los Angeles Harbor College:</p> <p>As of October 31, 2017 the Title V director will utilize the standard Economic and Workforce Development’s (EWD) time and effort form that requires the Dean of EWD’s (supervisor’s)</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-013	<p><i>Higher Education – Institutional Aid</i></p> <p>Procurement and Suspension and Debarment – Vendor Status Verification</p> <p>The suspension and debarment statuses of vendors were not verified prior to the first procurement activity using program funds.</p>	<p>signature. Copies of signed Time and efforts will be maintained on file with other grant documents.</p> <hr/> <p><i>Persons Responsible For Corrective Action</i></p> <p>Los Angeles Harbor College:</p> <p>Economic and Workforce Development Dean</p> <p>East Los Angeles College:</p> <p>Program Manager</p> <p><i>Anticipated Completion Date</i></p> <p>Los Angeles Harbor College-November 15, 2017</p> <p>East Los Angeles College – Effective immediately</p> <p><i>Corrective Action Plan</i></p> <p>East Los Angeles College:</p> <p>Effective immediately, the department will be using the System for Award Management (SAM) to verify the vendor status prior to the procurement process. The implementation of this procedure will be the responsibility of the program manager. In addition, the program manager will attach a confirmation to be included with all pertinent documentation filed at the campus. This will</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-014	<p><i>Higher Education – Institutional Aid</i></p> <p>Reporting – Incorrect Period Reporting of Expenditures and Lack of Supporting Information and Record Retention of Reported Performance Data</p> <p>East Los Angeles College:</p> <p>Expenditures on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. We noted that services performed by a subrecipient in the prior fiscal year totaling \$73,092 were not recorded until the current fiscal year.</p>	<p>ensure that repeated deficiencies are eliminated and program guidelines are met.</p> <p>Los Angeles Harbor College:</p> <p>This audit finding will be discussed with grant staff at the next scheduled Economic and Workforce Development (EWD) staff meeting and training will be provided to the staff as to how to access the suspensions and debarments list on the government website. The next EWD staff meeting is scheduled for November 15th 2017. The Dean will be responsible for training the staff.</p> <hr/> <p><i>Persons Responsible For Corrective Action</i></p> <p>East Los Angeles College:</p> <p>Dean of STEM, Vice President of Academic Affairs, and the Vice President of Administrative Services</p> <p>Los Angeles Harbor College:</p> <p>Project Director</p> <p><i>Anticipated Completion Date</i></p> <p>East Los Angeles College – Effective Immediately</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Los Angeles Harbor College:

During our review of the Interim Performance Report for the Title V grant at Los Angeles Harbor College, we noted that there was no supporting documentation maintained on file to validate performance data submitted as of the report date. The system used to track performance data is updated on a real time basis and therefore does not retain and cannot generate a report to identify information as of a certain point in time.

Los Angeles Harbor College – December 30, 2017

Corrective Action Plan

East Los Angeles College:

The campus concurs with the condition identified. Due to the discovery of this item by the newly appointed administrator, measures were implemented at that time to ensure that all program expenditures are recorded within the fiscal year they are incurred. Therefore, the corrective action plan for this condition is considered implemented by the Dean of STEM. The Dean, along with the technical assistance from the Fiscal Office, will continue to provide guidance to staff who oversees the budget and expenditures of this specially funded program. Furthermore, the campus will coordinate training for current and/or future staff as needed to ensure that proper procedures and program guidelines are met.

Los Angeles Harbor College:

The data reported was accurate at the time of the report but the supporting documents were not properly kept to ensure compliance. Moving forward, the project director is aware of the documentation needed to ensure proper compliance. The project director will train all staff on what is required documentation for compliance and will ensure that documents are kept in a

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-015	<p><i>Higher Education – Institutional Aid</i></p> <p>Equipment Management – Policies and Procedures Staff Training</p>	<p>location that is safe and accessible to the staff. Training will take place no later than December 30, 2017. In addition, the recent implementation of PeopleSoft (new student information system), there are ways to extrapolate data, and store data accordingly. Additionally, the Office of Institutional Effectiveness is now more able to support running queries. Lastly, Harbor Advantage, through the Title V grant, is purchasing (with support of other programs) B2B to utilize as a data management tool. This program will also help generate reports in order to identify data from specified periods.</p> <p><i>Persons Responsible For Corrective Action</i></p> <p>College Financial Administrator</p> <p><i>Anticipated Completion Date</i></p> <p>Effective Immediately</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
	<p>In performing testwork over equipment management, we noted that at Los Angeles Mission College, 10 out of 11 units were missing LACCD tags (inventory number) on the equipment, however the Specially Funded Program tags were noted. Inquiries were made to college grant program personnel to identify the LACCD tags to which they were unable to provide any substantive information. The LACCD tags were subsequently located as an attachment to the related bills of lading, in accordance with District policy based on the related asset type. We noted that campus grant program personnel were not aware of District asset management policies and procedures regarding tagging of the various asset types.</p>	<p><i>Corrective Action Plan</i></p> <p>The College Financial Administrator is responsible in ensuring that all assets are properly tagged with LACCD tags, properly maintained and accurately recorded in the assets inventory record of the respective departments. The VP Administrative Services has instructed College Financial Administrator to hold a training and workshop in the upcoming months to reiterate the importance of this assets control and management. The Campus will ensure all assets purchased be delivered to College Receiving Unit to tag with LACCD tag before delivering to requesters.</p>
FA 2017-016	<p><i>Career and Technical Education – Basic Grants to States</i></p> <p>Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Improper Charging of Expenditure to Federal Program</p> <p>In performing testwork over non-payroll expenditures at Los Angeles City College, we noted that 1 of 5 expenditures sampled was incorrectly charged to the program. The Program Director acknowledged that this expenditure relates to the “ReInvent Conference” costs which should have been charged to the LA</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>Dean of Academic Affairs, Office of Economic Education and Workforce Development</p> <p><i>Anticipated Completion Date</i></p> <p>December 31, 2017</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
	<p>HI-TECH program and not to the Career and Technical Education (Perkins IV) program.</p>	<p><i>Corrective Action Plan</i></p> <p>Expenditures charged to grants will be regularly reviewed and monitored by the designated program managers to ensure that no costs are charged incorrectly to the various grant programs. For each proposed expenditure, a SAP budget report, along with a copy of the relevant grant work plan, will be submitted to ensure that the expenditure is budgeted and allowable. Budget reports must be attached to conference and travel requests by the conference attendee(s) and shall be reviewed and signed off by the program director to further ensure allowable expenditures are charged to the correct program.</p>
FA 2017-017	<p><i>Career and Technical Education – Basic Grants to States</i></p> <p>Activities Allowed or Unallowed and Allowable Costs/ Cost Principles – Missing Documentation for Time and Effort</p> <p>In performing testwork over payroll expenditures charged to the grant, we noted that at Los Angeles Pierce College, 1 of 4 employees sampled did not have documentation of actual time and effort expended on the program.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>Dean of CTE</p> <p><i>Anticipated Completion Date</i></p> <p>February 5, 2018</p> <p><i>Corrective Action Plan</i></p> <p>The Program will create an instructional Time and Effort Certification for use in the instances that the program funds courses to augment the course assignment data.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-018	<p><i>Career and Technical Education – Basic Grants to States</i></p> <p>Equipment Management – Absence of Physical Inventory of Equipment (Repeat Finding)</p> <p>In performing our testwork, we noted that:</p> <ul style="list-style-type: none"> At East Los Angeles College, there was limited evidence and supporting documentation that a physical inventory of the equipment was taken and that the results were reconciled with the District’s accounting records for the current year (in line with the District’s policy to conduct inventory at the campus every year). Per inquiry with the Specially Funded Program (SFP) Technician, physical inventory is taken towards the end of each fiscal year and reconciled with the SAP records item by item. However, the only documentation of this inventory and the reconciliation to the accounting records is an excel file with the inventory date and a print out from the SAP system of an equipment listing. There was no other documentation of this important internal control procedure such as the physical count team’s signature, variance reports, reconciliations to the general ledger, and signature of an auditor or third person other than the inventory custodian. In the prior year a 	<p><i>Persons Responsible For Corrective Action</i></p> <p>East Los Angeles College:</p> <p>SFP Technician will be in charge of reconciling the inventory. Once reconciliation is done, it will be signed and certified by the Vice President of Continuing Education and Workforce Development.</p> <p>Los Angeles Pierce College:</p> <p>Dean of CTE, will be responsible for implementing this plan.</p> <p><i>Anticipated Completion Date</i></p> <p>East Los Angeles College:</p> <p>For fiscal year 2016-2017, reconciliation and certification has been completed. For Fiscal year 2017-18 and moving forward, reconciliation and certification will be implemented quarterly.</p> <p>Los Angeles Pierce College:</p> <p>July 1, 2017</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
	<p>signed physical inventory and reconciliation report were created.</p> <ul style="list-style-type: none">• At Los Angeles Pierce College, there was limited evidence that a physical inventory of the equipment was taken and that the results were reconciled with the District's accounting records at least every two years, as required by Federal regulations. The Campus's inventory records indicate that the last inspection dates of most of the equipment range from 2012 to 2015. Further, we noted the following:<ul style="list-style-type: none">– 2 of 8 sampled units of equipment are missing the LACCD inventory tag– 1 of 8 sampled units of equipment has a serial number that does not match the tag number	<p><i>Corrective Action Plan</i></p> <p>East Los Angeles College:</p> <p>The Continuing Education and Workforce Development (CEWD) management team will implement a new equipment management system to monitor assets at regular intervals throughout the fiscal year, from purchasing stage, campus receiving, department distribution, and tracking of product service life. Equipment monitoring will require quarterly inventory inspections—signed off by the vice president, dean, and designated staff. In addition equipment acknowledgement forms will be made available when equipment is requested for check-out. SFP Technician will be in charge of reconciling the inventory. Once reconciliation is done, it will be signed and certified by the Vice President of Continuing Education and Workforce Development. For fiscal year 2016-2017, reconciliation and certification has been completed. For Fiscal year 2017-18 and moving forward, reconciliation and certification will be implemented quarterly.</p> <p>Los Angeles Pierce College:</p> <p>The program will purchase software to allow for inventory tracking of all program purchased equipment. The program will recruit and hire a</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
FA 2017-019	<p><i>Career and Technical Education – Basic Grants to States</i></p> <p>Procurement and Suspension and Debarment – Vendor Status Verification</p> <p>In performing testwork, we noted that the suspension and debarment status of vendors was not verified prior to the first procurement activity using program funds. This is a repeat finding.</p>	<p>dedicated SFP technician to manage inventory documents and program tagging and equipment data reconciliation. The SFP technician will be in place by February 1, 2017. The software for inventory tracking will be purchased and in place by April 1, 2017, and the inventory completed by July 1, 2017.</p> <hr/> <p><i>Persons Responsible For Corrective Action</i></p> <p>Los Angeles City College:</p> <p>Dean of Academic Affairs, Office of Economic and Workforce Development</p> <p>East Los Angeles College:</p> <p>Program Manager</p> <p><i>Anticipated Completion Date</i></p> <p>Los Angeles City College:</p> <p>December 31, 2017</p> <p>East Los Angeles College:</p> <p>Effective immediately.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
		<p data-bbox="1287 505 1549 532"><i>Corrective Action Plan</i></p> <p data-bbox="1287 550 1598 578">East Los Angeles College:</p> <p data-bbox="1287 609 1885 954">Effective immediately, the Office of Continuing Education and Workforce Development will be using the System for Award Management (SAM) to verify the vendor status prior to the procurement process. The implementation of this procedure will be the responsibility of the program manager. In addition, the program manager will attach a confirmation to be included with all pertinent documentation filed at the campus. This will ensure that repeated deficiencies are eliminated and program guidelines are met.</p> <p data-bbox="1287 985 1591 1013">Los Angeles City College:</p> <p data-bbox="1287 1044 1871 1357">The campus will verify the suspension and debarment status of each vendor prior to procurement to ensure vendors are eligible for participation in federal activities. The Program director or designee will verify using the Federal Debarred Listing website 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.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
SC 2017-001	<p><i>Open Enrollment (Section 435)</i></p> <p>Inconsistent Prerequisite Information Between College Catalog And Published Class Schedule</p> <p>For 1 of 10 classes sampled at Los Angeles Southwest College, prerequisite information presented in the college catalog differed from that published in the class schedule. In the Class Schedule, "Art 204" indicates that the course has no prerequisites, while in the College Catalog the subject has a prerequisite of Art 201.</p> <p>The Class Schedule is expected to contain more comprehensive and updated information regarding a class being offered for enrollment. The Class Schedule is updated regularly (at least once per semester), while the Class Catalog is only published once a year; some campuses only publish Class Catalogs once every three years. A student would likely depend on the Class Schedule when deciding which classes to enroll. This discrepancy does not conform to the criteria that the class descriptions should be clear and understandable. Information is not consistent throughout the Campus's published documents.</p>	<p><i>Persons Responsible For Corrective Action</i></p> <p>The Articulation officer and Curriculum Dean</p> <p><i>Anticipated Completion Date</i></p> <p>Effective April of each year, beginning April, 2018</p> <p><i>Corrective Action Plan</i></p> <p>The COR has an updated date on the document which is very important depending on the catalog and when the COR was updated. It would benefit LASC to store old CORs with the corresponding catalog for that year. This would prevent the overlap while the ECD system is a year round updating process. Additionally, the catalog committee will commit to putting the COR updated date in the Catalog in the Course description section.</p> <p>The LASC Catalog committee has determined that only courses and programs approved by April of each year will be listed in the Catalog for the next year. i.e. if a course or program was approved prior to April 2017, then the course or program will be in the 2018-2019 catalog. That will be published July 1 of each year. Effective April of each year, beginning April, 2018, the Curriculum Dean and</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
SC 2017-002	<p><i>Disabled Student Programs and Services (DSPS) (Section 475)</i></p> <p>Ineligible DSPS Participants</p> <p>We noted that 5 of 20 students sampled were not enrolled in the campus. These students received general services from the "Disabled Student Programs and Services" campus department.</p>	<p>the Articulation Officer will update the Catalog of each year with all course outline of record updates.</p> <p>The Articulation officer and Curriculum Dean will be responsible for ensuring that the information is in the catalog. The Curriculum Dean will inform faculty at the Curriculum committee of the implanted changes which will be documented in the formal minutes.</p> <hr/> <p><i>Persons Responsible For Corrective Action</i></p> <p>Not applicable</p> <p><i>Anticipated Completion Date</i></p> <p>Not applicable</p> <p><i>Corrective Action Plan</i></p> <p>The Campus is now in compliance, as effective January 1, 2017 AB2791 was passed which allows the campus to take credit for a service contact regardless of the enrollment status of the student. Student must be registered as DSPS.</p>
SC 2017-003	<p><i>Dual Enrollment of K-12 Students in Community College Credit Courses (Section 427)</i></p> <p>Missing Approval of Subjects Attended by K-12 Students. (Repeat Finding)</p>	<hr/> <p><i>Persons Responsible For Corrective Action</i></p> <p>The Campus Registrar</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
	<p>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 96 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.</p> <p>We noted that 11 of 17 K-12 students sampled from Los Angeles Southwest College were enrolled in courses other than those recommended and approved by the school principal 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 for the student. The District has developed a plan to contact the principals who approved the initial course enrollments and seek documentation of approval for additional courses in which the students enrolled. This is a repeat finding.</p>	<p><i>Anticipated Completion Date</i> Fall 2017</p> <p><i>Corrective Action Plan</i> The District will contact the principals who approved the initial course enrollments and seek documentation of approval for any additional, unapproved courses in which the students enrolled. In order to ensure that the High school student is enrolled in the course listed on the K-12 form, the course number must be listed and the instructor will have to allow the student to register even if the class is full.</p> <p>The Campus admissions will have to automatically enroll the student in the class after the approval process is complete. This will have to be done before the start of the class. Once the first day of class begins only the instructor can add a student. Additionally, effective Fall 2017, Admissions & Records staff will implement an additional check system of verifications whereas the campus will conduct two verification of the classes that the students have enrolled in, to ensure that they are in the courses that were approved. The Registrar will be responsible for this process and in training Admissions & Records staff of the process.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
SC 2017-004	<p><i>Dual Enrollment of K-12 Students in Community College Credit Courses (Section 427)</i></p> <p>Incorrect Coding of Student as K-12</p> <p>To verify eligibility of K-12 students claimed for apportionment, we selected a sample of 60 K-12 students enrolled in courses offered by the District.</p> <p>During our audit we noted the following:</p> <ul style="list-style-type: none"> At Los Angeles Southwest College, we noted that 1 of 17 K-12 Students sampled had been incorrectly included as part of the K-12 Roster. The student as of term date summer 2016 was already a high school graduate. The student submitted paperwork to change his status from K-12 to regular college student but it was not processed correctly and was still inaccurately classified as a K-12 student at the time of the audit test. At Los Angeles Valley College, we noted that 1 of 22 K-12 Students sampled had been incorrectly included as part of the K-12 Roster. The student was not a K-12 student at LACCD and had graduated from high school on June 7, 2017. The student was incorrectly coded as a K-12 student and was claimed for apportionment 	<p><i>Persons Responsible For Corrective Action</i></p> <p>Los Angeles Southwest College:</p> <p>Campus Registrar</p> <p>Los Angeles Valley College:</p> <p>Dean of Admissions and Records</p> <p><i>Anticipated Completion Date</i></p> <p>Los Angeles Southwest College:</p> <p>Fall 2017</p> <p>Los Angeles Valley College:</p> <p>June 30, 2018</p> <p><i>Corrective Action Plan</i></p> <p>Effective Fall 2017, following this finding, the Registrar will provide all employees with training on such matters.</p> <p>Los Angeles Valley College:</p> <p>Admissions and Records has a process for auditing the accuracy of records in which staff reviews records to determine whether the transactions were properly recorded. To improve</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
SC 2017-005	<p><i>GANN Limit Calculation (Section 431)</i></p> <p>Error in the Calculation of FY16-17 GANN “Appropriations Subject to Limit”</p> <p>Fiscal Services memo 16-05 issued by the California Community Colleges Chancellor’s Office states that only General Apportionment, Apprenticeship Allowance and EPA Revenue are to be included in the “State Aid” Line Item.</p> <p>The FY 2016-2017 worksheet used by the District incorrectly included the amount for “Basic Skills” in the computation of the “State Aid” line item. This resulted in an error in computing “Appropriations Subject To Limit”. This overstatement of “Appropriations Subject to Limit” did not impact the District’s compliance with the Appropriations Limit.</p>	<p>our accuracy rates, Los Angeles Valley College plans to review current practice and review with staff importance of posting accurate transactions.</p> <hr/> <p><i>Persons Responsible For Corrective Action</i></p> <p>Director of Budget and Management Analysis.</p> <p><i>Anticipated Completion Date</i></p> <p>February 2018</p> <p><i>Corrective Action Plan</i></p> <p>The District accepts this recommendation and will provide in-service training to staff responsible for the preparation and review of the GANN limit calculation.</p>
SC 2017-006	<p><i>Students Actively Enrolled (Section 426)</i></p> <p>Inclusion of Dropped Students in ‘Students Actively Enrolled’ Apportionment.</p>	<hr/> <p><i>Persons Responsible For Corrective Action</i></p> <p>Vice Chancellor for Education Programs and Institutional Effectiveness</p> <p><i>Anticipated Completion Date</i></p> <p>During the FY 2017-2018 submission.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Corrective Action Plans

Year ended June 30, 2017

Finding Reference	Finding	Corrective Action Plan
	As of the census date, 2 out of 37 students claimed as "Students Actively Enrolled" had been dropped from the course. These students should have not been included in the apportionment.	<i>Corrective Action Plan</i> The District already has an existing process to ensure that all exclusion rosters are turned in prior to calculation of FTES for apportionment. In some student specific circumstances, students request exclusion past the period in which exclusions are due. The District will work within the new SIS to establish a hard cutoff for exclusions that will occur prior to final FTES calculations. Additionally, the District will develop a process that will mandate that all exclusion requests occurring after the generation of apportionment reports be provided to the District Office of Attendance Accounting for inclusion in the apportionment reports as required.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

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	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FS-2016-001 Financial Reporting	<p><i>Condition</i></p> <p>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.</p>	Implemented	Not applicable.
FS-2016-002 Information Technology	<p><i>Condition</i></p> <p>During the 2016 fiscal audit, we evaluated the progress made and the controls implemented to remediate the weaknesses identified during the 2007 audit. 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</p>	Not Implemented	The District agreed with the auditor's recommendation and decided to use a third party to help address the finding. During FY16-17 the District developed a plan and scope of work that will address the finding. Funding has been identified and the work

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>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, we cannot place reliance on the IT environment and controls.</p> <p><i>Corrective Action Plan</i></p> <p>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 scope of work that can be verified and evaluated once the project is completed. The 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.</p>		<p>will be contracted prior to the current fiscal year with a planned completion during fiscal year 2018-2019.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>F-2016-001</p> <p>Student Financial Assistance Cluster: Federal Direct Student Loan (Direct Loan) – 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)</p>	<p><i>Condition</i></p> <p>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 reconciliations 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.</p> <p><i>Corrective Action Plan</i></p> <p>The District 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 will complete the reconciliation process within 15 days from the date the report is generated.</p> <p>For 2017-18, loan disbursements and reporting in PeopleSoft will be automated to include before and after sequestration disbursements. For 2016-17, the college confirms that Fall 2016 disbursements were processed and reported within the required timeframe.</p>	<p>Partially Implemented</p>	<p><i>Noncompliance was noted during FY 2016-17. Finding is repeated for West College and City College. PeopleSoft (PS) system implemented for FY 2018. Full implementation expected with PeopleSoft. Repeated Finding. See FA 2017-002.</i></p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>F-2016-002</p> <p>Career and Technical Education – Basic Grants to States – Equipment Management – Enforcement of Policies and Procedures</p>	<p><i>Condition</i></p> <p>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.</p> <p><i>Corrective Action Plan</i></p> <p>East Los Angeles College will comply with recommendations accordingly and implement ongoing control policies and procedures for federal equipment management.</p> <p>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.</p>	<p>Partially Implemented</p>	<p><i>Missing unit in prior year was located and inspected this year. However, at East Los Angeles College, auditors noted continuing control and process issues for equipment management in FY 2016-17.</i></p> <p><i>There is inadequate documentation that physical inspection of equipment is performed annually as stated per the corrective action plan. See FA 2017-018.</i></p>
<p>F-2016-003– Higher Education – Institutional Aid (Improving STEM Success and Access for Hispanic Students)-Equipment Management –</p>	<p><i>Condition</i></p> <p>During our test of controls and compliance over equipment management, we noted the following control deficiencies and instances of noncompliance:</p> <ul style="list-style-type: none"> 1 out of 3 samples selected for equipment inspection has no LACCD and HE program tags; 	<p>Partially Implemented</p>	<p><i>Missing unit in prior year was located and inspected this year. All units of equipment have program tags containing program name and grant number.</i></p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
Enforcement of Policies and Procedures	<ul style="list-style-type: none"> • 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). <p><i>Corrective Action Plan</i></p> <p>Los Angeles Mission College:</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, and inventory all equipment purchases.</p>		
F-2016-004 – Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Los Angeles Healthcare Competencies to Careers Consortium)-Allowable Costs/Cost Principles – Payroll Documentation	<p><i>Condition</i></p> <p>During our review of payroll charged to the TAACCCT Grant at East Los Angeles College and Los Angeles Trade Technical College, we noted that:</p> <ul style="list-style-type: none"> • 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 	Implemented	Not Applicable

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>F-2016-005 – Trade Adjustment Assistance Community College and Career Training (TACCCT) Grants (Los Angeles Healthcare Competencies to Careers Consortium)-Level of Effort – Level of Service Requirement</p>	<ul style="list-style-type: none"> 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. <p>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.</p> <p><i>Condition</i></p> <p>During our test of compliance, we noted that the Consortium did not meet the goals for the second program year.</p> <p><i>Corrective Action Plan</i></p> <p>Los Angeles Trade Tech College:</p> <p>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. In addition, DOL has approved a six month extension. This six month extension expands the program by two additional semesters,</p>	<p>Partially Implemented</p>	<p>In continued efforts to meet target outcomes for the TAACCCT LAH3C grant, the number of course offerings was increased in the Winter 2017 and Spring semesters.</p> <p>LAH3C has been in ongoing communication with Department of Labor through the submission of additional quarterly progress reports to the Federal Program Officer. Repeated Finding. See FA 2017-011.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>F-2016-006 – Trade Adjustment Assistance Community College and Career Training (TACCCT) Grants (Los Angeles Healthcare Competencies to Careers Consortium)-Procurement and Suspension and Debarment – Vendor Status Verification</p>	<p>giving colleges the opportunity to capture additional enrollments and completers; furthermore, allowing focus on placement and follow up for participants.</p> <p><i>Condition</i></p> <p>During our test of controls, we noted that the suspension and debarment statuses of vendors were not verified prior to procurement.</p>	<p>Not Applicable</p>	<p>Unable to determine due to absence of applicable procurement transactions during the current year.</p>
<p>F-2016-007 – H-1B Job Training Grants (The Leading Engineering Education for the Future in Los Angeles for Los Angeles Southwest College)-Allowable Costs/Cost Principles – Duplicate Payroll Charges</p>	<p><i>Condition</i></p> <p>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.</p>	<p>Implemented</p>	<p>Not Applicable.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
F-2016-008 – H-1B Job Training Grants – Eligibility – Limited Proof of Review of Participant Information	<p><i>Condition</i></p> <p>During our test of controls, we noted that controls over eligibility were inadequate at Los Angeles Southwest College. The following control deficiencies were noted:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p><i>Corrective Action Plan</i></p> <p>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.</p>	<p>Los Angeles Southwest College</p> <p align="center"><i>Not Implemented</i></p> <p>West Los Angeles College</p> <p align="center"><i>Not determinable</i></p>	<p><i>The action plan has not been implemented. There were two new participants at Southwest, although the CTE Dean asserted there were no participants during the year. The College failed to strengthen its review procedures over these two participants.</i></p> <p>Grant performance ended June 30, 2016. A no cost extension was granted through September 30, 2016. The sub-recipient information was no longer available.</p> <p>Repeated Finding. See FA 2017-007.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>Document the review of participant applications</p> <p>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.</p> <p>Document the verification of high school eligibility requirement</p> <p>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</p> <p>Review participant files to accurately classify long-term unemployed individuals</p> <p>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.</p>		

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>The responsible officials for this corrective action plan are CTE and Workforce Development Dean and SFP Specialist. The date of completion of the plan will be January 3, 2017.</p>		
<p>F-2016-009 – H-1B Job Training Grants – Equipment Management – Enforcement of Policies and Procedures</p>	<p><i>Condition</i></p> <p>During our test of controls and compliance over equipment management, we noted the following control deficiencies and incompliance:</p> <ul style="list-style-type: none"> • The unit of equipment inspected has no H-1B program tag; and • Location information is missing from equipment records 	<p>Implemented</p>	<p>Not Applicable.</p>
<p>F-2016-010 – H-1B Job Training Grants – Procurement and Suspension and Debarment – Vendor Status Verification</p>	<p><i>Condition</i></p> <p>During our test of controls, we noted that the suspension and debarment statuses of vendors were not verified prior to procurement.</p> <p><i>Corrective Action Plan</i></p> <p>Los Angeles Southwest College:</p> <p>The Program plans to institute the following corrective action plan to ensure it verifies the</p>	<p>Not Implemented</p>	<p><i>The College did not check vendor status for 3 out of 4 company partners paid after CAP implementation date of January 3, 2017. Repeated Finding. See FA 2017-008.</i></p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
F-2016-011 – H-1B Job Training Grants – Level of Effort – Level of Service Requirements	<p>suspension and debarment statuses of new and current LACCD vendors prior to procurement:</p> <ul style="list-style-type: none"> • 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. <p>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</p>	West Los Angeles College Partially Implemented	Grant performance ended June 30, 2016. A no cost extension was granted through September 30, 2016. The District was unable to meet the

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p><i>Corrective Action Plan</i></p> <p>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 official for this corrective action plan is the VP of Workforce Education. The date of completion of the plan will June 30, 2017.</p>		<p>projected level of effort during the extension period.</p>
<p>F-2016-012 – H-1B Job Training Grants – Reporting – Inaccurate Reporting of Recipient's Share in Expenditures</p>	<p><i>Condition</i></p> <p>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 non-compliance with the matching requirement of the grant.</p> <p><i>Corrective Action Plan</i></p> <p>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 official for tis corrective</p>	<p>West Los Angeles College</p> <p>Partially Implemented</p>	<p>Grant performance ended June 30, 2016. A no cost extension was granted through September 30, 2016. Repeated Finding. See FA 2017-009</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
S-2016-001 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approvals of Students to Attend Courses	<p>action plan is the VP of Workforce Education. The date of the completion of the plan will be June 30, 2017.</p> <hr/> <p><i>Condition</i></p> <p>During our audit we noted the following:</p> <ul style="list-style-type: none"> • 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. <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 for the student.</p>	<p>Overall District</p> <p>Partially Implemented</p> <p>East Los Angeles College</p> <p>Implemented</p> <p>Los Angeles Pierce College</p> <p>Implemented</p>	<p><i>Although there were no findings repeated at Pierce College and East College, there is a repeat Finding in Southwest College during the current year. Please refer to Finding SC 2017-003: 11 out of 17 Students were able to enroll in courses which were not approved in the K-12 forms by the Principal.</i></p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p><i>Corrective Action Plan</i></p> <p>East Los Angeles College:</p> <p>Effective immediately, East will restrict all enrollments 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.</p> <p>Los Angeles Pierce College:</p> <p>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</p>		

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>K-12 student from enrolling in classes that they may not have been approved.</p> <p>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.</p> <p>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.</p>		

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2017

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
S-2016-002 – To Be Arranged Hours (Section 479) –TBA Course Classification	<p><i>Condition</i></p> <p>During the audit testing performed, 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 FTES per type, weekly, daily and or positive attendance, being inaccurately calculated and reported for funding.</p>	Implemented	Not Applicable
S-2016-003 – Disabled Student Programs and Services (Section 475) – Advisory Committee Meetings	<p><i>Condition</i></p> <p>We noted that while Los Angeles Pierce College has an Advisory Committee, the committee did not conduct an annual meeting.</p>	Implemented	Not Applicable