



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Basic Financial Statements and Supplemental Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

# **LOS ANGELES COMMUNITY COLLEGE DISTRICT**

June 30, 2018 and 2017

Los Angeles, California

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

# LOS ANGELES COMMUNITY COLLEGE DISTRICT

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## **INTRODUCTION**



# LOS ANGELES COMMUNITY COLLEGE DISTRICT

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

## OFFICE OF THE CHANCELLOR

December 12, 2018

Honorable Members of the Board of Trustees  
Los Angeles Community College District

Dear Board of Trustees:

I am pleased to submit the Annual Financial Report of the Los Angeles Community College District (District) for the fiscal year ended June 30, 2018. This report is presented in six sections: (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 fiscal condition for the year. The basic financial statements include the three financial statements and the notes to the basic financial statements. Supplementary information includes the combining and individual funds and account group financial statements and schedules, a description of the organization of the District, a schedule of full-time equivalent students and apprenticeship clock hours, and a reconciliation of the financial statements to the Annual Financial and Budget Report submitted to the state of California. Also included in this section are the independent auditors' reports on the internal accounting and administrative controls of the District, and the state and federal compliance as 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, and 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 fairly represents 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.

### **Background**

The District and its nine campuses provide a broad range of educational services to students within the Los Angeles area. Today, the nine Los Angeles community colleges comprise one of the nation's largest community college systems, educating approximately 225,907 students, employing approximately 3,800 full-time and 6,061 part-time personnel and covering a service area of more than 882 square miles in the County of Los Angeles.

The national community college movement had its beginnings in the California State Legislature in 1907, the year the Caminetti Bill was passed, permitting high schools to offer postgraduate courses. The Ballard Act of 1917 and the Deering Act of 1929 assured financial support for the state’s community colleges.

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

**Enrollment**

The Los Angeles Community College District’s enrollment for the fiscal year ended June 30, 2018 decreased by 4.7% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2017-18 fiscal years were as follows:

	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	25,458	24,177
Los Angeles City College	15,283	14,764
Los Angeles Harbor College	9,218	8,821
Los Angeles Mission College	10,458	10,058
Los Angeles Pierce College	18,861	17,835
Los Angeles Southwest College	6,164	5,631
Los Angeles Trade–Technical College	12,353	12,857
Los Angeles Valley College	16,609	16,338
West Los Angeles College	10,946	11,485
Instructional Television	1,046	860
Total Districtwide	<u>126,396</u>	<u>122,826</u>

The Los Angeles Community College District’s FTES (Full-time equivalent student) figures for the fiscal year ended June 30, 2018, the measure by which the state of California funds Community Colleges decreased by 7.4% from 107,993 in fiscal year 2017, to 99,993 in fiscal year 2018. Fiscal year 2018 enrollment by campus are as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	22,966	2,038
Los Angeles City College	9,934	1,179
Los Angeles Harbor College	6,159	75
Los Angeles Mission College	6,242	494
Los Angeles Pierce College	13,520	365
Los Angeles Southwest College	3,984	633
Los Angeles Trade–Technical College	10,737	1,033
Los Angeles Valley College	11,427	790
West Los Angeles College	7,643	381
Instructional Television	393	—
Total Districtwide	<u>93,005</u>	<u>6,988</u>



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

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

Francisco 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, 2018 and 2017, 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, 2018 and 2017, 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**

### *Adoption of New Accounting Procurement*

As discussed in Note 1(l) to the basic financial statements, in 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4–15, the schedule of the District's proportionate share of the net pension liability and schedule of district contributions on page 51, the schedule of other postemployment benefits funding progress and employer contributions on page 52 and the schedule for changes in the net OPEB liability and related ratios on page 53, 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 2017 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 54 to 71, the reconciliation of annual financial and budget report (CCFS-311) on page 84, and the reconciliation of governmental funds to the statement of net position on page 86, 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 72 to 83, 85 and 87 to 90 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 12, 2018 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, 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 12, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

June 30, 2018 and 2017

This section presents the 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, 2018. 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 liabilities of the District exceeded its assets as of June 30, 2018 by \$193.2 million (net position). Of this amount, a net deficit of \$1.0 billion is unrestricted net position. The decrease in net position is primarily the effect of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. In connection with the implementation of Statement No. 75, effective July 1, 2017, the District incurred a onetime charge of \$521.8 million to the District's net position. The \$439.4 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 \$402.0 million of net amounts invested in capital assets.
- The District incurred an additional \$104.2 million in pension obligations as a result of an adjustment to the pension plan discount rate and the related actuarially determined liabilities.
- The District's revenue from operating activities decreased by \$9.9 million while operating expenses remained relatively the same as the prior year.

#### Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by 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 organizations' 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, 2018 and 2017

#### **Statements of Net Position**

The statements of net position present the assets, liabilities, and net position of the District at June 30, 2018 and 2017. 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, 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, 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 that revenue. The District uses the economic resources measurement focus and accrual basis of revenue recognition. See note 2(a) to the basic financial statements for further discussions on revenue recognition.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2018 and 2017

**Financial Analysis of the District as a Whole**

**Summary Schedule of Net Position**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (decrease)</u>
Assets:			
Current and other assets	\$ 1,332,982,123	928,347,426	404,634,697
Capital assets, net	<u>4,382,735,130</u>	<u>4,373,095,215</u>	<u>9,639,915</u>
Total assets	5,715,717,253	5,301,442,641	414,274,612
Deferred outflows of resources	<u>415,780,138</u>	<u>332,320,308</u>	<u>83,459,830</u>
Total assets and deferred outflows of resources	\$ <u>6,131,497,391</u>	<u>5,633,762,949</u>	<u>497,734,442</u>
Liabilities:			
Current liabilities	\$ 558,045,012	385,180,063	172,864,949
Noncurrent liabilities	<u>5,678,342,680</u>	<u>4,915,755,621</u>	<u>762,587,059</u>
Total liabilities	6,236,387,692	5,300,935,684	935,452,008
Deferred inflows of resources	<u>88,264,466</u>	<u>17,027,586</u>	<u>71,236,880</u>
Total liabilities and deferred inflows of resources	\$ <u>6,324,652,158</u>	<u>5,317,963,270</u>	<u>1,006,688,888</u>
Net position:			
Net investment in capital assets	\$ 401,960,903	490,328,813	(88,367,910)
Restricted – expendable	439,424,922	308,472,339	130,952,583
Unrestricted	<u>(1,034,540,592)</u>	<u>(483,001,473)</u>	<u>(551,539,119)</u>
Total net position	\$ <u>(193,154,767)</u>	<u>315,799,679</u>	<u>(508,954,446)</u>

Current and other assets increased by \$404.6 million. The net increase is due in part to the following:

- (1) A \$46.3 million increase in cash and cash equivalents is primarily due to increase in cash held with the county for capital projects.
- (2) A \$23.4 million increase in accounts receivable is primarily due to a \$5.2 million insurance claim received in July 2018 as a result of a fire that damaged part of the District's Gold Creek Ecological Reserve. Other increases are a result of increases in local property tax and tuition and enrollment fees.
- (3) A \$128.5 million increase in deposit with trustee is primarily due to increase property tax levy and collection in anticipation of higher General Obligation (G.O.) bonds principal and interest payment for FY 2018-19.



## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

June 30, 2018 and 2017

- (4) A \$219.6 million increase in restricted investments is primarily due to new debt issuances related to the District's construction program under G.O. bonds.
- (5) A \$15.2 million decrease in prepaid expenses due to prepayments. \$7.5 million release of prepaid rent to lessor related to a photovoltaic project. The District prepaid \$6.4 million of CalPERS and CalStrs expenses in FY 2017 that did not occur in FY 2018.

Deferred outflows of resources increased by \$83.5 million. The net increase is due to the following:

- (1) A \$67.1 million increase in deferred outflows of resources caused by changes in the District's proportionate share of the CalPERS and CalSTRS pension obligations, contributions made after the measurement date and the difference between expected and actual experience of investment returns.
- (2) A \$26.5 million increase relates to other postemployment benefits (OPEB).
- (3) A \$10.2 million decrease due to the amortization of deferred outflows of resources caused by the G.O. bonds refunded during the year ended June 30, 2018.

Current liabilities increased by \$172.9 million. The net increase is due in part to the following:

- (1) A \$154.3 million increase in current portion of G.O. bonds
- (2) A \$12.7 million increase in accounts payable
- (3) A \$3.0 million increase in accrued interest and other accrued liabilities.

Noncurrent liabilities increased by \$762.6 million. The net increase is due in part to the following:

- (1) A \$104.2 million increase in pension obligations, due to a decrease in the discount rate and other changes in actuarially determined pension related assumptions
- (2) A \$492.0 million increase in OPEB obligations due to the implementation of GASB No. 75 as well as changes in actuarially determined OPEB assumptions
- (3) A \$169.0 million increase in the noncurrent portion of long-term debt is primarily due to new issuances of the District's G.O. bonds.

Deferred inflows of resources increased by \$71.2 million. The net increase is due to changes in CalPERS, CalSTRS, postemployment benefit investment earnings, and changes in assumptions used.

Net position decreased by \$509.0 million. The net decrease is due in part to the following:

- (1) A \$551.5 million decrease in unrestricted net assets primarily caused by the increase in OPEB liabilities, as discussed above
- (2) A \$88.6 million decrease in net investment in capital assets is primarily due to \$169.7 million of depreciation and \$87 million of matured GO Bond principal payment
- (3) A \$138.8 million increase in debt service related to changes in debt service payment.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2018 and 2017

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

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenue:			
Operating revenue:			
Net tuition and fees	\$ 59,800,334	59,305,170	495,164
Grants and contracts, noncapital	158,444,844	165,068,815	(6,623,971)
Other	24,556,776	28,362,937	(3,806,161)
Other revenue:			
State apportionments, capital	4,061,944	10,080,494	(6,018,550)
Federal subsidy	19,731,305	19,674,955	56,350
Local tax for G.O. Bonds	376,051,293	271,958,067	104,093,226
Nonoperating revenue:			
State apportionments, noncapital	436,497,100	417,988,294	18,508,806
Property taxes	216,232,066	203,630,922	12,601,144
Investment income	9,343,301	6,664,957	2,678,344
Federal financial aid grants, noncapital	150,723,752	168,683,908	(17,960,156)
State financial aid grants, noncapital	18,639,412	16,253,047	2,386,365
Other	23,820,447	6,844,348	16,976,099
Total revenue	<u>1,497,902,574</u>	<u>1,374,515,914</u>	<u>123,386,660</u>
Expenses:			
Operating expenses:			
Salaries	517,790,521	518,672,016	(881,495)
Employee benefits	107,555,400	121,667,968	(14,112,568)
OPEB	35,357,701	44,455,000	(9,097,299)
Pensions	104,182,045	75,117,606	29,064,439
Supplies, materials, and other operating expenses and services	165,938,056	168,880,839	(2,942,783)
Student grants	197,183,952	218,938,270	(21,754,318)
Depreciation and other	184,547,037	164,818,654	19,728,383
Total operating expenses	<u>1,312,554,712</u>	<u>1,312,550,353</u>	<u>4,359</u>
Nonoperating expenses:			
Interest expense	166,602,950	152,944,318	13,658,632
Other	5,898,733	1,108,661	4,790,072
Total expenses	<u>1,485,056,395</u>	<u>1,466,603,332</u>	<u>18,453,063</u>
Change in net position	<u>12,846,179</u>	<u>(92,087,418)</u>	<u>104,933,597</u>
Net Position:			
Beginning of year	315,799,679	407,887,097	(92,087,418)
Cumulative effect of change in accounting for OPEB, as of July 1, 2017	<u>(521,800,625)</u>	<u>—</u>	<u>(521,800,625)</u>
Net position, end of year	<u>\$ (193,154,767)</u>	<u>315,799,679</u>	<u>(508,954,446)</u>

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis

June 30, 2018 and 2017

The summary of revenue, expenses, and net position reflects that revenues exceed expenses by \$12.8 million at the end of the year, as explained below.

Operating revenue decreased by \$9.9 million. The net decrease is due in part to the following:

- (1) A \$6.6 million decrease in grants and contracts due to decreases in federal, state, and local grants
- (2) A \$3.8 million decrease in bookstore, cafeteria, and other auxiliary enterprise revenue.

Other revenue increased by \$98.1 million. The net increase is due in part to the following:

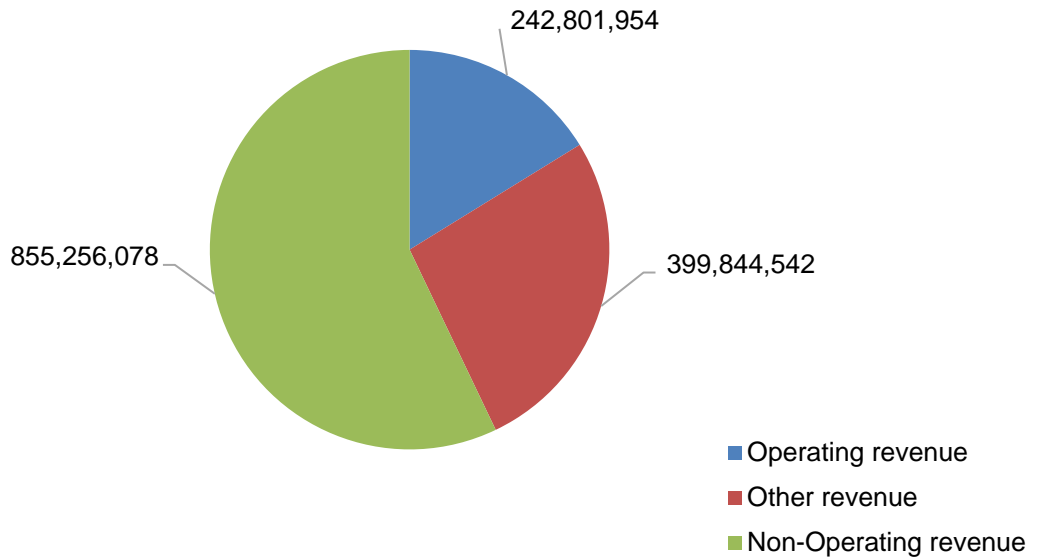
- (1) A \$104.1 million increase in local tax for G.O. bonds related to property taxes levied for the District's debt issuances
- (2) A \$6.0 decrease in state apportionment for capital purposes due to decrease in the state budget allocation for education.

Nonoperating revenue increased by \$35.2 million. The net increase is due in part to the following:

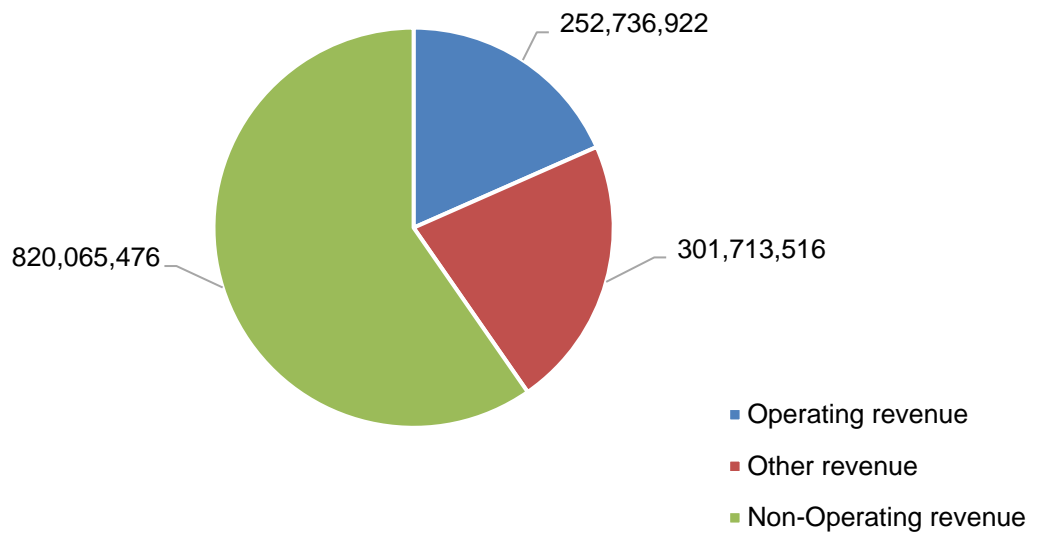
- (1) A \$12.6 million increase in locally generated income, primarily, property taxes
- (2) A \$20.9 million increase in state apportionment due to an \$18.5 million increase in state appropriations and \$2.4 million increase in state financial aid grants
- (3) A \$18.0 million decrease in federal financial aid due to reduced funding from the Department of Education.
- (4) A \$19.7 million increase in other local income primarily due to Redevelopment Agency Settlement payments received.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Management's Discussion and Analysis  
June 30, 2018 and 2017

**2017-2018 Revenue by Source**



**2016-2017 Revenue by Source**



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

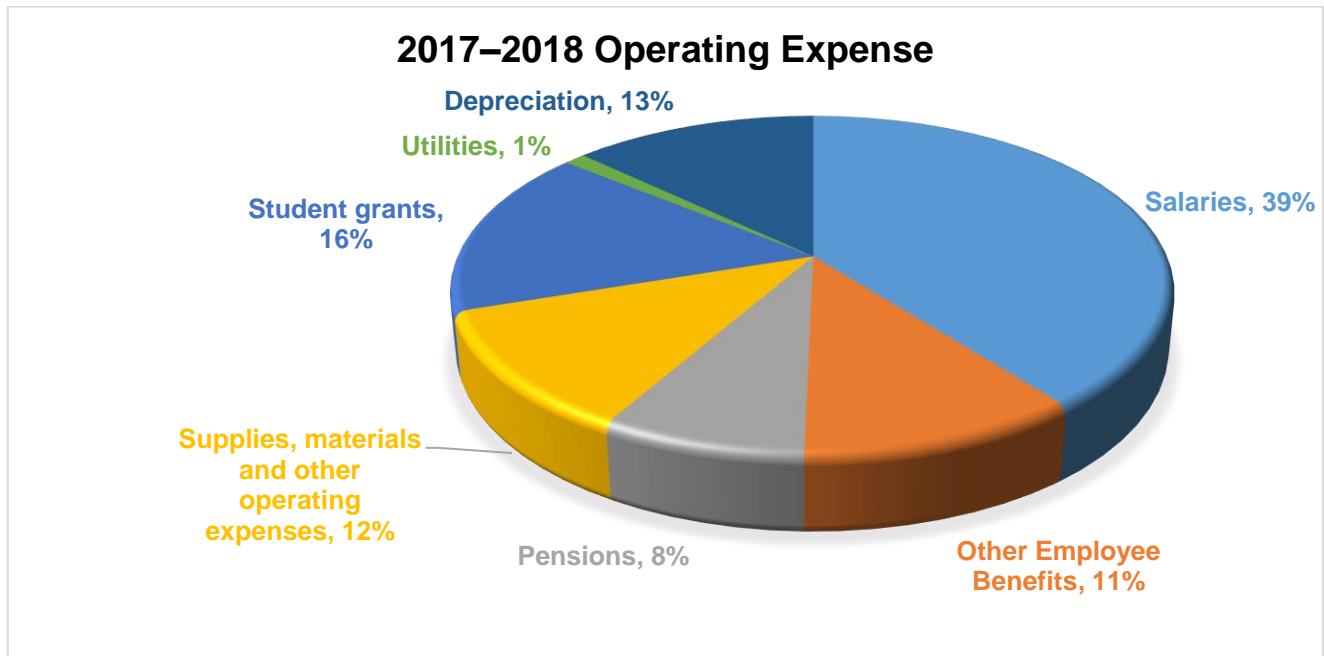
Management's Discussion and Analysis

June 30, 2018 and 2017

Operating expenses, overall remained at the same level of the prior year; however, there were substantial changes in the following categories:

- (1) A \$15.0 million decrease in employee salaries and benefits due to early retirement incentives incurred by the District during fiscal year 2016-17; there was no retirement incentive during 2017-18. The retirement incentive resulted in decreases of 270 full-time and 282 part-time personnel from 2016-17 to 2017-18.
- (2) A \$29.0 million increase in pension expenses is primarily due to changes in actuarially determined expenses.
- (3) A \$2.9 million decrease in supplies, materials, and other operating expenses is primarily due to \$10.7 million decrease in construction project-related legal expenses incurred, \$4.8 million decrease in election expense, and \$2.0 million decrease in scheduled maintenance.
- (4) A \$21.8 million decrease in student grants expenditure as of result of less funding received from the federal government and partially offset by more funding from the state government
- (5) A \$19.7 million increase in depreciation and other expense due to increase in capital asset depreciation and utilities.

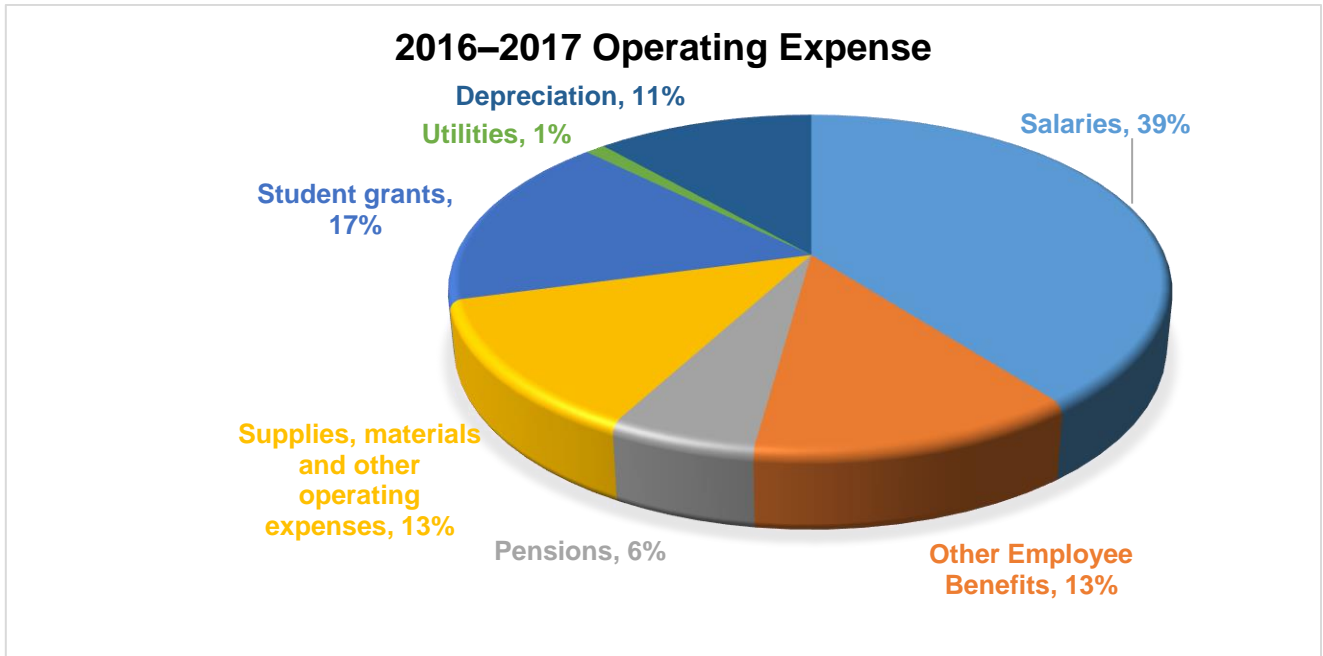
Nonoperating expenses increased by \$18.4 million. The net increase is due to an increase in outstanding debt and the related increase in interest expense on G.O. bonds.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2018 and 2017



**Capital Assets and Debt Administration**

*Capital Assets*

The District's investment in capital assets, net of accumulated depreciation totaled \$4.38 billion and \$4.37 billion at June 30, 2018 and 2017, respectively. This investment comprises a broad range of capital assets, including land, buildings, construction in progress, works of art, infrastructure and land improvement,

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2018 and 2017

and furniture and equipment. The following schedule summarizes the District's capital assets as of June 30, 2018 and 2017:

**Capital Assets, Net**

	<b>Balance at June 30</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 198,829,856	198,684,166
Land improvements	461,504,470	454,491,371
Buildings	4,385,077,009	4,208,031,711
Construction in progress	452,923,190	496,035,201
Works of art	518,000	518,000
Furniture and equipment	194,764,116	156,906,548
Infrastructure	<u>7,127,341</u>	<u>7,127,341</u>
Total	5,700,743,982	5,521,794,338
Less accumulated depreciation	<u>(1,318,008,852)</u>	<u>(1,148,699,123)</u>
Net capital assets	<u>\$ 4,382,735,130</u>	<u>4,373,095,215</u>

In fiscal year 2018, the District added \$160.8 million of capital assets, capitalized interest of \$21.5 million, depreciated \$169.7 million, and disposed of \$3.0 million of capital assets, net of accumulated depreciation.

During the year ended June 30, 2018, the District's investments in facility master plans, construction, and building improvements increased due to funding from Proposition A, Proposition AA, Measure J, and Measure CC bonds.

The District had a significant number of ongoing building projects funded from Proposition A, Proposition AA, Measure J, and Measure CC 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 for \$1.245B. The bond measure was designed to implement a capital improvement program for each of the nine colleges within the District.

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

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2018 and 2017

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 bonds.

The District is in the 15th year of Proposition A, the 14th year of Proposition AA, the 9th year of Measure J, and the 1st year of Measure CC bond construction programs. Approximately \$5.0 billion has been spent to date for Proposition A, Proposition AA, Measure J, and Measure CC 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, \$2.825 billion of Measure J and \$100 million of Measure CC authorization amounts.

*Long-Term Debt*

At June 30, 2018 and 2017, the District had \$4.2 billion and \$3.8 billion in long-term debt, respectively. The District's long-term debt increased during the year ended June 30, 2018, primarily as a result of issuance of G.O. bond Series 2017 Measure J and G.O. bond 2017 Series A-1 and A-2 for a total of \$400 million.

	<u>2018</u>	<u>2017</u>
G.O. bonds:		
Proposition A and AA, 2004 Series	\$ 33,670,000	33,670,000
Proposition A, 2007 Series	—	4,880,000
Proposition A and AA, 2008 Series	15,155,000	28,760,000
Measure J, 2009 Series	75,000,000	75,000,000
Measure J, 2010 Series	1,025,000,000	1,025,000,000
Measure J, 2013 Series	205,000,000	209,000,000
Measure J, 2013 Series Refunding Bond	42,305,000	45,505,000
Measure J 2015 Series G	218,205,000	224,160,000
Proposition A, AA and Measure J 2015 Refunding Series A	1,446,665,000	1,459,300,000
2015 Proposition A, and AA Refunding Series B	33,270,000	37,655,000
Proposition A 2015 Refunding Series C	272,085,000	289,955,000
Measure J 2016 Series I	223,910,000	237,250,000
Measure J 2016 Refunding	175,565,000	177,745,000
Measure J 2017 Series J	300,000,000	—
Measure CC 2017 Series A-1 and A-2	100,000,000	—
	<u>\$ 4,165,830,000</u>	<u>3,847,880,000</u>

The District's debt rating from Moody's was Aa1 during June 30, 2018 and 2017. The District's debt rating from Standard and Poor's was AA+ in June 30, 2018 and 2017.



## **LOS ANGELES COMMUNITY COLLEGE DISTRICT**

### Management's Discussion and Analysis

June 30, 2018 and 2017

Further information regarding the District's capital assets and long-term debt can be found in notes 4 and 9 in the accompanying basic financial statements.

#### **Economic Factors**

On June 27, 2018, the governor signed a balanced state budget providing California Community Colleges with an increase in state funding. The 2018-2019 State Budget includes a total investment in Proposition 98 of \$78.4 billion, an increase of \$2.8 billion over last year's budget. Increases to the California Community College Systems include funds to implement the new Student Centered Funding Formula, funds to create a new online community college, block grants for physical plant and instructional support, and additional onetime funds.

Funding for the Education Protection Act (EPA) will continue due to the passage of Proposition 55 in November 2016, of which the District will receive \$90 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.

#### **Student Enrollment and State Funding**

The student enrollment fee remains at \$46 per unit in 2018–2019. New for the Community College System is the Student Centered Funding Formula, which moves a portion of general fund apportionment away from enrollment-based funding and now recognizes student equity and outcomes. The signed budget contains \$269 million to implement a three-year phase in of this new funding model, with each district guaranteed to receive its 2017-2018 funding levels increased by a cost-of-living adjustment.

The District is cautioned to keep in mind that the required contribution for California Public Employees' Retirement System and California State Teachers' Retirement System will increase from \$63 million for the year ended June 30, 2018 to \$90 million for the year ending June 30, 2022. 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, 2022.

#### **Contacting the District's Financial Management**

This financial report is designed to provide the District's 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, 2018 and 2017

<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>2018</b>	<b>2017</b>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 171,059,456	158,323,312
Unearned revenue	14,919,656	12,074,873
Compensated absences (note 9)	8,647,697	9,262,299
Supplemental retirement plan (note 9)	5,565,068	5,274,946
General liability (notes 9 and 10)	3,134,102	3,082,147
Workers' compensation (notes 9 and 10)	4,280,371	3,962,679
Accrued interest and other accrued liabilities	89,086,209	86,079,868
Amounts held in trust for others	500,672	505,989
Long-term debt – current (note 9)	260,401,478	106,112,406
Capital leases – current (note 9)	450,303	501,544
Total current liabilities	<u>558,045,012</u>	<u>385,180,063</u>
Noncurrent liabilities:		
Compensated absences (note 9)	8,410,345	9,063,477
Supplemental retirement plan (note 9)	16,695,203	21,099,782
General liability (notes 9 and 10)	4,856,898	3,365,853
Workers' compensation (notes 9 and 10)	34,419,629	33,110,321
Net pension liability (note 6)	745,265,966	640,982,552
Net OPEB obligation (note 7)	591,811,439	99,774,744
Long-term debt, net of current portion (note 9)	4,276,746,708	4,107,772,097
Capital leases, net of current portion (note 9)	136,492	586,795
Total noncurrent liabilities	<u>5,678,342,680</u>	<u>4,915,755,621</u>
Total liabilities	6,236,387,692	5,300,935,684
Deferred inflow of resources – pension (note 6)	23,142,836	17,027,586
Deferred inflow of resources – OPEB (note 7)	65,121,630	—
Total liabilities and deferred inflows	<u>6,324,652,158</u>	<u>5,317,963,270</u>
Net position:		
Net investment in capital assets	401,960,903	490,328,813
Restricted for:		
Expendable:		
Scholarships and loans	9,892,504	8,841,301
Capital projects	40,325,314	46,675,599
Debt service	358,533,164	219,710,934
Other special purposes	30,673,940	33,244,505
Unrestricted	<u>(1,034,540,592)</u>	<u>(483,001,473)</u>
Total net position	\$ <u><u>(193,154,767)</u></u>	<u><u>315,799,679</u></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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue:		
Tuition and fees	\$ 137,636,094	135,417,019
Less scholarship discounts and allowances	<u>(77,835,760)</u>	<u>(76,111,849)</u>
Net tuition and fees	<u>59,800,334</u>	<u>59,305,170</u>
Grants and contracts, noncapital:		
Federal	51,131,177	58,229,122
State	73,077,989	85,786,019
Local	<u>34,235,678</u>	<u>21,053,674</u>
Net grants and contracts, noncapital	158,444,844	165,068,815
Auxiliary enterprise sales and charges	<u>24,556,776</u>	<u>28,362,937</u>
Total operating revenue	<u>242,801,954</u>	<u>252,736,922</u>
Operating expenses:		
Salaries	517,790,521	518,672,016
Employee benefits	107,555,400	121,667,968
OPEB	35,357,701	44,455,000
Pensions	104,182,045	75,117,606
Supplies, materials, and other operating expenses and services	165,938,056	168,880,839
Student grant	197,183,952	218,938,270
Utilities	14,846,796	13,871,070
Depreciation	<u>169,700,241</u>	<u>150,947,584</u>
Total operating expenses	<u>1,312,554,712</u>	<u>1,312,550,353</u>
Operating loss	<u>(1,069,752,758)</u>	<u>(1,059,813,431)</u>
Nonoperating revenue (expenses):		
State apportionments, noncapital	436,497,100	417,988,294
Local property taxes	216,232,066	203,630,922
State taxes and other revenue	6,980,395	6,156,087
Investment income – noncapital	2,634,135	2,267,630
Investment income – capital	6,709,166	4,397,327
Interest expense on capital asset-related debt	<u>(166,602,950)</u>	<u>(152,944,318)</u>
Federal financial aid grants, noncapital	150,723,752	168,683,908
State financial aid grants, noncapital	18,639,412	16,253,047
Other nonoperating revenue	27,558,918	6,358,614
Other nonoperating expense	<u>(5,898,733)</u>	<u>(1,108,661)</u>
Investment loss	<u>(10,718,866)</u>	<u>(5,670,353)</u>
Total nonoperating revenue, net	<u>682,754,395</u>	<u>666,012,497</u>
Loss before other revenue, expenses, gains, or losses	<u>(386,998,363)</u>	<u>(393,800,934)</u>
State apportionments, capital	4,061,944	10,080,494
Federal subsidy	19,731,305	19,674,955
Local tax for G.O. bonds	<u>376,051,293</u>	<u>271,958,067</u>
Increase (decrease) in net position	<u>12,846,179</u>	<u>(92,087,418)</u>
Net position:		
Beginning of year	315,799,679	407,887,097
Cumulative effect of change in accounting for OPEB, as of July 1, 2017	<u>(521,800,625)</u>	<u>—</u>
End of year	\$ <u>(193,154,767)</u>	<u>315,799,679</u>

See accompanying notes to basic financial statements.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Tuition and fees	\$ 58,834,961	61,044,349
Grants and contracts	156,083,826	164,067,851
Payments to suppliers	(149,439,349)	(142,238,152)
Payments for student grants	(192,889,474)	(192,715,011)
Payments for utilities	(14,846,796)	(13,871,070)
Payments to employees	(514,384,592)	(521,642,152)
Payments for benefits	(195,730,477)	(175,663,028)
Bookstore and cafeteria sales	24,795,043	27,015,246
Other	120,653	(229,500)
Net cash used in operating activities	<u>(827,456,205)</u>	<u>(794,231,467)</u>
Cash flows from noncapital financing activities:		
State apportionments	441,241,749	422,295,029
Property taxes	216,232,066	203,630,922
State taxes and other revenue	6,980,395	6,156,087
Federal financial aid grants	150,723,752	168,683,908
State financial aid grants	18,639,412	16,253,047
Other receipts	21,761,476	5,608,913
Net cash provided by noncapital financing activities	<u>855,578,850</u>	<u>822,627,906</u>
Cash flows from capital financing activities:		
Proceeds from capital debt issuances	400,000,000	323,822,022
Capital appropriations, local property tax, grant, and gift, capital	5,864,031	8,278,407
Local tax for G.O. bond	285,103,279	301,486,070
Purchases of capital assets	(169,111,474)	(227,687,277)
Principal paid on capital debt and leases	(82,050,000)	(125,865,000)
Interest paid on capital debt and leases	(199,185,862)	(195,848,224)
Net cash provided by capital financing activities	<u>240,619,974</u>	<u>84,185,998</u>
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	184,648,563	203,562,302
Purchase of investments	(406,787,501)	(307,028,410)
Net cash used in investing activities	<u>(222,138,938)</u>	<u>(103,466,108)</u>
Net increase in cash and cash equivalents	46,603,681	9,116,329
Cash and cash equivalents – beginning of the year	<u>335,712,370</u>	<u>326,596,041</u>
Cash and cash equivalents – end of year	\$ <u>382,316,051</u>	\$ <u>335,712,370</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 376,743,295	330,432,518
Restricted cash and cash equivalents	5,572,756	5,279,852
Total	\$ <u>382,316,051</u>	\$ <u>335,712,370</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,069,752,758)	(1,059,813,431)
Depreciation expense	169,700,241	150,947,584
Adjustments to reconcile operating loss to net cash used in operating activities:		
Receivables, net	(14,771,530)	(4,732,226)
Inventory	(262,322)	101,845
Other assets	18,231,519	19,361,886
Accounts payable	19,104,188	25,618,632
Unearned revenue	2,844,788	3,642,720
Amounts held in trust for others	(5,317)	(229,500)
General liability	1,543,000	1,091,000
Workers' compensation	1,627,000	3,257,000
Supplemental retirement plan expense	(4,114,457)	26,374,728
Compensated absences	(1,267,734)	651,448
Net OPEB obligation	(58,110,364)	16,108,565
Net pension obligations	108,376,865	21,139,181
Other liabilities	(599,324)	2,249,101
Net cash used in operating activities	\$ (827,456,205)	(794,231,467)
Noncash capital financing activities:		
Equipment acquired through new capital lease obligations	\$ —	408,374
Additions to capital assets included in accounts payable	(11,153,881)	(33,773,513)
Amortization of accrued original interest premium	25,088,131	23,912,620
Amortization of prepaid interest	(10,173,253)	(9,916,302)

See accompanying notes to basic financial statements.

# LOS ANGELES COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements

June 30, 2018 and 2017

### **(1) Organization and Reporting Entity**

The Los Angeles Community College District (the District or LACCD) 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, 2018 and 2017

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. At June 30, 2018 and 2017, the District did not have any restricted nonexpendable net position.

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
Photovoltaic generating facility	30 to 50 Years



## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Notes to Basic Financial Statements

June 30, 2018 and 2017

The District's capitalization threshold is as follows:

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

#### **(g) Accrued Employee Benefits**

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

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

#### **(j) Income Taxes**

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

#### **(k) Estimates**

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

#### **(l) New Accounting Standards**

##### **(i) Effective During Fiscal Year 2018**

In June 2015, the GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The District adopted the provisions of the statement effective as of July 1, 2017, relating to the post employment health benefits provided to retirees. Prior to the

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2018 and 2017

adoption of Statement No. 75, the District reported OPEB under GASB Statement No. 45 and reported the annual required contribution (ARC) as a component of employee benefits expense and a related asset or liability depending on whether contributions made to the plan were more or less than the actuarially determined contribution. This new statement established standards for 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. When an organization's OPEB liability exceeds the OPEB plan's net position available for paying benefits, there is a net OPEB liability. Governments will now be required to report that amount as a liability in their basic financial statements. In addition, the statement requires that projected benefit payments be discounted to their actuarial present value using a single blended rate that reflects (1) a long-term expected rate of return on OPEB plan investments to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to pay benefits and OPEB plan assets are expected to achieve that rate and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with average rating of AA/Aa or higher, to the extent that the conditions under (1) are not met. Implementation of Statement No. 75 resulted in additional OPEB obligations as well as OPEB expense and deferred inflows and outflows of resources. As a result, the District has made the following adjustments to reflect the cumulative effect of the change in accounting for OPEB, effective July 1, 2017:

Effects of accounting for the adoption of GASB Statement No. 75:	
Net OPEB liability at June 30, 2017	\$ 99,774,744
Net OPEB liability at July 1, 2017	(649,921,803)
Deferred outflows of resources related to contributions made after the measurement date of July 1, 2017	<u>28,346,434</u>
Cumulative effect of change in accounting for OPEB at July 1, 2017	<u>\$ (521,800,625)</u>

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. It has been determined that GASB Statement No. 81 is not applicable to the District.

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.

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,

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### Notes to Basic Financial Statements

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fair value measurement and application, OPEB, real estate held, and money market investments. Adoption of this standard did not result in material adjustments to the financial statements.

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. It has been determined that GASB Statement No. 86 was not applicable to the District.

(ii) *To Be Implemented in Future Periods*

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 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.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, effective for the District's fiscal year beginning July 1, 2018. The purpose of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the District's fiscal year beginning July 1, 2020. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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**(3) Cash and Investments**

Cash and investments at June 30, 2018 and 2017 consist of the following:

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents in the County's treasury	\$ 296,427,068	293,780,577
Cash in banks	85,888,983	41,931,793
Total cash and cash equivalents	382,316,051	335,712,370
Investments and deposits with trustee:		
Investments in the County's treasury	827,482,671	473,702,305
Other	3,627,571	7,544,897
Total investments and deposits with trustee	831,110,242	481,247,202
Total cash, and investments and deposits with trustee	\$ 1,213,426,293	816,959,572

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 among 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.
- 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, 2018 and 2017, the District had \$1,123,909,739 and \$767,482,882 in cash, 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

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Notes to Basic Financial Statements

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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 County 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 1.67 years and 1.84 years at June 30, 2018 and 2017, 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 County Pool with maturities that exceeded one year represented 50.63% and 52.41% of the total pool at June 30, 2018 and 2017, 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 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.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

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**(b) Other Investments**

The District's other investments at June 30, 2018 and 2017 consist of deposits invested with Bank of New York totaling \$0 and \$3,627,571 at June 30, 2018 and 2017, respectively, as well as nonnegotiable certificates of deposit held by the associated student organizations of \$3,554,635 and \$3,990,262, 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, 2018 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	\$ 3,627,571	—	—	3,627,571	—
Investment in the County Pool	827,482,671	827,482,671	—	—	—
Total investments	\$ 831,110,242	827,482,671	—	3,627,571	—

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	\$ 7,544,897	—	—	7,544,897	—
Investment in the County Pool	473,702,305	473,702,305	—	—	—
Total investments	\$ 481,247,202	473,702,305	—	7,544,897	—

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Notes to Basic Financial Statements

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**(4) Capital Assets**

A summary of changes in capital assets is as follows:

	2018				Balance at June 30, 2018
	Balance at June 30, 2017	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 198,684,166	145,690	—	—	198,829,856
Construction in process	496,035,201	144,141,156	(3,019,674)	(184,233,493)	452,923,190
Works of art	518,000	—	—	—	518,000
<b>Total capital assets not being depreciated</b>	<b>695,237,367</b>	<b>144,286,846</b>	<b>(3,019,674)</b>	<b>(184,233,493)</b>	<b>652,271,046</b>
Capital assets being depreciated:					
Land improvements	454,491,371	—	—	7,013,099	461,504,470
Buildings	4,208,031,711	174,904	—	176,870,394	4,385,077,009
Furniture, fixtures, and equipment	156,906,548	37,898,080	(390,512)	350,000	194,764,116
Infrastructure	7,127,341	—	—	—	7,127,341
<b>Total capital assets being depreciated</b>	<b>4,826,556,971</b>	<b>38,072,984</b>	<b>(390,512)</b>	<b>184,233,493</b>	<b>5,048,472,936</b>
<b>Total capital assets</b>	<b>5,521,794,338</b>	<b>182,359,830</b>	<b>(3,410,186)</b>	<b>—</b>	<b>5,700,743,982</b>
Less accumulated depreciation	(1,148,699,123)	(169,700,241)	390,512	—	(1,318,008,852)
<b>Capital assets, net</b>	<b>\$ 4,373,095,215</b>	<b>12,659,589</b>	<b>(3,019,674)</b>	<b>—</b>	<b>4,382,735,130</b>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

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	2017				Balance at June 30, 2017
	Balance at June 30, 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
<b>Total capital assets not being depreciated</b>	<b>846,264,346</b>	<b>190,957,419</b>	<b>(149,983)</b>	<b>(341,834,415)</b>	<b>695,237,367</b>
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
<b>Total capital assets being depreciated</b>	<b>4,446,585,293</b>	<b>38,860,168</b>	<b>(722,905)</b>	<b>341,834,415</b>	<b>4,826,556,971</b>
<b>Total capital assets</b>	<b>5,292,849,639</b>	<b>229,817,587</b>	<b>(872,888)</b>	<b>—</b>	<b>5,521,794,338</b>
Less accumulated depreciation	(998,472,932)	(150,947,584)	721,393	—	(1,148,699,123)
<b>Capital assets, net</b>	<b>\$ 4,294,376,707</b>	<b>78,870,003</b>	<b>(151,495)</b>	<b>—</b>	<b>4,373,095,215</b>

*Capitalized Interest*

Included in additions to capital assets is \$21,547,003 and \$30,544,252 of capitalized interest for the years ended June 30, 2018 and 2017, respectively.

**(5) 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 \$3,857,610 and \$4,696,570 for the years ended June 30, 2018 and 2017, respectively, have been reported in the accompanying statements of revenue, expenses, and changes in net position as operating and capital expenditures.

At June 30, 2018, minimum capital lease commitments under long-term lease contracts were as follows:

Year ending June 30:	
2019	\$ 450,303
2020	108,523
2021	20,400
2022	7,569
<b>Total</b>	<b>\$ 586,795</b>



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### Notes to Basic Financial Statements

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#### **(6) 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 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. An actuarial valuation by employer is currently not available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Employees who were hired prior to January 1, 2013, attaining the age of 60 with five years of credited California service, 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 the member has more than 25 years of CalSTRS service credit. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90% of final compensation are available to members with five years of service. A family benefit is available if the deceased member had at least one year of service and was an active member or on disability leave. After five years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated in the first five years, only the accumulated member contributions and interest earned on those contributions are refundable.

Under the California Public Employees' Pension Reform Act of 2013 (AB340 or PEPRA), 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. For new CalSTRS members on or after January 1, 2013 who, like existing members, are not covered by Social Security, the initial limit is 120% of 2013 Social Security wages. It also limits postretirement public employment.

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

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.

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Employer contributions will increase from 8.25% to a total of 19.1% 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 6.828% of payroll in fiscal year 2017–2018.

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

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

On September 2, 2003, 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, The Public Agency Retirement System (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, multiple-employer contributory public employee retirement system defined-benefit pension plan. The District participates in a cost-sharing pool within CalPERS. An actuarial valuation by employer is not currently available. One actuarial valuation is performed for those employers participating in the pool and the same contribution rate applies to each.

Employees who were hired prior to January 1, 2013 are eligible for retirement at the age of 50 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 or PEPR), effective January 1, 2013, all new miscellaneous (nonsafety) members 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 \$128,400 (2018 Social Security Contribution and Benefit Base) for employees that participate in Social Security or \$145,666 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.

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- Equal sharing of normal cost – For school’s employers, a new member’s initial contribution rate will be at least 50% of the total normal cost rate or the current contribution rate of similarly situated employees, whichever is greater (currently, PEPRA members contribute 6.5% and non-PEPRA members, 7.0%).

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 a CalPERS employer unless he or she reinstates.

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

#### *Public Agency Retirement System – Alternate Retirement System*

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

On December 4, 1991, the District’s board of trustees adopted PARS-ARS, a defined-contribution plan qualifying under Sections 401(a) and 501 of the Internal Revenue Code, effective January 1, 1992, for the benefit of employees not participating in CalSTRS or CalPERS who were employed on that date or hired thereafter. The District has appointed Phase 11 Systems in which Imperial Trust Company serves as the trustee, to manage the assets of the PARS-ARS plan and serves 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, 2018, the District reported an aggregate liability of \$745,265,966 for its proportionate share of the CalPERS and CalSTRS net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities were determined based on actuarial valuations as of June 30, 2016. 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 1.238% and 0.481%, respectively.

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For the year ended June 30, 2018, the District recognized an aggregate pension expense of \$104,182,045. At June 30, 2018 and 2017, the District reported aggregate deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<b>June 30, 2018</b>		
	<b>CalPERS deferred outflows of resources</b>	<b>CalSTRS deferred outflows of resources</b>	<b>Total deferred outflows of resources – pensions</b>
District retirement contribution subsequent to the measurement date	\$ 24,880,057	36,046,753	60,926,810
Changes in assumptions used	43,805,841	82,409,730	126,215,571
Difference between expected and actual experience	10,763,425	1,645,020	12,408,445
Net difference between projected and actual earnings on pension plan investments	10,393,071	—	10,393,071
Change in the District's proportionate share	<u>2,541,591</u>	<u>12,914,611</u>	<u>15,456,202</u>
Total deferred outflows of resources – pensions	\$ <u>92,383,985</u>	<u>133,016,114</u>	<u>225,400,099</u>
	<b>June 30, 2017</b>		
	<b>CalPERS deferred outflows of resources</b>	<b>CalSTRS deferred outflows of resources</b>	<b>Total deferred outflows of resources – pensions</b>
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	<u>1,215,392</u>	<u>22,876,667</u>	<u>24,092,059</u>
Total deferred outflows of resources – pensions	\$ <u>72,506,321</u>	<u>85,750,349</u>	<u>158,256,670</u>

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Notes to Basic Financial Statements

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	<b>June 30, 2018</b>		
	<b>CaIPERS deferred inflows of resources</b>	<b>CaSTRS deferred inflows of resources</b>	<b>Total deferred inflows of resources – pensions</b>
Changes in assumptions used	\$ 3,537,276	—	3,537,276
Difference between expected and actual experience	—	7,758,530	7,758,530
Net difference between projected and actual earnings on pension plan investments	—	11,847,030	11,847,030
Total deferred inflows of resources – pensions	<u>\$ 3,537,276</u>	<u>19,605,560</u>	<u>23,142,836</u>
	<b>June 30, 2017</b>		
	<b>CaIPERS deferred inflows of resources</b>	<b>CaSTRS deferred inflows of resources</b>	<b>Total deferred inflows of resources – pensions</b>
Changes in assumptions used	\$ 7,399,346	—	7,399,346
Net difference between projected and actual earnings on pension plan investments	—	9,628,240	9,628,240
Total deferred inflows of resources – pensions	<u>\$ 7,399,346</u>	<u>9,628,240</u>	<u>17,027,586</u>

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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 ending June 30, 2019. 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:		
2019	\$	24,358,333
2020		54,300,656
2021		38,508,306
2022		59,433
2023		10,936,855
Thereafter		<u>13,166,870</u>
Total	\$	<u>141,330,453</u>

**(d) Contributions Required and Contributions Made**

For fiscal year 2017-18, the District was required by statute to contribute 14.43%, 15.53%, 4.00%, and 4.00% of gross salary expenditures to CalSTRS, CalPERS (pooled), Cash Balance, and PARS-ARS, respectively. Participants are required to contribute 10.25%, 7.00%, 4.00%, and 3.50% of gross salary to CalSTRS, CalPERS, Cash Balance, and PARS, respectively, for the year ended June 30, 2018. 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 6.5% of gross salary to CalPERS in fiscal year 2017-18. As of June 30, 2018, 69.5% and

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

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1.9% of the District's net pension liabilities for CalSTRS and CalPERS are funded, respectively. The District's contributions for the years ended June 30, 2018, 2017, and 2016 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
CalSTRS:		
2018	\$ 36,046,753	100 %
2017	31,495,282	100
2016	25,901,747	100
CalPERS:		
2018	\$ 24,880,057	100 %
2017	22,483,144	100
2016	19,133,361	100
Cash balance CalSTRS:		
2018	\$ 2,354,997	100 %
2017	2,245,083	100
2016	1,977,127	100
PARS-ARS:		
2018	\$ 765,259	100 %
2017	738,091	100
2016	669,223	100

The District's employer contributions to CalSTRS, CalPERS, Cash Balance, and PARS-ARS met the required contribution rate established by law for the years ended June 30, 2018, 2017 and 2016.

**(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.

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

	<b>June 30, 2018</b>	
	<b>CalSTRS</b>	<b>CalPERS</b>
Measurement date	June 30, 2017	June 30, 2017
Valuation date	June 30, 2016	June 30, 2016
Actuarial assumptions:		
Discount rate	7.10 %	7.15 %
Inflation	2.75	2.75
Payroll growth	3.00	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 %

	<b>June 30, 2017</b>	
	<b>CalSTRS</b>	<b>CalPERS</b>
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 %

**(f) Mortality Assumptions**

*(i) CalSTRS*

CalSTRS mortality assumptions are based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scale to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016 table, issued by the Society of Actuaries).

*(ii) CalPERS*

The CalPERS mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS board in April 2014. For purposes of the postretirement mortality rates, the 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 website.



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Notes to Basic Financial Statements

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**(g) Discount Rate**

*(i) 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, 2016, and the assumed investment rate of return, gross of administrative expenses, 7.1%, was used to discount all future benefits.

The long-term expected rate of return on pension plan investments of 7.1% 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.

*(ii) 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 are 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 ran out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

*(iii)* The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
1% decrease	6.10 %	6.15 %	
Net pension liability	\$ 653,149,900	442,039,346	1,095,189,246
Current discount rate	7.10 %	7.15 %	
Net pension liability	\$ 444,828,800	300,437,166	745,265,966
1% increase	8.10 %	8.65 %	
Net pension liability	\$ 275,762,100	182,966,299	458,728,399

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**(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>
CalPERS – asset class:		
Global equity	46 %	6.30 %
Fixed income	20	0.30
Private equity	8	9.30
Real estate	13	5.20
Absolute return	4	2.90
Inflation sensitive	9	3.80
Cash	—	(1.00)
	<hr/>	
Total	100 %	
	<hr/> <hr/>	

	<u>New strategic allocations</u>	<u>Long-term rate of return</u>
CalSTRS – asset class:		
Global equity	47 %	5.00 %
Global fixed income	19	2.27
Inflation sensitive	6	1.39
Private equity	12	6.63
Real estate	11	5.21
Infrastructure and forestland	3	5.36
Liquidity	2	(0.90)
	<hr/>	
Total	100 %	
	<hr/> <hr/>	

**(7) Other Postemployment Benefits**

The District provides postemployment healthcare benefits for eligible employees who retire with CalPERS or CalSTRS pension benefits within 120 days of termination of employment from the District through the Los Angeles Community College District Postretirement Health Benefits Plan (the Plan). The Plan is an

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agent multiple-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.

**(a) Plan Description**

Retirees receiving a pension from either CalSTRS or CalPERS are eligible for District paid healthcare benefits. The portion paid by the District depends on the employees date of hire and their benefit eligibility service as follows:

Hire date:	<u>Years of service</u>	<u>Premium paid by the District</u>
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 5 years of service. The retirement eligibility for CalSTRS retirees is a minimum age of 55 and 5 years of service or a minimum age of 50 with 30 years of service.

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

Employees that are not eligible for District paid contributions are still eligible for retiree coverage under California Assembly Bill 528 (AB528). At retirement, such retirees must pay for coverage at a rate based on blended active and retiree costs. As of the latest actuarial study, AB528 retiree contributions are expected to cover all costs; 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 4,300 active employees who are eligible for postretirement health benefits and about 3,300 retirees and surviving spouses who receive postretirement health benefits.

**(b) 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.

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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 2018 and FY 2017, respectively.

Effective, July 1, 2017, the District adopted GASB Statement No. 75 based on a measurement date of June 30, 2017 and a measurement period of July 1, 2016 to June 30, 2017.

**(c) Reconciliation of Net OPEB Liability**

Included in the table below are details regarding the total OPEB Liability, plan fiduciary net position, and net OPEB liability for the measurement period from July 1, 2016 to July 1, 2017:

	<b>Increase (decrease)</b>		
	<b>Total OPEB liability</b>	<b>Plan fiduciary net position</b>	<b>Net OPEB liability</b>
Balance recognized at June 30, 2017	\$ 733,358,891	83,437,088	649,921,803
Changes recognized for the fiscal year:			
Service cost	22,086,708	—	22,086,708
Interest on the total OPEB liability	34,243,769	—	34,243,769
Changes of assumptions	(76,926,472)	—	(76,926,472)
Benefit payments	(22,282,181)	(22,282,181)	—
Contributions from the employer	—	28,346,435	(28,346,435)
Net investment income	—	9,213,372	(9,213,372)
Administrative expense	—	(45,438)	45,438
Net changes	<u>(42,878,176)</u>	<u>15,232,188</u>	<u>(58,110,364)</u>
Balance recognized at June 30, 2018	<u>\$ 690,480,715</u>	<u>98,669,276</u>	<u>591,811,439</u>

The following table illustrates the impact of interest rate sensitivity on the net OPEB liability for fiscal year ended June 30, 2018:

	<b>1% decrease (4.30%)</b>	<b>Current rate (5.30%)</b>	<b>1% increase (6.30%)</b>
Total OPEB liability	\$ 804,439,981	690,480,715	599,706,541
Plan fiduciary net position	<u>98,669,276</u>	<u>98,669,276</u>	<u>98,669,276</u>
Net OPEB liability	<u>\$ 705,770,705</u>	<u>591,811,439</u>	<u>501,037,265</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2018 and 2017

The following table illustrates the impact of healthcare cost trend sensitivity on the net OPEB liability for fiscal year ended June 30, 2018:

	<u>1% decrease</u>	<u>Trend rate</u>	<u>1% increase</u>
Total OPEB liability	\$ 593,183,410	690,480,715	814,647,365
Plan fiduciary net position	<u>98,669,276</u>	<u>98,669,276</u>	<u>98,669,276</u>
Net OPEB liability	\$ <u>494,514,134</u>	<u>591,811,439</u>	<u>715,978,089</u>

**(d) Expense and Deferred July 1, 2017 of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expenses of \$35,357,701. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Net difference between expected and actual earnings on OPEB plan investments	\$ —	(2,336,054)
Assumption changes	—	(62,785,576)
Contributions made in fiscal year ended June 30, 2018 after measurement date	<u>26,489,654</u>	—
Total	\$ <u>26,489,654</u>	<u>(65,121,630)</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. All other deferred outflows of resources and deferred inflows of resources related to OPEB above will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (14,724,909)
2020	(14,724,909)
2021	(14,724,909)
2022	(14,724,909)
2023	<u>(6,221,994)</u>
Total	\$ <u>(65,121,630)</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2018 and 2017

**(e) Actuarial Assumptions**

The total OPEB liability at June 30, 2018, was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

<b>Actuarial assumptions</b>	
Discount rate	5.30%
Expected long-term return on assets	7.28%
Payroll increases	3.0%
Inflation	2.75%
Health care cost trend	4.0% for dental and vision. 7.9% for medical pre-medicare and 8.8% for medicare eligible decreasing 0.4 to 0.6% per year to an ultimate rate of 5.0% for year 2025 and later years
Plan participation	Ranges from 40% to 100% based on benefits

**(f) Discount Rate**

An analysis of future cash flows including contributions, investment returns, administrative expenses, and benefit payments was performed by an external actuary. The actuary determined that the Districts assets will not be sufficient to pay all future benefit payments starting in fiscal year 2050. Therefore, a blended discount rate of 5.30% was used to calculate the Net OPEB Liability at June 30, 2018. The blended rate included the assumed investment rate of return of 7.28% through fiscal year 2051 and a 20-year municipal bond rate of 3.53% through fiscal year 2115.

**(g) Long-Term expected rate of return**

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Global equity	57 %	4.82 %
Fixed income	27	1.47
TIPS	5	1.29
Commodities	3	0.84
REITs	8	3.76
Total	<u>100 %</u>	

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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**(h) Mortality Assumptions**

*(i) CalSTRS*

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scale to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016 table, issued by the Society of Actuaries).

*(ii) CalPERS*

The CalPERS mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS board in April 2014. For purposes of the postretirement mortality rates, the 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 website.

**(i) Annual OPEB Costs and Net OPEB Obligation**

The District's annual OPEB cost (expense) prior to July 1, 2017, was 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 year ended June 30, 2017:

Annual required contribution	\$ 43,795,000
Interest on net OPEB obligation	4,580,000
Adjustment to annual required contribution	<u>(3,920,000)</u>
Annual OPEB cost	44,455,000
Contributions made	<u>(28,346,435)</u>
Increase in net OPEB obligation	16,108,565
Net OPEB obligation, June 30, 2016	<u>83,666,179</u>
Net OPEB obligation, June 30, 2017	\$ <u><u>99,774,744</u></u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is 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

**(j) Funded Status Information**

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

<u>Actuarial valuation date</u>		<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>		<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 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, the District has set aside approximately \$68.9 million in an external trust fund. The fair value of the trust fund as of June 30, 2017 was approximately \$98.7 million.

**(k) Other Benefits**

Effective January 1, 2010, the District provided an annual contribution of \$1,500 to benefit 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 year ended June 30, 2017. This benefit was approved by the board of trustee's on November 19, 2014 for a two-year extension. The District has not made any contributions to the HRA in fiscal years 2018 and 2017.

**(8) 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 cost 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, 2018. 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.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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The District has entered into various contracts for the construction of facilities throughout the campuses. At June 30, 2018, the total value of these outstanding commitments is \$339,893,412.

**(9) Long-Term Liabilities**

The following is a summary of long-term liabilities of the District for the years ended June 30, 2018 and 2017:

	2018				
	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due within one year
General Obligation Bonds:					
2004 Series A and B	\$ 33,670,000	—	—	33,670,000	—
2006 Series E	—	—	—	—	—
2007 Series A	4,880,000	—	(4,880,000)	—	—
2008 Series E1 and F1	28,760,000	—	(13,605,000)	15,155,000	15,155,000
2009 Series A and B	75,000,000	—	—	75,000,000	—
2010 Series C, D, and E	1,025,000,000	—	—	1,025,000,000	—
2013 Series F	209,000,000	—	(4,000,000)	205,000,000	3,000,000
2013 Refunding Bond	45,505,000	—	(3,200,000)	42,305,000	3,360,000
Measure J 2015 Series G	224,160,000	—	(5,955,000)	218,205,000	6,135,000
Proposition A, AA and Measure J 2015 Refunding Series A	1,459,300,000	—	(12,635,000)	1,446,665,000	17,230,000
2015 Proposition A, and AA Refunding Series B	37,655,000	—	(4,385,000)	33,270,000	4,440,000
Proposition A 2015 Refunding Series C	289,955,000	—	(17,870,000)	272,085,000	19,935,000
Measure J 2016 Series I	237,250,000	—	(13,340,000)	223,910,000	13,340,000
Measure J 2017 Series J	—	300,000,000	—	300,000,000	52,245,000
Measure CC 2017 Series A-1 and A-2	—	100,000,000	—	100,000,000	100,000,000
Measure J 2016 Refunding	177,745,000	—	(2,180,000)	175,565,000	600,000
Unamortized bond premiums	366,004,503	30,401,814	(25,088,131)	371,318,186	24,961,474
Pension obligations	640,982,552	104,283,414	—	745,265,966	—
OPEB obligations	99,774,744	492,036,695	—	591,811,439	—
Supplemental retirement plan	26,374,728	1,450,612	(5,565,068)	22,260,272	5,565,068
Workers' compensation liabilities	37,073,000	5,907,371	(4,280,371)	38,700,000	4,280,371
General liabilities	6,448,000	4,677,102	(3,134,102)	7,991,000	3,134,102
Compensated absences	18,325,776	7,379,963	(8,647,697)	17,058,042	8,647,697
Capital lease obligations	1,088,339	—	(501,544)	586,795	450,303
<b>Total</b>	<b>\$ 5,043,951,642</b>	<b>1,046,136,971</b>	<b>(129,266,913)</b>	<b>5,960,821,700</b>	<b>282,479,015</b>

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June 30, 2018 and 2017

	2017				
	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Due within one year
General Obligation Bonds:					
2004 Series A and B	\$ 33,670,000	—	—	33,670,000	—
2006 Series E	10,420,000	—	(10,420,000)	—	—
2007 Series A	9,445,000	—	(4,565,000)	4,880,000	—
2008 Series E1 and F1	40,890,000	—	(12,130,000)	28,760,000	4,880,000
2009 Series A and B	75,000,000	—	—	75,000,000	13,605,000
2010 Series C, D, and E	1,200,000,000	—	(175,000,000)	1,025,000,000	—
2013 Series F	213,000,000	—	(4,000,000)	209,000,000	—
2013 Refunding Bond	48,585,000	—	(3,080,000)	45,505,000	4,000,000
2015 Series G	230,000,000	—	(5,840,000)	224,160,000	3,200,000
2015 Refunding Series A	1,462,085,000	—	(2,785,000)	1,459,300,000	5,955,000
2015 Refunding Series B	42,000,000	—	(4,345,000)	37,655,000	12,635,000
2015 Refunding Series C	305,905,000	—	(15,950,000)	289,955,000	4,385,000
2016 Series I	—	300,000,000	(62,750,000)	237,250,000	17,870,000
2016 Refunding	—	177,745,000	—	177,745,000	13,340,000
Unamortized bond premiums	344,600,684	51,293,654	(29,889,835)	366,004,503	2,180,000
OPEB	83,666,179	16,108,565	—	99,774,744	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
<b>Total</b>	<b>\$ 4,677,211,177</b>	<b>705,166,744</b>	<b>(338,426,279)</b>	<b>5,043,951,642</b>	<b>128,196,021</b>

**(a) General Obligation Bonds**

The voters have passed four G.O. bond measures, which were designed to finance construction, building and equipment acquisition, capital improvement programs for each of the nine colleges and the Educational Service Center, and refinance other outstanding debts. On April 10, 2001, the voters of the County passed Proposition A, a \$1.2 billion G.O. bond measure. On May 20, 2003, the voters of the County passed Proposition AA, a \$980 million G.O. bond measure. On November 4, 2008, the voters of the County passed Measure J, a \$3.5 billion G.O. bond measure. On November 8, 2016 the voters of the County passed Measure CC, a \$3.3 billion G.O. bond measure.

During FY 2018, the District issued new Measure J G.O. Bond Series J for a total of \$300,000,000 and new Measure CC G.O Bond Series A-1 for \$50,000,000 and Series A-2 for \$50,000,000. The District has issued to date all the authorized amounts of Proposition A and Proposition AA, \$2.825 billion of Measure J, and \$100 million of Measure CC. The G.O. bond measures were issued with interest ranging from 0.846% to 7.530%. The effective interest rate at the financial statement date is 4.730%.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2018 and 2017

The deferred outflows of resources will be recognized in interest expense on capital asset-related debt over the life of the refunded bonds, as follows:

June 30:		
2019	\$	10,173,253
2020		10,173,253
2021		10,173,253
2022		10,173,253
2023		10,173,253
Thereafter		<u>113,024,120</u>
	\$	<u><u>163,890,385</u></u>

Total debt service requirements to maturity of the G.O. bonds at June 30, 2018 are as follows:

	<b>Total G.O. bond debt service</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2019	\$ 235,440,000	204,856,915	440,296,915
2020	95,490,000	199,646,575	295,136,575
2021	88,405,000	195,507,629	283,912,629
2022	95,160,000	191,182,607	286,342,607
2023	110,900,000	186,424,676	297,324,676
2024–2028	714,710,000	839,046,461	1,553,756,461
2029–2033	1,055,280,000	617,866,642	1,673,146,642
2034–2038	663,250,000	410,332,060	1,073,582,060
2039–2043	468,820,000	281,032,827	749,852,827
2044–2048	435,540,000	144,538,763	580,078,763
2049–2050	<u>202,835,000</u>	<u>13,841,719</u>	<u>216,676,719</u>
Total	\$ <u><u>4,165,830,000</u></u>	<u><u>3,284,276,874</u></u>	<u><u>7,450,106,874</u></u>

The County levies property taxes in order to make G.O. bond principal and interest payments on behalf of the District.

**(10) 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.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2018 and 2017

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 2018. The amount of the outstanding liability at June 30, 2018 and 2017 includes estimates of future claim payments for known cases as well as provisions for incurred-but-not-reported claims and adverse development on known cases, which occurred through that date.

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

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2018 and 2017 were as follows:

		<b>2018</b>			
		<u>Balance at July 1, 2017</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at June 30, 2018</u>
Workers' compensation	\$	37,073,000	5,907,371	(4,280,371)	38,700,000
General liability		6,448,000	4,677,102	(3,134,102)	7,991,000
		<b>2017</b>			
		<u>Balance at July 1, 2016</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at June 30, 2017</u>
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

During the years ended June 30, 2018 and 2017, the District made total payments of insurance premiums of approximately \$3,356,480 and \$3,182,071, respectively, for general liability and workers' compensation claims.

**(11) Subsequent Events**

Effective July 1, 2018, the California Legislature included in its signed budget, a new Student Centered Funding Formula for all California Community Colleges, that moves a portion of general fund apportionment away from 100% enrollment based funding to funding based on enrollment, student equity and outcomes. The signed budget contains \$269 million to implement a three year phase-in of this new funding model, with each Community College District guaranteed to receive its 2017-2018 funding levels, plus a cost of living increase. The District is currently evaluating the impact of the new funding model on its future operations, but it is not expected to have a significant impact during the three year phase-in period.

**REQUIRED SUPPLEMENTAL INFORMATION**

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Schedule of the District Proportionate Share of the Net Pension Liability and  
Schedule of District Contributions  
Year ended June 30, 2018  
(Unaudited)

Schedule of the District's proportionate share of the net pension liability  
CalSTRS and CalPERS pension plans  
Last 10 fiscal years\*

	2018		2017	
	CalPERS	CalSTRS	CalPERS	CalSTRS
District's proportion of the collective net pension liability	1.26 %	0.48 %	1.25 %	0.49 %
District's proportionate share of the collective net pension liability	\$ 300,437,166	444,828,800	246,283,271	394,699,280
District's covered payroll	160,196,105	249,804,253	155,882,522	235,851,422
District's proportionate share of the collective net pension liability as a percent of covered payroll	188%	178%	158%	167%
Pension plan's fiduciary net position as a percentage of total pension liability	72%	69%	74%	70%

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

Schedule of Districts contributions

**CalSTRS pension plan**

Last 10 fiscal years\*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contributions as a percentage of covered-employee payroll	19.49 %	16.67 %	12.78 %	12.92 %	11.68 %	11.87 %	11.05 %	10.76 %	9.76 %	9.46 %
Contractually required contribution	\$ 38,401,750	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
Contributions in relation to the contractually required contributions	38,401,750	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
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered payroll	249,804,253	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
Contributions as a percentage of covered payroll	15.37 %	13.35 %	11.82 %	9.94 %	8.98 %	9.37 %	9.01 %	8.94 %	8.74 %	8.89 %

\* 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\*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 24,880,057	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
Contributions in relation to the contractually required contributions	24,880,057	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
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered payroll	160,196,105	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

\* 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.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Other Postemployment Benefits Funding Progress and Employer Contributions

Year ended June 30, 2018

(Unaudited)

Schedule of funding progress as required by GASB Statement No. 45:

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>
2018	\$ 28,507,197
2017	28,346,435
2016	28,507,197
2015	29,604,235
2014	29,570,661
2013	28,577,333
2012	30,872,349
2011	33,804,289
2010	33,167,682
2009	27,156,363
2008	38,082,712

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Changes in the Net OPEB Liability and Related Ratios

Year ended June 30, 2018

(Unaudited)

Last 10 Fiscal Years(\*)

Total OPEB liability:

Service cost	\$ 22,086,708
Interest cost	34,243,769
Changes of benefit terms	—
Differences between expected and actual experiences	—
Changes of assumptions	(76,926,472)
Benefit payments	<u>(22,282,181)</u>
Net change in total OPEB liability	(42,878,176)
Total OPEB liability (beginning)	<u>733,358,891</u>
Total OPEB liability (ending)	<u>690,480,715</u>

Plan fiduciary net position:

Contributions – employer	28,346,435
Contributions – member	—
Net investment income	9,213,372
Benefit payments	(22,282,181)
Administrative expense	(45,438)
Other	<u>—</u>
Net change in plan fiduciary net position	15,232,188
Plan fiduciary net position (beginning)	<u>83,437,088</u>
Plan fiduciary net position (ending)	<u>\$ 98,669,276</u>

Net OPEB liability (ending)	\$ 591,811,439
Plan fiduciary net position as a percentage of total OPEB liability	14.29 %
Covered-employee payroll	363,000,000
Net OPEB liability as a percentage of covered-employee payroll	163.03 %

(\*) Historical information is required for measurement periods for which GASB 75 is applicable. Additional years will be presented as they become available.

See accompanying independent auditors' report.



## **SUPPLEMENTAL FINANCIAL INFORMATION**

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

General Fund

Schedule of Balance Sheet Accounts

June 30, 2018

**Assets**

Cash in county treasury	\$ 179,770,334
Cash in banks	55,046,320
Cash in revolving fund	160,787
Accounts, notes, interest and loans receivable, net	43,112,189
Cash held with trustee	65,402
Due from other funds	13,922,760
Prepaid expenses and other assets	<u>573,868</u>
Total assets	<u>\$ 292,651,660</u>

**Liabilities and Fund Balance**

Liabilities:	
Accounts payable	\$ 115,881,768
Due to other funds	3,123,036
Amounts held in trusts	500,672
Unearned revenue	<u>14,007,792</u>
Total liabilities	<u>133,513,268</u>
Fund balance:	
Restricted	29,447,276
Unrestricted	<u>129,691,116</u>
Total fund balance	<u>159,138,392</u>
Total liabilities and fund balance	<u>\$ 292,651,660</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, 2018

Revenue:

Federal revenue:

Higher education acts	\$ 12,880,232
Job Training Partnership Act	2,585,082
Temporary Assistance for Needy Families (TANF)	1,061,632
Vocational Education Act	5,057,854
Veterans Education	10,346
College Work Study	2,829,865
Supplemental educational opportunity grants	138,774
Pell (basic educational opportunity grants)	207,060
Other	<u>2,720,812</u>
Total federal revenue	<u>27,491,657</u>

State revenue:

State apportionments	423,952,737
Tax relief subvention	6,980,395
State lottery	23,358,909
CA Works Opportunity and Responsibility to Kids	6,128,744
Extended opportunity program	10,033,452
Matriculation program	41,757,799
Disabled students programs and services	7,491,269
Other	<u>2,945,007</u>
Total state revenues	<u>522,648,312</u>

Local revenue:

Local property taxes	216,232,066
Enrollment fees	28,172,918
Tuition and fees, net of scholarship discounts and allowance	14,738,679
Community service fees	5,270,554
Parking fees	2,807,298
Health service fees	2,598,205
Student fees and charges	526,139
Interest	2,634,135
Other	<u>29,350,430</u>
Total local revenue	<u>302,330,424</u>

Total revenue 852,470,393

Expenditures:

Current:

Academic salaries	325,893,909
Classified salaries	179,483,700
Employee benefits	190,392,472
Books and supplies	15,631,843
Contract services, student grants, and other operating expenditures	97,864,938
Capital outlay and equipment replacement:	7,465,872
Other	<u>825,507</u>
Total expenditures	<u>817,558,241</u>

Excess of revenue over expenditures 34,912,152

Other financing use:

Operating transfers out (20,548,865)

Net increase in fund balance 14,363,287

Fund balances at July 1, 2017 144,775,105

Fund balances at June 30, 2018 \$ 159,138,392

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2018

<b>Assets</b>	<b>Special revenue fund</b>	<b>Cafeteria fund</b>	<b>Child development fund</b>	<b>Bookstore fund</b>	<b>Total</b>
Cash in county treasury	\$ 120,379,585	—	6,160,929	—	126,540,514
Cash in banks	20,432	812,962	33,429	7,800,421	8,667,244
Cash in revolving fund	—	2,889	—	84,500	87,389
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	7,595,679	158,040	1,714,488	3,976,598	13,444,805
Due from other funds	588,631	258,333	132,311	1,082,235	2,061,510
Inventory	—	75,326	—	4,410,836	4,486,162
<b>Total assets</b>	<b>\$ 128,584,327</b>	<b>1,307,550</b>	<b>8,041,157</b>	<b>17,354,590</b>	<b>155,287,624</b>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable	\$ 1,834,794	35,133	686,415	284,675	2,841,017
Due to other funds	2,384,805	256,620	6,128,078	5,379,328	14,148,831
Unearned revenue	2,370	38,453	—	871,043	911,866
<b>Total liabilities</b>	<b>4,221,969</b>	<b>330,206</b>	<b>6,814,493</b>	<b>6,535,046</b>	<b>17,901,714</b>
Fund balances:					
Capital projects	124,362,358	—	—	—	124,362,358
Unrestricted	—	977,344	—	8,461,316	9,438,660
Reserve for facility improvements and inventory	—	—	—	2,358,228	2,358,228
Reserve for program and capital expenditures	—	—	1,226,664	—	1,226,664
<b>Total fund balance</b>	<b>124,362,358</b>	<b>977,344</b>	<b>1,226,664</b>	<b>10,819,544</b>	<b>137,385,910</b>
<b>Total liabilities and fund balance</b>	<b>\$ 128,584,327</b>	<b>1,307,550</b>	<b>8,041,157</b>	<b>17,354,590</b>	<b>155,287,624</b>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Special Revenue Funds

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

Year ended June 30, 2018

	<b>Special revenue fund</b>	<b>Cafeteria fund</b>	<b>Child development fund</b>	<b>Bookstore fund</b>	<b>Total</b>
Revenue:					
Federal revenue:					
Tuition and fees	\$ —	—	331,183	—	331,183
Child and adult care	—	—	—	—	—
Other	3,202,181	—	2,035,293	—	5,237,474
Total federal revenue	3,202,181	—	2,366,476	—	5,568,657
State revenue:					
State apportionment	4,061,944	—	—	—	4,061,944
Other	3,694,332	—	7,660,515	—	11,354,847
Total state revenue	7,756,276	—	7,660,515	—	15,416,791
Local revenues:					
Food service sales	—	1,240,936	—	1,070,820	2,311,756
Bookstore sales	—	—	—	22,040,201	22,040,201
Interest	1,629,171	—	54,751	—	1,683,922
Other	3,522,210	235,557	—	11,205	3,768,972
Total local revenue	5,151,381	1,476,493	54,751	23,122,226	29,804,851
Total revenue	16,109,838	1,476,493	10,081,742	23,122,226	50,790,299
Expenditures:					
Current:					
Academic salaries	—	—	4,580,309	—	4,580,309
Classified salaries	—	243,147	3,290,244	4,299,212	7,832,603
Employee benefits	—	36,367	1,854,178	1,535,474	3,426,019
Books and supplies	14,039	1,114,497	787,204	16,320,317	18,236,057
Contract services, student grant, and other operating expenditures	14,730,432	24,154	169,767	835,280	15,759,633
Utilities	—	—	—	230,869	230,869
Capital outlay	3,232,017	1,864	110,898	165,886	3,510,665
Total expenditures	17,976,488	1,420,029	10,792,600	23,387,038	53,576,155
(Deficiency) excess of revenue over expenditures	(1,866,650)	56,464	(710,858)	(264,812)	(2,785,856)
Other financing sources – operating transfers in	13,100,511	25,138	823,198	78,957	14,027,804
Net increase (decrease) in fund balances	11,233,861	81,602	112,340	(185,855)	11,241,948
Fund balances at July 1, 2017	113,128,497	895,742	1,114,324	11,005,399	126,143,962
Fund balances at June 30, 2018	\$ 124,362,358	977,344	1,226,664	10,819,544	137,385,910

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2018

**Assets**

Cash held with trustee	\$ 409,453,661
Accounts, notes, interest, and loans receivable, net	<u>31,395,886</u>
Total assets	<u><u>\$ 440,849,547</u></u>

**Liabilities and Fund Balance**

Liabilities:	
Unearned revenue	\$ 31,395,886
Other liabilities	<u>86,673,852</u>
Total liabilities	<u>118,069,738</u>
Fund balance:	
Restricted – Expendable	<u>322,779,809</u>
Total fund balance	<u>322,779,809</u>
Total liabilities and fund balance	<u><u>\$ 440,849,547</u></u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Debt Service Fund

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

Year ended June 30, 2018

Expenditures:

Current:

Debt service	\$ 82,050,000
Interest expense on capital asset-related debt	<u>203,064,831</u>
Total expenditures	<u>285,114,831</u>
Deficit of expenditures over revenue	<u>(285,114,831)</u>

Other financing source:

Local tax for G.O. bonds	<u>418,977,585</u>
Total other financing sources	<u>418,977,585</u>
Net increase in fund balance	133,862,754

Fund balances at July 1, 2017	<u>188,917,055</u>
Fund balances at June 30, 2018	<u>\$ 322,779,809</u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Postretirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2018

**Assets**

Assets	\$	—
		_____
Total assets	\$	—
		=====

**Liabilities and Fund Balance**

Liability:		
Unfunded OPEB payable	\$	—
		_____
Total liability		—
		_____
Fund balance:		
Restricted		—
		_____
Total fund balance		—
		_____
Total liabilities and fund balance	\$	—
		=====

See accompanying independent auditors' report.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Postretirement Health Insurance Fund

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

Year ended June 30, 2018

Revenue:	
Other nonoperating revenue	\$ <u>93,253,683</u>
Total local revenue	<u>93,253,683</u>
Expenditures:	
Current	<u>—</u>
Total expenditure	<u>—</u>
Excess of revenue expenditure over	<u>93,253,683</u>
Other financing sources:	
Operating transfers in	<u>6,521,061</u>
Total other financing sources	<u>6,521,061</u>
Net increase in fund balance	99,774,744
Fund deficit at July 1, 2017	<u>(99,774,744)</u>
Fund deficit at June 30, 2018	\$ <u><u>—</u></u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Scholarship and Loan Fund

Schedule of Balance Sheet Accounts

June 30, 2018

**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, 2018

Revenue:		
Investment income – noncapital	\$	<u>—</u>
Total revenues		<u>—</u>
Expenditures:		
Other operating expenses and services		<u>—</u>
Total expenditures		<u>—</u>
Excess of expenditure over revenues		<u>—</u>
Net decrease in fund balance		—
Fund balances at July 1, 2017		<u>—</u>
Fund balances at June 30, 2018	\$	<u><u>—</u></u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2018

**Assets**

Cash in county treasury	\$ 403,878,713
Cash in banks	9,387,400
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	2,412,486
Due from other funds	2,384,805
Prepaid expenses and other assets	7,189,826
Deposit with trustee	<u>25,319,992</u>
Total assets	<u>\$ 450,573,222</u>

**Liabilities and Fund Balance**

Liabilities:

Accounts payable	\$ 46,220,662
Due to other funds	<u>189,173</u>
Total liabilities	<u>46,409,835</u>

Fund balance:

Reserve for capital expenditures	<u>404,163,387</u>
Total fund balance	<u>404,163,387</u>
Total liabilities and fund balance	<u>\$ 450,573,222</u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Building Fund

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

Year ended June 30, 2018

Local revenue:	
Interest	\$ 5,740,009
Other	<u>480,472</u>
Total revenue	<u>6,220,481</u>
Expenditures:	
Other operating expenses and services	17,744,438
Capital outlay	<u>159,430,451</u>
Total expenditures	<u>177,174,889</u>
Deficit of expenditures over revenue	<u>(170,954,408)</u>
Other financing source:	
Proceeds from issuance of debt	<u>400,000,000</u>
Total other financing source	<u>400,000,000</u>
Net increase in fund balance	229,045,592
Fund balances at July 1, 2017	<u>175,117,795</u>
Fund balances at June 30, 2018	<u>\$ 404,163,387</u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2018

**Assets**

Cash in banks	\$	1,411,546
Accounts, notes, interest and loans receivable, net		8,550,308
Due from other funds		<u>1,319,764</u>
Total assets	\$	<u><u>11,281,618</u></u>

**Liabilities and Fund Balance**

Liabilities:		
Accounts payable	\$	5,863,149
Due to other funds		<u>2,229,655</u>
Total liabilities		<u>8,092,804</u>
Fund balance:		
Restricted		<u>3,188,814</u>
Total fund balance		<u>3,188,814</u>
Total liabilities and fund balance	\$	<u><u>11,281,618</u></u>

See accompanying independent auditors' report.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Student Financial Aid Fund

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year ended June 30, 2018

Revenue:

Federal revenue:

Supplemental educational opportunity grants	\$ 3,054,252
Pell (basic educational opportunity grants)	144,493,800
Direct loan	21,314,589
Other	<u>263,157</u>
Total federal revenue	<u>169,125,798</u>

State revenue:

Extended opportunity program	8,048,256
CAL Grant	18,639,412
Other	<u>149,231</u>
Total state revenue	<u>26,836,899</u>

Local revenue:

Other	<u>576,643</u>
Total local revenue	<u>576,643</u>
Total revenue	<u>196,539,340</u>

Expenditure:

Student grants	<u>196,358,443</u>
Total expenditure	<u>196,358,443</u>
Excess of revenue over expenditure	<u>180,897</u>
Net increase in fund balance	180,897

Fund balances at July 1, 2017 3,007,917

Fund balances at June 30, 2018 \$ 3,188,814

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, 2018

<b>Assets</b>	<b>East Los Angeles College</b>	<b>Los Angeles City College</b>	<b>Los Angeles Harbor College</b>	<b>Los Angeles Mission College</b>	<b>Los Angeles Pierce College</b>	<b>Los Angeles Southwest College</b>	<b>Los Angeles Trade Technical College</b>	<b>Los Angeles Valley College</b>	<b>West Los Angeles College</b>	<b>Total</b>
Cash in banks	\$ 171,156	289,321	199,048	558,112	1,168,127	127,075	901,046	1,086,916	186,043	4,686,844
Investments	550,093	170,606	100,000	72,778	610,453	—	2,070,566	1,758	—	3,576,254
Accounts, notes, interest, and receivable, net of allowance for doubtful accounts	30,870	23,510	—	—	—	18,854	33,637	36,649	—	143,520
Inventory	—	—	—	—	9,987	—	—	—	175	10,162
Capital assets	30,142	—	—	—	—	—	273,077	296,056	54,685	653,960
Total assets	<u>\$ 782,261</u>	<u>483,437</u>	<u>299,048</u>	<u>630,890</u>	<u>1,788,567</u>	<u>145,929</u>	<u>3,278,326</u>	<u>1,421,379</u>	<u>240,903</u>	<u>9,070,740</u>
<b>Liabilities and Fund Balance</b>										
Liabilities:										
Accounts payable	\$ —	11,179	13,891	171,661	880,201	12,277	463,408	29,234	37,405	1,619,256
Unearned revenue	—	—	—	—	—	—	—	—	—	—
Long-term liabilities	159,829	—	—	—	—	13,373	872,759	—	—	1,045,961
Total liabilities	<u>159,829</u>	<u>11,179</u>	<u>13,891</u>	<u>171,661</u>	<u>880,201</u>	<u>25,650</u>	<u>1,336,167</u>	<u>29,234</u>	<u>37,405</u>	<u>2,665,217</u>
Fund balances:										
Investment in fixed assets	30,142	—	—	—	—	—	273,077	296,056	54,685	653,960
Fund balances – designated for future expenditures	592,290	472,258	285,157	459,229	908,366	120,279	1,669,082	1,096,089	148,813	5,751,563
Total fund balances	<u>622,432</u>	<u>472,258</u>	<u>285,157</u>	<u>459,229</u>	<u>908,366</u>	<u>120,279</u>	<u>1,942,159</u>	<u>1,392,145</u>	<u>203,498</u>	<u>6,405,523</u>
Total liabilities and fund balance	<u>\$ 782,261</u>	<u>483,437</u>	<u>299,048</u>	<u>630,890</u>	<u>1,788,567</u>	<u>145,929</u>	<u>3,278,326</u>	<u>1,421,379</u>	<u>240,903</u>	<u>9,070,740</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 Revenue, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2018

	<u>East Los Angeles College</u>	<u>Los Angeles City College</u>	<u>Los Angeles Harbor College</u>	<u>Los Angeles Mission College</u>	<u>Los Angeles Pierce College</u>	<u>Los Angeles Southwest College</u>	<u>Los Angeles Trade Technical College</u>	<u>Los Angeles Valley College</u>	<u>West Los Angeles College</u>	<u>Total</u>
Revenue:										
Other	\$ 291,027	143,704	101,563	414,702	235,996	45,786	155,956	198,843	75,816	1,663,393
Total revenue	<u>291,027</u>	<u>143,704</u>	<u>101,563</u>	<u>414,702</u>	<u>235,996</u>	<u>45,786</u>	<u>155,956</u>	<u>198,843</u>	<u>75,816</u>	<u>1,663,393</u>
Expenditure:										
Contract services and other operating expenditures	224,719	80,631	13,911	263,684	125,152	46,970	85,727	27,830	51,503	920,127
Total expenditure	<u>224,719</u>	<u>80,631</u>	<u>13,911</u>	<u>263,684</u>	<u>125,152</u>	<u>46,970</u>	<u>85,727</u>	<u>27,830</u>	<u>51,503</u>	<u>920,127</u>
Net increase (decrease) in fund balance	66,308	63,073	87,652	151,018	110,844	(1,184)	70,229	171,013	24,313	743,266
Fund balances at July 1, 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>
Fund balances at June 30, 2018	<u>\$ 622,432</u>	<u>472,258</u>	<u>285,157</u>	<u>459,229</u>	<u>908,366</u>	<u>120,279</u>	<u>1,942,159</u>	<u>1,392,145</u>	<u>203,498</u>	<u>6,405,523</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, 2018

	<b>East Los Angeles College</b>	<b>Los Angeles City College</b>	<b>Los Angeles Harbor College</b>	<b>Los Angeles Mission College</b>	<b>Los Angeles Pierce College</b>	<b>Los Angeles Southwest College</b>	<b>Los Angeles Trade Technical College</b>	<b>Los Angeles Valley College</b>	<b>West Los Angeles College</b>	<b>Total</b>
<b>Assets</b>										
Cash in banks	\$ 46,396	110,898	90,199	64,290	352,718	19,357	58,120	134,959	8,974	885,911
Accounts, notes, interest, and receivable, net of allowance for doubtful accounts	5,873	—	—	—	—	4,642	—	4,385	—	14,900
Investments	—	—	—	—	—	—	—	51,317	—	51,317
Total assets	<u>\$ 52,269</u>	<u>110,898</u>	<u>90,199</u>	<u>64,290</u>	<u>352,718</u>	<u>23,999</u>	<u>58,120</u>	<u>190,661</u>	<u>8,974</u>	<u>952,128</u>
<b>Fund Balance</b>										
Fund balance:										
Fund balances – designated for future expenditures	\$ 52,269	110,898	90,199	64,290	352,718	23,999	58,120	190,661	8,974	952,128
Total fund balance	<u>52,269</u>	<u>110,898</u>	<u>90,199</u>	<u>64,290</u>	<u>352,718</u>	<u>23,999</u>	<u>58,120</u>	<u>190,661</u>	<u>8,974</u>	<u>952,128</u>
Total liabilities and fund balance	<u>\$ 52,269</u>	<u>110,898</u>	<u>90,199</u>	<u>64,290</u>	<u>352,718</u>	<u>23,999</u>	<u>58,120</u>	<u>190,661</u>	<u>8,974</u>	<u>952,128</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 Revenue, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2018

	<b>East Los Angeles College</b>	<b>Los Angeles City College</b>	<b>Los Angeles Harbor College</b>	<b>Los Angeles Mission College</b>	<b>Los Angeles Pierce College</b>	<b>Los Angeles Southwest College</b>	<b>Los Angeles Trade Technical College</b>	<b>Los Angeles Valley College</b>	<b>West Los Angeles College</b>	<b>Total</b>
Revenue:										
Other	\$ 50,331	26,803	19,173	18,936	53,615	11,414	25,966	29,044	17,933	253,215
Total revenue	<u>50,331</u>	<u>26,803</u>	<u>19,173</u>	<u>18,936</u>	<u>53,615</u>	<u>11,414</u>	<u>25,966</u>	<u>29,044</u>	<u>17,933</u>	<u>253,215</u>
Expenditure:										
Contract services and other operating expenditures	30,634	40,955	7,578	16,406	25,168	4,018	6,284	6,684	21,343	159,070
Total expenditure	<u>30,634</u>	<u>40,955</u>	<u>7,578</u>	<u>16,406</u>	<u>25,168</u>	<u>4,018</u>	<u>6,284</u>	<u>6,684</u>	<u>21,343</u>	<u>159,070</u>
Net increase (decrease) in fund balance	19,697	(14,152)	11,595	2,530	28,447	7,396	19,682	22,360	(3,410)	94,145
Fund balances at July 1, 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>
Fund balances at June 30, 2018	<u>\$ 52,269</u>	<u>110,898</u>	<u>90,199</u>	<u>64,290</u>	<u>352,718</u>	<u>23,999</u>	<u>58,120</u>	<u>190,661</u>	<u>8,974</u>	<u>952,128</u>

See accompanying independent auditors' report.

## **OTHER SUPPLEMENTAL INFORMATION**

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of District Organization, Board, and Administration Members

June 30, 2018 and 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
Mike Fong	President	December 14, 2020
Andra Hoffman	First Vice President	December 14, 2020
Steven F. Veres	Second Vice President	December 12, 2022
Dr. Gabriel Buelna	Member	December 12, 2022
Ernest H. Moreno	Member	December 12, 2022
Scott J. Svonkin	Member	December 14, 2020
David Vela	Member	December 14, 2020
Christopher Martinez	Student Trustee	May 31, 2018

**The Administration**

Name	Office
Dr. Francisco C. Rodriguez	Chancellor
Ms. Kathleen F. Burke	Deputy Chancellor
Dr. Robert B. Miller	Vice Chancellor, Finance and Resource Development
Dr. Ryan M. Cornner	Vice Chancellor, Educational Prog. and Institutional Effectiveness
Dr. Albert J. Roman	Vice Chancellor, Human Resources
Ms. Jeanette L. Gordon	Chief Financial Officer/Treasurer
Mr. David Salazar	Chief Facilities Executive
Mr. Jeffrey M. Prieto	General Counsel

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Schedule of District Organization, Board, and Administration Members  
June 30, 2018 and 2017

**The College Presidents**

<b>Name</b>	<b>Office</b>
Mr. Marvin R. Martinez	East Los Angeles College
Dr. Mary Gallagher	Los Angeles City College
Dr. Otto W. K. Lee	Los Angeles Harbor College
Dr. Monte E. Perez	Los Angeles Mission College
Ms. Sheri L. Berger*	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

Year ended June 30, 2018

<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>
Major Programs				
US Department of Education:				
Direct Program:				
Student Financial Assistance Cluster				
Federal Supplement Educational Opportunity Grants (FSEOG):				
Los Angeles City College	84.007		\$ —	523,837
East Los Angeles College	84.007		—	683,948
Educational Service Center	84.007		—	9,580
Los Angeles Harbor College	84.007		—	159,984
Los Angeles Mission College	84.007		—	185,083
Pierce College	84.007		—	449,247
Los Angeles Southwest College	84.007		—	161,200
Los Angeles Trade Technical College	84.007		—	395,154
Los Angeles Valley College	84.007		—	375,753
West Los Angeles College	84.007		—	239,655
			<u>—</u>	<u>3,183,441</u>
Federal Work Study Program:				
Los Angeles City College	84.033		—	399,788
East Los Angeles College	84.033		—	502,517
Los Angeles Harbor College	84.033		—	236,992
Los Angeles Mission College	84.033		—	199,701
Pierce College	84.033		—	385,620
Los Angeles Southwest College	84.033		—	157,099
Los Angeles Trade Technical College	84.033		—	426,420
Los Angeles Valley College	84.033		—	348,679
West Los Angeles College	84.033		—	292,953
			<u>—</u>	<u>2,949,769</u>
Federal Perkins Loan Program:				
Los Angeles City College	84.038		—	547,214
East Los Angeles College	84.038		—	491,110
Los Angeles Harbor College	84.038		—	113,094
Los Angeles Mission College	84.038		—	46,827
Pierce College	84.038		—	306,360
Los Angeles Southwest College	84.038		—	288,202
Los Angeles Trade Technical College	84.038		—	738,787
Los Angeles Valley College	84.038		—	430,669
West Los Angeles College	84.038		—	267,800
			<u>—</u>	<u>3,230,063</u>
Federal Pell Grant Program:				
Los Angeles City College	84.063		—	17,489,762
East Los Angeles College	84.063		—	32,592,318
Educational Service Center	84.063		—	782
Los Angeles Harbor College	84.063		—	8,599,542
Los Angeles Mission College	84.063		—	9,886,167
Pierce College	84.063		—	21,606,219
Los Angeles Southwest College	84.063		—	7,743,215
Los Angeles Trade Technical College	84.063		—	16,008,217
Los Angeles Valley College	84.063		—	21,433,168
West Los Angeles College	84.063		—	9,282,968
			<u>—</u>	<u>144,642,358</u>
Federal Direct Student Loans:				
Los Angeles City College	84.268		—	4,196,117
East Los Angeles College	84.268		—	1,459,517
Los Angeles Harbor College	84.268		—	448,700
Los Angeles Mission College	84.268		—	1,258,642
Pierce College	84.268		—	5,797,724
Los Angeles Southwest College	84.268		—	1,632,987
Los Angeles Trade Technical College	84.268		—	2,671,096
Los Angeles Valley College	84.268		—	1,801,230
West Los Angeles College	84.268		—	2,037,378
			<u>—</u>	<u>21,303,391</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

<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>
US Department of Health and Human Services:				
Direct program:				
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
			<u>—</u>	<u>63,166</u>
Total Student Financial Assistance Cluster			<u>—</u>	<u>175,372,188</u>
US Department of Education:				
Direct Program:				
Higher Education Institutional Aid				
Los Angeles City College	84.031		—	1,192,149
East Los Angeles College	84.031		—	1,667,891
Los Angeles Harbor College	84.031		—	1,408,125
Los Angeles Mission College	84.031		—	684,821
Pierce College	84.031		—	197,656
Los Angeles Trade Technical College	84.031		—	282,872
Los Angeles Valley College	84.031		—	1,676,114
West Los Angeles College	84.031		—	31,997
			<u>—</u>	<u>7,141,625</u>
Passed-through The University Corporation:				
Higher Education Institutional Aid				
Bridging the Gap Enhancing AIMS2 for St:				
Pierce College	84.031	A17-0013-S004	—	68,167
Developing California's Workforce:				
Pierce College	84.031	A17-0033-S001	—	126,420
			<u>—</u>	<u>194,587</u>
Total Higher Education Institutional Aid			<u>—</u>	<u>7,336,212</u>
Direct Program:				
TRIO Cluster				
TRIO-Student Support Services:				
Los Angeles City College	84.042		—	282,042
Los Angeles Harbor College	84.042		—	309,892
Los Angeles Mission College	84.042		—	242,608
Los Angeles Southwest College	84.042		—	761,996
Los Angeles Valley College	84.042		—	240,358
West Los Angeles College	84.042		—	250,159
			<u>—</u>	<u>2,087,055</u>
TRIO-Talent Search:				
Los Angeles Southwest College	84.044		—	332,012
West Los Angeles College	84.044		—	318,112
			<u>—</u>	<u>650,124</u>
TRIO-Upward Bound:				
Los Angeles City College	84.047		—	518,618
Los Angeles Southwest College	84.047		—	246,994
Los Angeles Valley College	84.047		—	553,229
West Los Angeles College	84.047		—	889,680
			<u>—</u>	<u>2,208,521</u>
TRIO-Educational Opportunity Centers:				
West Los Angeles College	84.066		—	218,904
Total TRIO Cluster			<u>—</u>	<u>5,164,604</u>
Passed-through California Community College's Chancellors Office:				
Career and Technical Education - Basic Grant to States (Perkins IV)				
Perkins Title I-C:				
Los Angeles City College	84.048	16-C01-027	—	502,645
East Los Angeles College	84.048	16-C01-027	—	969,665
Educational Service Center	84.048	16-C01-027	—	226,907
Los Angeles Harbor College	84.048	16-C01-027	—	283,285
Los Angeles Mission College	84.048	16-C01-027	—	337,591



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

<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	84.048	16-C01-027	\$ —	516,338
Los Angeles Southwest College	84.048	16-C01-027	—	259,886
Los Angeles Trade Technical College	84.048	16-C01-027	—	667,780
Los Angeles Valley College	84.048	16-C01-027	—	473,484
West Los Angeles College	84.048	16-C01-027	—	445,945
			<u>—</u>	<u>4,683,526</u>
Career and Technical Education – Transitions:				
Los Angeles City College	84.048	16-112-027	—	41,592
East Los Angeles College	84.048	16-112-027	—	41,589
Los Angeles Harbor College	84.048	16-112-027	—	42,367
Los Angeles Mission College	84.048	16-112-027	—	41,281
Pierce College	84.048	16-112-027	—	41,592
Los Angeles Southwest College	84.048	16-112-027	—	41,441
Los Angeles Trade Technical College	84.048	16-112-027	—	41,282
Los Angeles Valley College	84.048	16-112-027	—	41,592
West Los Angeles College	84.048	16-112-027	—	41,592
			<u>—</u>	<u>374,328</u>
Total Career and Technical Education - Basic Grant to States (Perkins IV)			<u>—</u>	<u>5,057,854</u>
Total Major Programs			<u>—</u>	<u>192,930,858</u>
Non-Major Programs				
US Department of Agriculture:				
Passed-through California Department of Education:				
Child and Adult Care Food Programs:				
Los Angeles City College	10.558	04056-CACFP-19-CC-CS	—	50,646
East Los Angeles College	10.558	04056-CACFP-19-CC-CS	—	112,395
Los Angeles Harbor College	10.558	04056-CACFP-19-CC-CS	—	82,727
Los Angeles Mission College	10.558	04056-CACFP-19-CC-CS	—	114,423
Pierce College	10.558	04056-CACFP-19-CC-CS	—	51,087
Los Angeles Southwest College	10.558	04056-CACFP-19-CC-CS	—	73,954
Los Angeles Trade Technical College	10.558	04056-CACFP-19-CC-CS	—	57,669
Los Angeles Valley College	10.558	04056-CACFP-19-CC-CS	—	119,798
West Los Angeles College	10.558	04056-CACFP-19-CC-CS	—	27,913
			<u>—</u>	<u>690,612</u>
Total Child and Adult Care Food Programs			<u>—</u>	<u>690,612</u>
US Department of Labor:				
Direct program:				
Los Angeles Healthcare Competency Career Consortium:				
Los Angeles Trade Technical College	17.282	TC-25-083-13-60-A-6	—	696,014
Los Angeles City College	17.282	TC-25-084-13-60-A-6	—	37,910
East Los Angeles College	17.282	TC-25-085-13-60-A-6	—	102,328
Los Angeles Harbor College	17.282	TC-25-086-13-60-A-6	—	18,570
Los Angeles Mission College	17.282	TC-25-087-13-60-A-6	—	174,252
Pierce College	17.282	TC-25-088-13-60-A-6	—	49,449
Los Angeles Southwest College	17.282	TC-25-089-13-60-A-6	—	33,985
Los Angeles Valley College	17.282	TC-25-090-13-60-A-6	—	7,418
West Los Angeles College	17.282	TC-25-091-13-60-A-6	—	68,329
			<u>—</u>	<u>1,188,255</u>
Total Los Angeles Healthcare Competency Career Consortium			<u>—</u>	<u>1,188,255</u>
Passed-through City of Los Angeles:				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
Industry Sector Expert Strategists-Biote:				
Los Angeles Valley College	17.277	129096	—	105,156
Passed-through City of Los Angeles:				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
Los Angeles Valley College	17.278	129096	—	68
Mayor's Vulnerable/Underrepresented Init:				
Los Angeles Valley College	17.278	129569	—	58,502
Early Childhood Education Certification:				
Los Angeles City College	17.278	C-129397	—	20,571
Unmanned Aerial Vehicle Training Project:				
East Los Angeles College	17.278	129240	—	57,614
			<u>—</u>	<u>136,755</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

<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>
Passed-through City of Los Angeles:				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
Industry Sector Expert Strategists-Biote:				
Los Angeles Valley College	17.258	129096	\$ —	127
Early Childhood Education Certification:				
Los Angeles City College	17.258	C-129397	—	25,143
Unmanned Aerial Vehicle Training Project:				
East Los Angeles College	17.258	129240	—	73,458
Passed-through County of Los Angeles:				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
Workforce Training LAVC:				
Los Angeles Valley College	17.258	WIOA-CH-04	—	23,849
Passed-through Employment Development Department:				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
EDD Strengthening Working Families:				
Los Angeles Valley College	17.258	K7107005	—	145,056
Los Angeles Valley College	17.258	K8109255	—	9,611
			<u>—</u>	<u>277,244</u>
Passed-through Employment Development Department:				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
Unmanned Aerial Vehicle Training Project:				
East Los Angeles College	17.259	129240	—	12,963
YouthSource System:				
Los Angeles Harbor College	17.259	128313	—	14,605
			<u>—</u>	<u>27,568</u>
			—	546,723
Total Workforce Innovation and Opportunity Act (WIOA) Cluster				
National Science Foundation:				
Direct programs:				
Education and Human Resources Program				
Biotechnology Program NSF				
Los Angeles Mission College	47.076	1700152	—	48,228
Scholarship in STEM to Achieve Results:				
East Los Angeles College	47.076	1458676	—	67,397
CAPTIVATE NSF:				
Pierce College	47.076	1565706	—	57,417
			<u>—</u>	<u>173,042</u>
Total Education and Human Resources Program				
Direct programs:				
Mathematical and Physical Sciences				
Consortium for Undergraduate Research Experiences:				
Los Angeles City College	47.049	AST-1460538	—	63,264
Passed-through The University Corporation:				
Mathematical and Physical Sciences				
RE-C^2: Research Experiences in Community Colleges				
Los Angeles Mission College	47.049	F-15-3665-LAMC	—	9,175
Pierce College	47.049	F-15-3665-LAPC	—	31,161
			<u>—</u>	<u>103,600</u>
Total Mathematical and Physical Sciences				
US Department of Education:				
Direct programs:				
Undergraduate International Studies and Foreign Language Programs:				
West Los Angeles College	84.016		—	180,109
Child Care Access Means Parents in School				
Los Angeles Valley College	84.335		—	93,387
Passed-through California Department of Education:				
Adult Education - Basic Grants to States				
Adult Education and Family Literacy & English Literacy:				
Los Angeles City College	84.002	16-6474-4000	—	1,005,060
East Los Angeles College	84.002	16-6474-4000	—	167,444
Los Angeles Mission College	84.002	16-6474-4000	—	96,115
Los Angeles Southwest College	84.002	16-6474-4000	—	413,415
Los Angeles Trade Technical College	84.002	16-6474-4000	—	138,658
Los Angeles Valley College	84.002	16-6474-4000	—	216,934
West Los Angeles College	84.002	17-6474-00	—	732
			<u>—</u>	<u>2,038,358</u>
Total Adult Education - Basic Grants to States				

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

<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>
Passed-through California Department of Rehabilitation:				
Rehabilitation Services Vocational Rehabilitation Grants to States				
College to Career Program:			\$	
West Los Angeles College	84.126	29667	—	220,435
Passed-through Los Angeles Unified School District:				
Gaining Early Awareness and Readiness for Undergraduate Programs:				
Los Angeles City College	84.334	4400003423	—	84,016
Los Angeles City College	84.334	4400002613	—	120,399
Los Angeles Trade Technical College	84.334	4400003478	—	34,640
Los Angeles Trade Technical College	84.334	1200250	—	15,829
Passed-through Marymount College/Project GRAD Los Angeles:				
Gaining Early Awareness and Readiness for Undergraduate Programs:				
Los Angeles Valley College	84.334	PGLA 2011-18	—	10,217
Total Gaining Early Awareness and Readiness for Undergraduate Programs:			—	265,101
Passed-through Cal State L.A. University Auxiliary Services, INC:				
Fund for the Improvement of Postsecondary Education				
First in the World CSULA:				
West Los Angeles College	84.116	WLAC231225	—	105,951
US Department of Health and Human Services:				
Passed-through California Community College's Chancellors Office:				
477 Cluster Program				
Temporary Assistance for Needy Families (TANF):				
Los Angeles City College	93.558	4362501711014	—	146,050
East Los Angeles College	93.558	4362501711014	—	143,404
Los Angeles Harbor College	93.558	4362501711014	—	57,065
Los Angeles Mission College	93.558	4362501711014	—	89,098
Pierce College	93.558	4362501711014	—	90,526
Los Angeles Southwest College	93.558	4362501711014	—	111,373
Los Angeles Trade Technical College	93.558	4362501711014	—	203,395
Los Angeles Valley College	93.558	4362501711014	—	146,164
West Los Angeles College	93.558	4362501711014	—	74,557
			—	1,061,632
Passed-through California Department of Education:				
477 Cluster Program				
Family Child Care Homes:				
Los Angeles Mission College	93.575	CFCC-7009	—	89,993
General Child Care and Development Program:				
East Los Angeles College	93.575	CCTR-7098	—	25,867
Los Angeles Mission College	93.575	CCTR-7098	—	205,694
Los Angeles Valley College	93.575	CCTR-7098	—	101,899
			—	423,453
Passed-through California Department of Education:				
477 Cluster Program				
Family Child Care Homes:				
Los Angeles Mission College	93.596	CFCC-7009	—	195,782
General Child Care and Development Program:				
East Los Angeles College	93.596	CCTR-7098	—	56,273
Los Angeles Mission College	93.596	CCTR-7098	—	447,490
Los Angeles Valley College	93.596	CCTR-7098	—	221,683
Total 477 Cluster Program			—	921,228
			—	2,406,313
Passed-through California Department of Education:				
Foster Care - Title IV-E				
Foster and Kinship Care Education				
Los Angeles City College	93.658		—	61,705
East Los Angeles College	93.658		—	65,381
Los Angeles Harbor College	93.658		—	82,966
Los Angeles Mission College	93.658		—	104,791
Pierce College	93.658		—	54,063
Los Angeles Southwest College	93.658		—	61,024
Los Angeles Trade Technical College	93.658		—	68,652
West Los Angeles College	93.658		—	54,622
Total Foster Care - Title IV-E			—	553,204

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Schedule of Expenditures of Federal Awards by College  
Year ended June 30, 2018

<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>
Passed-through California State University Northridge:				
Trans-NIH Research Support				
BUILD @ CSUN:				
East Los Angeles College	93.310	F-14-3510-ELAC	\$ —	76,450
Pierce College	93.310	F-14-3510-LAPC	—	12,926
Los Angeles Valley College	93.310	F-14-3510-LAVC	—	24,437
Total Trans-NIH Research Support			<u>—</u>	<u>113,813</u>
US Department of Transportation:				
Federal Transit Administration:				
Public Transportation Research				
Institute for Advanced Transportation:				
Los Angeles Trade Technical College	20.514	CA-64-7003-00	—	84,837
Federal Highway Administration:				
Highway Training and Education				
Dwight David Eisenhower Transportation Fellowship Program:				
East Los Angeles College	20.215	693JJ318451	—	15,000
Corporation for National and Community Service:				
American Recovery and Reinvestment Act (ARRA):				
AmeriCorps:				
Los Angeles City College	94.006		—	54,140
East Los Angeles College	94.006		—	53,526
Los Angeles Harbor College	94.006		—	6,500
Los Angeles Mission College	94.006		—	2,887
Pierce College	94.006		—	17,588
Los Angeles Southwest College	94.006		—	10,504
Los Angeles Trade Technical College	94.006		—	75,960
Los Angeles Valley College	94.006		—	2,935
West Los Angeles College	94.006		—	28,406
			<u>—</u>	<u>252,446</u>
Passed-through Foundation for California Community Colleges:				
AmeriCorps Student Ambassador Program				
Los Angeles Mission College	94.006	7AFHY24-F178	—	3,531
Total AmeriCorps			<u>—</u>	<u>255,977</u>
Total Non-Major Programs			<u>—</u>	<u>9,034,717</u>
Total Expenditures of Federal Awards			<u>\$ —</u>	<u>201,965,575</u>

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, 2018

Program name	Cash received	Accounts receivable	Deferred income	Total program revenue	Total program expenditures
Adult Education Block Grant	\$ 14,969,402	—	6,976,645	7,992,757	7,992,757
Basic Skills	4,233,899	—	—	4,233,899	2,350,115
CAL Grants	12,723,803	—	379,959	12,343,844	12,321,591
California Career Pathways Trust	10,050,742	5,726,972	5,790,966	9,986,748	9,986,748
California College Promise Innovation Grant	1,500,000	—	1,281,367	218,633	218,633
California State Preschool Program	3,806,119	506,703	3,694	4,309,128	4,309,128
CalWORKs	6,128,144	600	—	6,128,744	6,128,744
Community College Completion Grant	1,684,636	—	819,441	865,195	865,195
Cooperating Agencies Foster Youth Educational Support	3,739,020	—	187,937	3,551,083	3,551,083
Cooperative Agencies Resource for Education	1,446,265	—	28,780	1,417,485	1,417,485
Disabled Students Program and Services	7,491,269	—	—	7,491,269	8,567,050
Economic and Workforce Development	1,882,544	1,009,178	—	2,891,722	2,893,822
Equal Employment Opportunity	50,000	—	—	50,000	39,832
ESL/Basic Skills Professional Development	1,979,903	377,646	—	2,357,549	2,357,550
Extended Opportunity Program and Services	13,327,624	—	214,484	13,113,140	13,113,140
Family Child Care Homes	351,258	124,849	—	476,107	476,107
Foster and Kinship Care Education	683,926	—	2,026	681,900	681,900
Full Time Student Success Grant	4,704,097	—	171,579	4,532,518	4,522,600
General Child Care and Development	1,232,021	541,666	—	1,773,687	1,773,687
Guided Pathways	3,259,992	—	3,210,362	49,630	49,630
Innovation in Higher Education	3,000,000	—	2,351,638	648,362	648,362
Math, Engineering, Science Achievement	29,806	44,603	—	74,409	74,409
Middle College High School	40,000	60,000	—	100,000	100,000
Nonresident Dreamer Emergency Aid 17-18	897,855	—	—	897,855	895,669
Nursing Education	491,920	738,971	—	1,230,891	1,230,891
Osher Scholar	156,961	—	26,000	130,961	121,048
Strong Workforce Program – Local	28,945,990	—	20,480,404	8,465,586	8,465,586
Strong Workforce Program – Regional	1,300,624	2,336,950	13,037	3,624,537	3,624,537
Student Equity	16,478,208	—	—	16,478,208	18,071,826
Student Financial Aid Administration	5,336,210	—	—	5,336,210	5,444,471
Student Success & Support (Credit)	23,418,453	—	—	23,418,453	25,755,077
Student Success & Support (Noncredit)	1,861,138	—	—	1,861,138	2,141,902
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	2,945,007	—	—	2,945,007	3,188,925
Veteran Resource Center	328,404	—	321,346	7,058	7,058
Other state assistance programs	5,435,408	1,371,324	2,420,416	4,386,316	4,390,265
<b>Total state programs</b>	<b>\$ 185,910,648</b>	<b>12,839,462</b>	<b>44,680,081</b>	<b>154,070,029</b>	<b>157,776,823</b>

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 2017-18 Apportionment Attendance Report

<b>Categories</b>	<b>Reported data</b>
A. Summer intersession (Summer Seg 2 only):	
1. Noncredit	1,338.08
2. Credit	2,687.35
B. Summer intersession (Summer Seg 1 only):	
1. Noncredit	101.96
2. Credit	5,987.78
C. Primary terms (Exclusive of summer intersessions):	
1. Census procedure courses:	
a. Weekly census contact hours	59,682.99
b. Daily census contact hours	7,574.77
2. Actual hours of attendance procedure courses:	
a. Noncredit	5,549.35
b. Credit	4,480.07
3. Independent study/work experience education courses:	
a. Weekly census procedure crs	7,362.10
b. Daily census procedure crs	5,229.97
c. Noncredit independent study	—
D. Total FTES	<u>99,994.42</u>
<b>Supplemental Information</b>	
E. In-service training courses	3,637.31
H. Basic skills courses:	
1. Noncredit	5,842.45
2. Credit	3,614.20
I. CCFS-320 Addendum: CDCP Noncredit FTES	4,074.00
J. Centers FTES:	213,131.37
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, 2018

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	
Academic salaries:							
Instructional salaries:							
Contract or regular	1100	\$ 115,658,911	—	115,658,911	115,087,272	—	115,087,272
Other	1300	103,529,151	—	103,529,151	105,572,268	—	105,572,268
Total instructional salaries		<u>219,188,062</u>	<u>—</u>	<u>219,188,062</u>	<u>220,659,540</u>	<u>—</u>	<u>220,659,540</u>
Noninstructional salaries:							
Contract or regular	1200	—	—	—	45,910,810	—	45,910,810
Other	1400	—	—	—	5,403,326	—	5,403,326
Total noninstructional salaries		<u>—</u>	<u>—</u>	<u>—</u>	<u>51,314,136</u>	<u>—</u>	<u>51,314,136</u>
Total academic salaries		<u>219,188,062</u>	<u>—</u>	<u>219,188,062</u>	<u>271,973,676</u>	<u>—</u>	<u>271,973,676</u>
Classified salaries:							
Noninstructional salaries:							
Regular status	2100	—	—	—	103,836,644	—	103,836,644
Other	2300	—	—	—	6,646,356	—	6,646,356
Total noninstructional salaries		<u>—</u>	<u>—</u>	<u>—</u>	<u>110,483,000</u>	<u>—</u>	<u>110,483,000</u>
Instructional aides:							
Regular status	2200	9,958,584	—	9,958,584	10,590,614	—	10,590,614
Other	2400	773,331	—	773,331	1,010,003	—	1,010,003
Total instructional aides		<u>10,731,915</u>	<u>—</u>	<u>10,731,915</u>	<u>11,600,617</u>	<u>—</u>	<u>11,600,617</u>
Total classified salaries		<u>10,731,915</u>	<u>—</u>	<u>10,731,915</u>	<u>122,083,617</u>	<u>—</u>	<u>122,083,617</u>
Employee benefits	—	69,595,956	—	69,595,956	164,926,556	—	164,926,556
Supplies and materials	4000	—	—	—	3,756,583	—	3,756,583
Other operating expenses	5000	7,488,762	—	7,488,762	75,281,085	—	75,281,085
Equipment replacement	6420	—	—	—	6,154	—	6,154
Total expenditures prior to exclusions		<u>307,004,695</u>	<u>—</u>	<u>307,004,695</u>	<u>638,027,671</u>	<u>—</u>	<u>638,027,671</u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Reconciliation of the 50 Percent Law Calculation to Audited Financial Statements

Year ended June 30, 2018

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	—	—	85,425	—	85,425
Noninstructional staff-retirees' benefits and retirement incentives	6740	—	—	32,054,722	—	32,054,722
Objects to exclude:						
Rents and leases	5060	—	—	1,656,843	—	1,656,843
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	—	—	17,161,086	—	17,161,086
Capital outlay:						
Library books	6000	—	—	—	—	—
Equipment:						
Equipment – additional	6400	—	—	—	—	—
Equipment – replacement	6420	—	—	—	—	—
Total equipment		—	—	—	—	—
Total capital outlay		—	—	—	—	—
Other outgo	7000	—	—	—	—	—
Total exclusions		—	—	50,958,076	—	50,958,076
Total for ECS 84362, 50% law		\$ 307,004,695	—	307,004,695	587,069,595	587,069,595
Percent of CEE (Instructional salary cost/Total CEE)		52.29 %		52.29 %	100.00 %	100.00 %
50% of current expense of education				\$ 293,534,798		293,534,798

See accompanying independent auditors' report.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
 Reconciliation of Annual Financial and Budget Report (CCFS-311)  
 Year ended June 30, 2018

	General fund	Special revenue fund	Debt service fund	Retirees' health insurance fund	Building fund	Student financial aid fund	ASO fund	General long-term fixed assets	Other GASB Adj to general long-term debt	Total
June 30, 2018 total fund balances per annual financial budget report – 311	\$ 155,208,511	135,028,010	—	(99,774,744)	399,823,592	3,188,814	7,357,651	—	—	600,831,834
Audit adjustments to fund balance:										
Adjustments to cash with bond trustee	—	—	409,453,661	—	—	—	—	—	—	409,453,661
Adjustments to accrued interest expense	—	—	(86,673,852)	—	—	—	—	—	—	(86,673,852)
Adjustments to accrued interest income	—	—	—	—	—	—	—	—	—	—
Adjustments to investment income	—	—	—	—	—	—	—	—	—	—
Adjustments to payables	—	—	—	99,774,744	—	—	—	—	—	99,774,744
Adjustments to revenues	2,029,881	—	—	—	13,145,838	—	—	—	—	15,175,719
Adjustments to expenditures	—	(11,517)	—	—	(8,806,043)	—	—	—	—	(8,817,560)
Adjustments to bookstore's reserve for inventory and facility improvements	—	2,369,417	—	—	—	—	—	—	—	2,369,417
Adjustments to worker's compensation payable reserve	1,900,000	—	—	—	—	—	—	—	—	1,900,000
Adjustments and reclass	3,929,881	2,357,900	322,779,809	99,774,744	4,339,795	—	—	—	—	433,182,129
June 30, 2018 unaudited ending fund balance	159,138,392	137,385,910	322,779,809	—	404,163,387	3,188,814	7,357,651	—	—	1,034,013,963
Current assets:										
Adjustment to receivables	—	—	—	—	—	—	—	—	—	—
Adjustment to payables	—	—	—	—	—	—	—	—	—	—
Adjustment to cash and deposit with trustee	—	—	—	—	—	—	—	—	(15,563,336)	(15,563,336)
Prepaid assets	—	—	—	—	—	—	—	—	163,890,385	163,890,385
Capital assets are not financial resources and therefore are not reported as assets in government funds										
Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	4,382,081,169	—	4,382,081,169
GASB Statement No. 75 implementation adjustment – OPEB										
Deferred Outflows	—	—	—	—	—	—	—	—	(591,811,439)	(591,811,439)
Long-term liabilities are not booked as part of fund balances:	—	—	—	—	—	—	—	—	251,889,753	251,889,753
G.O. bonds	—	—	—	—	—	—	—	39,619,464	(4,190,791,478)	(4,151,172,014)
Unamortized premiums bond	—	—	—	—	—	—	—	—	(346,356,708)	(346,356,708)
Pension obligation	—	—	—	—	—	—	—	—	(745,265,966)	(745,265,966)
Supplemental retirement plan	—	—	—	—	—	—	—	—	(22,260,271)	(22,260,271)
Workers' compensation claims payable	—	—	—	—	—	—	—	—	(38,700,000)	(38,700,000)
General liability	—	—	—	—	—	—	—	—	(7,991,000)	(7,991,000)
Vacation benefits payable	—	—	—	—	—	—	—	—	(17,058,042)	(17,058,042)
Capital lease payable	—	—	—	—	—	—	—	—	(586,795)	(586,795)
Deferred inflows	—	—	—	—	—	—	—	—	(88,264,466)	(88,264,466)
June 30, 2018 net position	\$ 159,138,392	137,385,910	322,779,809	—	404,163,387	3,188,814	7,357,651	4,421,700,633	(5,648,869,363)	(193,154,767)

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, 2018

<u>Activity classification</u>	<u>Activity code</u>				<u>Total</u>
EPA proceeds	8630				\$ 84,460,496
<u>Activity classification</u>	<u>Activity code</u>	<u>Salaries and benefits (1000-3000)</u>	<u>Operating expenses (4000-5000)</u>	<u>Capital outlay (6000)</u>	<u>Total</u>
Instructional activities	0100-5900	\$ 83,753,368	—	—	83,753,368
Other support activities	6XXX	707,171	—	—	707,171
Total expenditures for EPA		<u>\$ 84,460,539</u>	<u>—</u>	<u>—</u>	<u>84,460,539</u>
Revenue less expenditures					\$ <u>(43)</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of Governmental Funds to the Statement of Net Position

Year ended June 30, 2018

	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, 2018 unaudited ending fund balance	\$ 159,138,392	137,385,910	322,779,809	—	404,163,387	3,188,814	7,357,651	—	—	—	1,034,013,963
Current assets:											
1 Adjustment to receivables	—	—	—	—	—	—	—	—	—	—	—
2 Adjustment to payables	—	—	—	—	—	—	—	—	—	—	—
3 Adjustment to cash and deposit with trustee	—	—	—	—	—	—	—	—	—	(15,563,336)	(15,563,336)
4 Prepaid assets	—	—	—	—	—	—	—	—	—	163,890,385	163,890,385
5 Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	—	—	4,382,081,169	—	4,382,081,169
6 Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	—	—	—
7 Deferred outflows	—	—	—	—	—	—	—	—	—	251,889,753	251,889,753
Long-term liabilities are not booked as part of fund balances:											
8 G.O. bonds	—	—	—	—	—	—	—	—	39,619,464	(4,190,791,478)	(4,151,172,014)
9 Unamortized premiums bond	—	—	—	—	—	—	—	—	—	(346,356,708)	(346,356,708)
10 Pension obligation	—	—	—	—	—	—	—	—	—	(745,265,966)	(745,265,966)
11 GASB Statement No. 75 implementation adjustment – OPEB	—	—	—	—	—	—	—	—	—	(591,811,439)	(591,811,439)
12 Supplemental Retirement Plan	—	—	—	—	—	—	—	—	—	(22,260,271)	(22,260,271)
13 Workers' compensation claims payable	—	—	—	—	—	—	—	—	—	(38,700,000)	(38,700,000)
14 General liability	—	—	—	—	—	—	—	—	—	(7,991,000)	(7,991,000)
15 Vacation benefits payable	—	—	—	—	—	—	—	—	—	(17,058,042)	(17,058,042)
16 Capital lease payable	—	—	—	—	—	—	—	—	—	(586,795)	(586,795)
17 Deferred Inflows	—	—	—	—	—	—	—	—	—	(88,264,466)	(88,264,466)
June 30, 2018 net position	\$ <u>159,138,392</u>	<u>137,385,910</u>	<u>322,779,809</u>	<u>—</u>	<u>404,163,387</u>	<u>3,188,814</u>	<u>7,357,651</u>	<u>—</u>	<u>4,421,700,633</u>	<u>(5,648,869,363)</u>	<u>(193,154,767)</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, 2018

### (1) Purpose of Schedules

#### **(a) Schedule of Expenditures of Federal Awards (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, 2018.

#### **(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, 2018.

#### **(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 Percent 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.

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

#### **(a) Basis of Presentation**

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

##### *(i) Schedule of Expenditures of Federal Awards (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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Other Supplemental Information

Year ended June 30, 2018

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.

(ii) *Schedule of State Awards*

The information in the Schedule of State Awards is presented to comply with the reporting requirements of the *California Community Colleges Contracted District Audit Manual 2017–18*.

**(b) 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 wages of 40% which will expire on 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 fund statements, in all material respects.

*State Revenue in Fund Statements*

General fund	\$ 522,648,312
Special revenue funds	7,756,276
Child development fund	7,660,515
Student financial aid fund	<u>26,836,899</u>
Total state revenue in fund statements	\$ <u><u>564,902,002</u></u>

*State Revenue in Schedule of State Awards*

Total state revenue	\$ 154,070,029
Add general fund:	
Basic and equalization aid	356,779,069
State mandated costs	6,065,463
State lottery	23,358,909
Tax relief subvention	6,980,395
Other state funds	<u>13,969,193</u>
Total general fund revenue	407,153,029
Add special revenue fund:	
Community College Construction Act	<u>3,678,944</u>
Total state revenue in fund statements	\$ <u><u>564,902,002</u></u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Other Supplemental Information

Year ended June 30, 2018

**(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 made to students for the year ended June 30, 2018 and loans outstanding held by the District as of June 30, 2018 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	\$ —	3,230,063
Federal Direct Student Loans	84.268	21,303,391	—
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	\$ 134,296
Federal Work-Study Program	<u>75,172</u>
	\$ <u><u>209,468</u></u>

**(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 (FSEOG)	84.007	\$ 3,183,441
Federal Work Study (FWS)	84.033	2,949,769
Federal Perkins Loan Program (FPL)	84.038	3,230,063
Federal Pell Grant Program (PELL)	84.063	144,642,358
Federal Direct Student Loans (Direct Loan)	84.268	21,303,391
Nursing Student Loans	93.364	<u>63,166</u>
		\$ <u><u>175,372,188</u></u>

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Other Supplemental Information

Year ended June 30, 2018

	<u>CFDA number</u>	<u>Expenditures</u>
TRIO Cluster:		
TRIO – Student Support Services	84.042	\$ 2,087,055
TRIO – Talent Search	84.044	650,124
TRIO – Upward Bound	84.047	2,208,521
TRIO – Educational Opportunity Centers	84.066	<u>218,904</u>
		\$ <u>5,164,604</u>
477 Cluster:		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 1,061,632
Family Child Care Homes	93.575	89,993
Family Child Care Homes	93.596	195,782
General Child Care and Development Program	93.575	333,460
General Child Care and Development Program	93.596	<u>725,446</u>
		\$ <u>2,406,313</u>
Workforce Innovation and Opportunity Act (WIOA) Cluster:		
Industry Sector Expert Strategists-Biote	17.258	\$ 127
Early Childhood Education Certification	17.258	25,143
Unmanned Aerial Vehicle Training Project	17.258	73,458
Workforce Training LAVC	17.258	23,849
EDD Strengthening Working Families	17.258	154,667
Unmanned Aerial Vehicle Training Project	17.259	12,963
Youth Source Center	17.259	14,605
Industry Sector Expert Strategists-Biote	17.278	68
Mayor’s Vulnerable/Underrepresented Initiative	17.278	58,502
Early Childhood Education Certification	17.278	20,571
Unmanned Aerial Vehicle Training Project	17.278	<u>57,614</u>
		\$ <u>441,567</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 statement of financial position as of June 30, 2018, 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 12, 2018.

**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 material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item FS-2018-001 that we consider to be significant deficiencies.

**Compliance and Other Matters**

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



### **The District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 12, 2018

## **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, 2018. 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, the 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, 2018.



### **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 2018-001 to FA 2018-014. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 2018-003 and FA 2018-004 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 2018-002, FA 2018-005 and FA 2018-006 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.

A handwritten signature in black ink that reads "Vagney &amp; Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California  
December 12, 2018**

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

We have audited the accompanying schedule of expenditures of federal awards and schedule of state awards of the Los Angeles Community College District (the District) for the year ended June 30, 2018.

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

Management is responsible for the preparation and fair presentation of the schedule of expenditures of federal awards 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 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 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 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 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 and schedule of state awards.



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

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

In our opinion, the schedule of expenditures of federal awards 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, 2018, in conformity with accounting principles generally accepted in the United States of America.

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

*Vasquez & Company LLP*

**Glendale, California  
December 12, 2018**

## 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) 2017-18*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

#### **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) 2017-18*, 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 439 - Proposition 39 Clean Energy
- Section 440 - Intersession Extension Program
- Section 444 - Apprenticeship Related and Supplemental Instruction (RSI)
- 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, 2018.

### **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) 2017-18*, 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 2018-001 through SC 2018-006. 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) 2017-18*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

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) 2017-18*, issued by the California Community Colleges Chancellor's Office 2017-18. The other supplemental information on pages 72 through 90 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 in the audit of the District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*, 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, 2018 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 12, 2018.

### ***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) 2017-18*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vasquez &amp; Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California  
December 12, 2018**

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

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

Summary of Auditors' Results

Year ended June 30, 2018

**(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-2018-001**
- c) Noncompliance which is material to the basic financial statements: **None.**

*Federal Awards*

- d) Internal control over major programs:
- Material Weakness(es) identified: **Yes. See findings FA 2018-003 and FA 2018-004**
  - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See findings FA 2018-002, FA 2018-005 and FA 2018-006**
- e) The type of report issued on compliance for major programs:
- Student Financial Assistance Cluster **Unmodified.**
  - TRIO Cluster **Unmodified.**
  - Higher Education – Institutional Aid **Unmodified.**
  - Career and Technical Education – Basic Grants to States (Perkins IV) **Unmodified.**
- f) Any audit findings which are required to be reported in accordance with the Uniform Guidance: **Yes. See findings FA 2018-001 to FA 2018-014**
- g) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

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Year ended June 30, 2018

h) Major Programs

- Student Financial Assistance (SFA) Cluster
  - CFDA 84.007 Federal Supplemental Educational Opportunity Grant (FSEOG)
  - CFDA 84.033 Federal Work Study (FWS)
  - CFDA 84.038 Federal Perkins Loans (FPL)
  - CFDA 84.063 Federal Pell Grant (PELL)
  - CFDA 84.268 Federal Direct Student Loans (Direct Loan)
  - CFDA 93.364 Nursing Student Loans
- TRIO Cluster
  - CFDA 84.042 TRIO – Student Support Services
  - CFDA 84.044 TRIO – Talent Search
  - CFDA 84.047 TRIO – Upward Bound
  - CFDA 84.066 TRIO – Educational Opportunity Centers
- CFDA 84.031 Higher Education – Institutional Aid
- CFDA 84.048 Career and Technical Education – Basic Grants to States Perkins IV

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

*State Awards*

j) Internal control over compliance for state programs:

- Material Weakness(es) identified: **None.**
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See findings SC 2018-003 and SC 2018-006.**

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

**(2) Summary of Financial Statement Findings**

Finding No.	Description	Page No.
FS-2018-001	Information Technology	105

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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**(3) Summary of Federal Findings**

<u>Finding No.</u>	<u>CFDA No.</u>	<u>Compliance requirements and description</u>	<u>Page No.</u>
SFA Cluster:			
FA 2018-001	SFA Cluster	<i>Special Tests and Provisions – Verification:</i> Inaccurate information found in Verification Documents	107
FA 2018-002	SFA Cluster	<i>Special Tests and Provisions – Return of Title IV Funds :</i> Incorrect Calculation of Return to Title IV Funds, Untimely Notification of Grant Overpayment to Students and Secretary, and Untimely Return of Unearned Title IV funds	109
FA 2018-003	SFA Cluster	<i>Special Tests and Provisions – Enrollment Reporting:</i> Inaccurate and Untimely Reporting of Change in Status (Repeat Finding)	115
FA 2018-004	SFA Cluster	<i>Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loans):</i> Lacking Preparation of Required Monthly School Account Statement (SAS) Reconciliations.	119
FA 2018-005	SFA Cluster	<i>Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loans):</i> Untimely Reporting of Direct Loan Disbursement – (Repeat Finding)	121
FA 2018-006	SFA Cluster	<i>Eligibility:</i> Incorrect Federal Pell Grant Amounts Awarded	123
Higher Education – Institutional Aid:			
FA 2018-007	84.031	<i>Reporting:</i> Inaccurate Participant Data Reported in the Annual Performance Report	126
TRIO Cluster:			
FA 2018-008	TRIO Cluster	<i>Eligibility:</i> Missing Proof of Review and Academic Need Data Inputs in the Application Forms	128
FA 2018-009	TRIO Cluster	<i>Equipment Management:</i> Lack of Regular Physical Inspection and Reconciliation of Equipment Listing	130
FA 2018-010	TRIO Cluster	<i>Earmarking:</i> Unmet Earmarking Requirements	132
FA 2018-011	TRIO Cluster	<i>Reporting:</i> Lack of Supporting Documentation and Records Retention of Reported Performance Data	133

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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<u>Finding No.</u>	<u>CFDA No.</u>	<u>Compliance requirements and description</u>	<u>Page No.</u>
Career and Technical Education – Basic FA 2018-012	84.048	Grants to States Perkins IV: <i>Allowable Costs/Cost Principles:</i> Incomplete and Inaccurate Information in the Time and Effort Certification	134
FA 2018-013	84.048	<i>Equipment Management:</i> Lack of Regular Physical Inspection and Reconciliation of Equipment Listing	137
FA 2018-014	84.048	<i>Suspension and Debarment:</i> Vendor Status Verification	139

**(4) Summary of State Findings**

<u>Finding No.</u>	<u>Compliance section</u>	<u>Compliance requirement and description</u>	<u>Page No.</u>
SC 2018-001	Section 425	<i>Residency Determination for Credit Courses:</i> Missing Supporting Residency Documentation and Missing Student Certification of Answers under Oath or Penalty of Perjury	141
SC 2018-002	Section 435	<i>Open Enrollment:</i> Inconsistent Prerequisite Information Between College Catalog and Published Class Schedule	142
SC 2018-003	Section 479	<i>To Be Arranged Hours (TBA):</i> Improper Apportionment for Students without Attendance Documentation and Students With Zero Hours As Of The Census Date And Classes Did Not Meet Required Conditions For TBA Apportionment	144
SC 2018-004	Section 475	<i>Disabled Student Programs and Services (DSPS):</i> Missing Academic Accommodation Plan (AAP)	146
SC 2018-005	Section 427	<i>Dual Enrollment of K-12 (CCAP and Non-CCAP):</i> Instructor did not meet Minimum Qualifications	147
SC 2018-006	Section 444	Apprenticeship Related And Supplemental Instruction (RSI) Funds: No source documents for hours claimed for RSI	149

## **SCHEDULE OF FINANCIAL STATEMENT FINDINGS**



## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of Financial Statement Findings

Year ended June 30, 2018

#### **FS-2018-001: Information Technology**

##### *Condition and Context*

During our review of the District's information technology controls during the fiscal 2007 audit, we identified control weaknesses in the areas of 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 2018 fiscal audit, we evaluated the progress made and the controls implemented to remediate the weaknesses identified during the 2007 audit and determine if we can place reliance on the IT environment and controls.

During our review of the District's General Information Technology controls during the fiscal 2018 audit, we noted that significant progress has been made to address the previously identified security deficiencies. The District implemented Security Weaver, which is a tool used to control access to the SAP environment and monitor user activity of users with privileged access. As such, it appears that privileged access is restricted. Although privileged access has been restricted to authorized users, we noted opportunities for enhancements that can help further reduce the risk of excessive access.

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

##### *Cause and Effect*

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

##### *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

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#### *Recommendation*

As noted above, significant IT 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, KPMG recommends the following action items:

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

#### *View of Responsible Officials*

LACCD Management agrees with the finding and the recommendation that we perform a comprehensive security assessment of the Security Roles in SAP for all LACCD Employees. 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 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, 2018

**Finding FA 2018-001: Special Tests and Provisions – Verification: Inaccurate information found in Verification Documents**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.063
<i>Federal Program Name:</i>	Student Financial Assistance Cluster; Federal Pell Grant Program
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P063P175260
<i>Federal Award Year:</i>	July 1, 2017 to June 30, 2018
<i>Campus:</i>	Los Angeles Trade Technical College
<i>Compliance Requirement:</i>	Special Tests and Provisions – Verification

*Criteria or Specific Requirement:*

Per 34 Code of Federal Regulations 668.53 Policies and procedures.

- (a) An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information in accordance with the provisions of this subpart. These policies and procedures must include –
- (1) The time period within which an applicant must provide any documentation requested by the institution in accordance with § 668.57;
  - (2) The consequences of an applicant's failure to provide the requested documentation within the specified time period;
  - (3) The method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's EFC changes and results in a change in the amount of the applicant's assistance under the title IV, HEA programs;
  - (4) The procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and
  - (5) The procedures for making referrals under § 668.16(g).
- (b) An institution's procedures must provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of –
- (1) The documentation needed to satisfy the verification requirements; and

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2018

- (2) The applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any actions required under this subpart and the consequences of failing to complete any required action.
- (c) An institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance or to the values of the data items required to calculate the EFC.

In addition, the *Uniform Guidance Supplement* requires auditors of an institution that does not have a Quality Assurance Procedure, to select a sample of applications that were selected by ED for verification and review the student aid files for those applications to ascertain that the institution (1) obtained acceptable documentation to verify the information required for the Verification Tracking Group to which the applicant is assigned; (2) matched information on the documentation to the student aid application; and, (3) if necessary, submitted data corrections to the central processor and recalculated awards.

#### *Identified Condition*

Of the 30 students selected for verification testwork at Los Angeles Trade Technical College, we noted the following:

- 1 student with an incorrect education credit, which resulted in an overstatement of the expected family contribution (EFC) of \$51 and an under award of Pell Grant by \$100.
- 1 student with an incorrect code for college information, which resulted in an overstatement of EFC of \$1,151 and an under award of Pell Grant by \$550.
- 1 student with incorrect tax payment information, which did not impact the student's EFC.

#### *Causes and Effect*

These errors were due to manual errors in performing the verification procedures. Such errors were not detected in the supervisor's review process. As a result, the verification process was not completed correctly. Lack of proper controls to ensure verification of a student's application information could lead to inaccurate federal award determination amounts.

#### *Questioned Costs*

The District has a known under award of Pell grant of \$650. The district has a projected net under-award in the amount of \$48,140.23, computed by dividing errors found in samples over total award in the sample size multiplied by the total awards for the identified colleges.

#### *Recommendation*

To ensure that federal assistance funds are being awarded as intended and truly being used to provide aid to individuals in need, we recommend that the District evaluate and improve its existing policies and procedures over the verification process to ensure the accuracy of information provided on the application received, which is used in determining federal awards.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Schedule of Federal Findings and Questioned Costs  
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*Views of Responsible Officials and Planned Corrective Actions*

*Los Angeles Trade Technical College*

The District concurs and has taken corrective action to remediate the finding. The District will conduct training with staff responsible for performing Verification. In addition, the District will increase the number of students randomly sampled for secondary review of Verification. The District's Internal Audit Department will also perform an independent random sample for verification.

Persons responsible for implementation: Ludwig Perez  
Position of responsible personnel: Financial Aid Manager  
Expected date of Implementation: 11/19/18

**Finding FA 2018-002: Special Tests and Provisions – Return of Title IV Funds: Incorrect Calculation of Return to Title IV Funds, Untimely Notification of Grant Overpayment to Students and Secretary and Untimely Return of Unearned Title IV funds**

*Federal Program Information*

*Federal Catalog Number:* CFDA 84.063 and 84.268

*Federal Program Name:* Student Financial Assistance Cluster; Federal Pell Grant Program  
Federal Direct Student Loans

*Federal Agency:* U.S. Department of Education

*Passed Through Entity:* N/A

*Federal Award Number:* P268K180034, P268K180036, P268K185260, P063P170034,  
P063P170036 and P063P175260

*Federal Award Year:* July 1, 2017 to June 30, 2018

*Campuses:* Los Angeles Harbor College  
Los Angeles Valley College  
Los Angeles Trade Technical College

*Compliance Requirement:* Special Tests and Provisions – Return of Title IV Funds

*Criteria or Specific Requirement*

Per 34 Code of Federal Regulations 668.22 Treatments of Title IV Funds.

- A. When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of 34 Code of Federal Regulations 668.22.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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In addition, the *Uniform Guidance Supplement* requires auditors to identify a sample of students who received Title IV assistance who withdrew, dropped out, or never began attendance during the audit period. Auditors are to review return of Title IV funds determinations/calculations for conformity with Title IV requirements.

- B. Within 30 days of the date of the institution's determination that the student withdrew, an institution must send a notice to any student who owes a title IV, HEA grant overpayment as a result of the student's withdrawal from the institution in order to recover the overpayment in accordance with paragraph (h)(4)(i) of this section.

An institution must refer to the Secretary, in accordance with procedures required by the Secretary, an overpayment of title IV, HEA grant funds owed by a student as a result of the student's withdrawal from the institution if – (A) The student does not repay the overpayment in full to the institution, or enter a repayment agreement with the institution or the Secretary in accordance with paragraph (h)(4)(i) of this section within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment;

Per 668.173 Refund reserve standards.

- C. In accordance with procedures established by the Secretary or FFEL Program lender, an institution returns unearned title IV, HEA program funds timely if –
- 1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 45 days after the date it determines that the student withdrew;
  - 2) The institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew;
  - 3) The institution initiates an electronic transaction, no later than 45 days after the date it determines that the student withdrew, that informs a FFEL lender to adjust the borrower's loan account for the amount returned; or
  - 4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if –
    - i) The institution's records show that the check was issued more than 45 days after the date the institution determined that the student withdrew; or
    - ii) The date on the canceled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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Year ended June 30, 2018

*Identified Condition*

**Summary**

<b>No.</b>	<b>Identified condition</b>	<b>Campus</b>
A.	Incorrect Calculation of Return to Title IV Funds	Los Angeles Harbor College Los Angeles Valley College Los Angeles Trade Technical College
B.	Untimely Notification of Grant Overpayment to Students and Secretary	Los Angeles Harbor College Los Angeles Valley College Los Angeles Trade Technical College
C.	Untimely Return of Unearned Title IV funds	Los Angeles Valley College Los Angeles Trade Technical College

**Description**

*A. Incorrect Calculation of Return to Title IV Funds*

*Los Angeles Harbor College*

Of the 30 students selected for return of Title IV funds testwork from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:

- 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would decrease the amount for the District to return by \$101.20.
- 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would increase the amount for post withdrawal disbursement by \$355.68.
- 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would increase the amount for post withdrawal disbursement by \$95.67 and decrease the amount for the District to return by \$228.
- 3 students who had withdrawn and there was no calculation performed of the amount of Title IV assistance earned. The effect would decrease the total amount for post withdrawal disbursement by \$38.94 and decrease the total amount for the student to return by \$53.94.

*Los Angeles Valley College*

Of the 30 students selected for return of Title IV funds testwork from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:

- 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would be a reimbursement to the student in the amount of \$961.
- 1 student who had withdrawn had no calculation performed for the amount of Title IV assistance earned. This did not impact the actual award amount disbursed for the student.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of Federal Findings and Questioned Costs

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*Los Angeles Trade Technical College*

Of the 30 students selected for return of Title IV funds testwork from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:

- 2 students had an incorrectly calculated Title IV assistance earned amount, the effect of which would increase the amount for post withdrawal disbursement by \$304.14.
- 2 students who had withdrawn had no calculation performed for the amount of Title IV assistance earned. The effects of which would decrease amount due from school by \$213.44, decrease the amount of due from student by \$445.11 and decrease amount for post withdrawal disbursement by \$343.36.

**B. *Untimely Notification of Grant Overpayment to Students and Secretary***

*Los Angeles Harbor College*

We noted that 2 of 30 students selected for compliance testwork were notified beyond 30 days from the date of the institution's determination that the students withdrew and owes an overpayment as a result of the students' withdrawal. The required notifications were submitted 45 days after the institution's determination date. The notifications were late by 15 days.

*Los Angeles Valley College*

We noted that 3 of 30 students selected for compliance testwork were notified beyond 30 days from the date of the institution's determination that the students withdrew and owes an overpayment as a result of the students' withdrawal. The required notifications were submitted between 45 to 56 days after the institution's determination date. The notifications were late by 15 to 26 days.

*Los Angeles Trade Technical College*

Of the 30 students selected for compliance testwork, we noted the following:

- 13 students were notified beyond 30 days from the date of the institution's determination that the students withdrew and owes an overpayment as a result of the students' withdrawal. The required notifications were submitted between 45 to 56 days after the institution's determination date. The notifications were late by 15 to 26 days.
- 7 students did not repay the overpayment in full to the institution, or enter a repayment agreement. These students were not referred to the Secretary within the required timeframe (the earlier of 45 days from the date the institution sent notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment). Notification was sent to the students between 118 to 286 days beyond the date the institution was required to notify the students of the overpayments. The notifications were late by 73 to 241 days.

**C. *Untimely Return of Unearned Title IV funds***

*Los Angeles Trade Technical College*

We noted that 4 of 30 students have untimely return of unearned Title IV funds. The District returned unearned title IV funds 281 to 303 days after the dates it determined that the students withdrew. The required returns were late by 236 to 258 days.

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*Los Angeles Valley College*

We noted that 1 of 30 students has untimely return of unearned Title IV funds. The District returned unearned title IV funds 172 days after the date it determined that the student withdrew. The required return was late by 127 days.

*Causes and Effect*

*A. Incorrect Calculation of Return to Title IV Funds*

This was caused by human error. With the District's implementation of the new student information system (SIS) this year, the District contracted with SIS consultants to deliver an automated Return to Title IV (R2T4) solution to calculate school and student return amounts as well as Post Withdrawal Disbursement (PWD) amounts. As the SIS consultants delivered an ineffective working product that did not meet the business requirements, the District had to manually calculate the R2T4 amounts. This required the FA Technician or Accountant to determine the student's Title IV eligibility at the time of withdrawal and then manually calculate R2T4, update award amounts in the SIS, send student overpayment notifications, send PWD notifications and update NSLDS. The effect is that the District could be deemed lacking administrative capability.

*B. Untimely Notification of Grant Overpayment to Students and Secretary*

The SIS consultants delivered an ineffective automated overpayment notification process that did not meet the business requirements. As a result, the overpayment notifications were sent to students via manual process. Changing the delivery method from automated to manual was unexpected and created operational challenges which delayed the sending of notifications to students. This may imply poor administrative capability.

*C. Untimely Return of Unearned Title IV funds*

The untimely return of Title IV funds is caused by the new Student Information System (SIS) not properly transmitting negative Pell disbursement records to COD for some students that have school return amounts. Currently, the District does not have a manual process in place to transmit negative Pell disbursement records as there was total reliance on the SIS. As a result, unearned Title IV funds may not be returned within the required timeframe.

*Questioned Costs*

*A. Incorrect Calculation of Return to Title IV Funds*

\$1,334.19 increase in post-withdrawal disbursement, \$542.64 decrease in amount for District to return, and \$499.05 decrease for student to return.

*B. Untimely Notification of Grant Overpayment to Students and Secretary*

None.

*C. Untimely Return of Unearned Title IV funds*

None.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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*Recommendation*

We recommend that the District evaluate and improve its existing process and control procedures related to return of Title IV funds. This will help ensure that the return of Title IV funds are accurately calculated and are in accordance with the Uniform Guidance and the Code of Federal Regulation.

We also recommend that the District implement additional monitoring controls to ensure compliance with the notification and returns due date requirements.

*Views of Responsible Officials and Planned Corrective Actions*

*A. Incorrect Calculation of Return to Title IV Funds*

The District concurs and has taken corrective action to remediate the finding. To ensure regulatory compliance with the R2T4 calculations, the District has contracted the services of a new SIS consultant to provide an automated solution that will determine eligibility at the time of withdrawal, calculate R2T4 return amounts, update the awards in the SIS, and send required return amounts back to the US Department of Education. The automated solution will also create both overpayment and PWD notifications which will be emailed to the students through the SIS. This will negate the need for manual R2T4 calculations.

Persons responsible for implementation: Ludwig Perez, Peggy Loewy Wellisch, Vernon Bridges, and Steve Giorgi

Position of responsible personnel: Financial Aid Managers

Expected date of Implementation: End of fall term 2018 (12/16/18)

*B. Untimely Notification of Grant Overpayment to Students and Secretary*

The District concurs and has taken corrective action to remediate the finding. The District has contracted new SIS consultants to develop and implement an automated solution for overpayment notifications.

Persons responsible for implementation: Steve Giorgi

Position of responsible personnel: Financial Aid Manager

Expected date of Implementation: The automated solution is expected to be in place by the of the fall term (12/16/18)

*C. Untimely Return of Unearned Title IV funds*

The District concurs and has taken corrective action to remediate the finding. The District's IT department is working with Oracle to develop an automated solution to ensure that all Pell negative disbursement records are reported to COD timely. The manual solution is to use the monthly reconciliation reports to identify variances and then update COD as needed. The District's Internal Audit will perform continuous monitoring of the reconciliation completion at the campus level as warranted.

Persons responsible for implementation: Ludwig Perez, Vernon Bridges, Winnie Aribuabo

Position of responsible personnel: Financial Aid Managers & CFAU Accountant

Expected date of Implementation: 12/15/18

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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**Finding FA 2018-003: Special Tests and Provisions – Enrollment Reporting: Inaccurate and Untimely Reporting of Change in Status (Repeat Finding)**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.063 and 84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster; Federal Pell Grant Program Federal Direct Student Loans
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P268K180034, P268K180036, P268K185260, P063P170034, P063P170036 and P063P175260
<i>Federal Award Year:</i>	July 1, 2017 to June 30, 2018
<i>Campuses:</i>	Los Angeles Harbor College Los Angeles Southwest College (Repeat Finding) Los Angeles Trade Technical College Los Angeles Valley College West Los Angeles College (Repeat Finding)
<i>Compliance Requirement:</i>	Special Tests and Provisions – Enrollment Reporting

*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 testwork over enrollment reporting, we noted the following:

*Los Angeles Harbor College*

Of the 30 students selected for compliance testing, we noted:

- 7 students had status changes that were reported late to the NSLDS. This late reporting ranged from 68 to 78 days late.
- 4 half-time students were reported as full-time students.

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- 1 less-than-half-time student was reported as a full-time student.
- 1 less-than-half-time student was reported as a half-time student.
- 1 less-than-half-time student was reported as a three-quarter-time student.
- 4 three-quarter-time students were reported as full-time students.
- 1 three-quarter-time student was reported as a withdrawn student.
- 1 withdrawn student was reported as a full-time student.
- 3 withdrawn students were reported as half-time students.

*Los Angeles Southwest College*

Of the 10 students selected for compliance testing, we noted:

- 1 student had a status change that was reported 54 days late to the NSLDS.
- 2 half-time students were reported as full-time students.
- 3 three-quarter-time students were reported as full-time students.
- 1 withdrawn student was reported as a full-time student.
- 1 withdrawn student was reported as a half-time student.
- 1 withdrawn student was reported as a three-quarter-time student.

*Los Angeles Trade Technical College*

Of the 30 students selected for compliance testing, we noted:

- 9 students had status changes that were reported late to the NSLDS. This late reporting ranged from 48 to 78 days late.
- 2 half-time students were reported as full-time students.
- 1 half-time student was reported as a three-quarter-time student
- 2 three-quarter-time students were reported as full-time students.
- 3 withdrawn students were reported as full-time students.
- 1 withdrawn student was reported as a half-time student.
- 2 withdrawn students were reported as three-quarter-time students.
- 5 students' academic statuses were not reported for Fall 2017 (4 students) and Spring 2018 (1 student).
- 1 student who has 0 units in Fall 2017 was reported as a three-quarter-time student.

*Los Angeles Valley College*

Of the 30 students selected for compliance testing, we noted:

- 9 students had status changes that were reported late to the NSLDS. This late reporting ranged from 54 to 78 days late.

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- 1 half-time student was reported as a full-time student.
- 1 less-than-half-time was reported as a half-time student.
- 4 three-quarter-time students were reported as full-time students.
- 1 withdrawn student was reported as a full-time student.
- 3 withdrawn students were reported as half-time students.
- 1 withdrawn student was reported as a three-quarter-time student.
- 1 student who has 0 units in Fall 2017 was reported as a half-time student.
- 1 student who has 0 units in Spring 2018 was reported as a less-than-half-time student.
- 2 students who have 0 units in Fall 2017 were reported as full-time students.
- 2 students who have 0 units in Spring 2018 were reported as three-quarter-time students.
- 1 student's academic status was not reported for Fall 2017.

*West Los Angeles College*

Of the 15 students selected for compliance testing, we noted:

- 2 students had status changes that were reported 46 days late to the NSLDS.
- 1 half-time student was reported as a full-time student.
- 1 less-than-half-time was reported as a full-time student.
- 5 withdrawn students were reported as full-time students.
- 2 students who have 0 units in Spring 2018 were reported as full-time students in Fall 2017 (1 student) and Spring 2018 (1 student).
- 1 student who has 0 units in Spring 2018 was reported as a half-time student.

*Recommendation*

We recommend that the District continue to work on the development and implementation of the appropriate automated process and controls to ensure compliance with enrollment status reporting.

*Causes and Effect*

Initial configuration settings in the new PeopleSoft Student Information System (SIS) enrollment reporting module for National Student Clearinghouse (NSC) reporting produced inaccurate student record counts. The delay in Fall 2017 reporting was primarily due to the time needed by EPIE and District IT to conduct necessary systems analysis and identify and test the updated settings. Moreover, in Spring 2018, ongoing systems analysis by EPIE, an outside consultant, and District IT, recognized that parameters used in the enrollment report creation processes, while correctly set, had not completely removed residual data from the file generation process and had contributed to inaccurate reporting of student status (unit load).

*Questioned Costs*

None.

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*Recommendation*

We recommend that the District continue working to develop the appropriate automated controls to generate the required enrollment data files and review procedures necessary in order to ensure monitoring of compliance with enrollment status reporting requirements.

*Views of Responsible Officials and Planned Corrective Actions*

The new NSC enrollment reporting module within the PeopleSoft Student Information System was utilized beginning in Fall 2017. The processes used to generate enrollment reports were more complex than those in the legacy system (DEC). In addition, beginning with this change, enrollment reporting was also shifted to the Educational Programs and Institutional Effectiveness division, which did not have previous experience with enrollment reporting or the use of the enrollment reporting module. Through internal analysis it was found that some initial configuration settings were not aligned with NSC reporting specifications, thereby delaying reporting until the correct settings were applied and tested. Load level rules were updated in early 2018 by the District IT business analyst and record counts were comparable to those in prior submissions under the legacy system. In addition, it was found that parameter settings within the enrollment reporting module did not completely remove residual data from the file generation process and led to inaccuracies in reporting of student status (unit load). The source of this problem, a corrupted run control job, was identified through ongoing internal systems analysis and with the help of an outside consultant in late Spring 2018. To correct this problem, an analyst in the EPIE division created a new run control job which became effective with Summer 2018 submissions. The analyst is assigned to monitor record counts and student unit load distributions in each submission to ensure that load level rules and run control settings continue to work properly.

The EPIE analyst assigned to NSC reporting, in collaboration with the NSC, identified that initial counts of records generated by the SIS enrollment reporting module and student status in Spring 2018 were inaccurate. This led to delays in Fall 2018 report submissions to the NSC as system analysis was conducted to research the cause of the inflated record counts and apply and test corrective actions. Moreover, ongoing system analysis and research in Spring 2018 determined that run control settings had become corrupted, which led to incorrect calculations of student unit load. Following additional analyses, a new run control job was developed to ensure correct reporting of student load and enrollment status.

The configuration and control settings, which led to inaccurate enrollment reporting through the fiscal year 2017-18 reporting cycle, have been corrected beginning in fiscal year 2018-19 through the creation of a new run control job (a program which controls the NSC file creation processes). Ongoing monitoring will ensure that enrollment report submissions are accurate.

*Persons responsible for implementation*

The EPIE analyst will continue to monitor record counts, student unit load distributions, and run control settings to ensure that updated load level rules continue to be utilized in reporting and that run controls do not become corrupted.

*Expected Date of Implementation*

Corrections to system configuration and parameters were implemented by the District IT business analyst effective March 7, 2018 for load level rules and by the EPIE analyst on August 6, 2018 for run controls. Based on ongoing testing and initial Fall 2018 submissions, reporting errors are minimal. Through understanding of the more complex enrollment reporting processes, experience gained in troubleshooting system settings during

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the first year of system implementation, and ongoing monitoring and systems analysis, it is expected that reporting errors of the type identified in the finding for fiscal year 2017-18 will be minimal in fiscal year 2018-19.

**Finding FA 2018-004: Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loans): Lacking Preparation of Required Monthly School Account Statement (SAS) Reconciliations**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster; Federal Direct Student Loans
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P268K180034, P268K180036, and P268K185260
<i>Federal Award Year:</i>	July 1, 2017 to June 30, 2018
<i>Campuses:</i>	Los Angeles Harbor College Los Angeles Trade Technical College Los Angeles Valley College
<i>Compliance Requirement:</i>	Special Tests and Provisions – Borrower Data Transmission and Reconciliation

*Criteria or Specific Requirement*

Per the Uniform Guidance institutions are required to prepare monthly reconciliations of School Account Statement (SAS) files. Each month, the Common Origination and Disbursement (COD) provides institutions with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail records. The school is required to reconcile these files to the institution's financial records.

*Identified Condition*

*Los Angeles Harbor College*

We noted that Los Angeles Harbor College did not prepare 10 of 11 required monthly reconciliations.

*Los Angeles Trade Technical College*

We noted that Los Angeles Trade Technical College did not prepare 8 required monthly reconciliations.

*Los Angeles Valley College*

We noted that Los Angeles Valley College did not prepare 8 of 9 required monthly reconciliations.



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*Causes and Effect*

The SIS consultants delivered an ineffective custom Direct Loan SAS report to the District for reconciliation purposes. This report did not meet the business requirements. As a result, the District was unable to prepare monthly reconciliations of the SAS files for fiscal year 2017-18, as required, for the following campuses:

Campus	No. of Months Required	No. of Months Submitted
Los Angeles City College	10	2
East Los Angeles College	8	2
Los Angeles Harbor College	11	1
Los Angeles Mission College	9	2
Los Angeles Pierce College	10	2
Los Angeles Southwest College	9	2
Los Angeles Trade-Tech College	8	0
Los Angeles Valley College	9	1
West Los Angeles College	9	2

*Questioned Costs*

None.

*Recommendation*

We recommend that the District implement additional monitoring controls to ensure compliance with the preparation of monthly reconciliation requirements.

*Views of Responsible Officials and Planned Corrective Actions*

The District developed and implemented a new SAS report using available resources. The newly developed SAS report was generated for the month of April 2018. CFAU provided the SAS report to all campuses in May 2018 to perform the reconciliation (for April reporting period). From that point forward, CFAU has sent all campuses a SAS report the first week of every month. The SAS reports are reviewed and reconciled by the campuses every month. The campuses send CFAU confirmation of reconciliation on a monthly basis.

Persons responsible for implementation: Ludwig Perez, Vernon Bridges, Peggy Loewy Wellisch, Steve Giorgi  
Position of responsible personnel: Financial Aid Manager  
Expected date of Implementation: 5/1/18

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**Finding FA 2018-005: Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loans): Untimely Reporting of Direct Loan Disbursement (Repeat Finding)**

*Federal Program Information*

*Federal Catalog Number:* CFDA 84.268

*Federal Program Name:* Student Financial Assistance Cluster; Federal Direct Student Loans

*Federal Agency:* U.S. Department of Education

*Passed Through Entity:* N/A

*Federal Award Number:* P268K180033, P268K180034, P268K180036 and P268K185260

*Federal Award Year:* July 1, 2017 to June 30, 2018

*Campuses:* Los Angeles Harbor College  
Los Angeles Trade Technical College  
Los Angeles Valley College  
Los Angeles City 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 Harbor 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 16 days after the disbursement was made to the student. The submittal was late by 1 day.

*Los Angeles Trade Technical College*

We noted that 3 out of 30 students selected for compliance testing were reported late to the DLSS via the COD report. The required reports were submitted between 21 to 151 days after the disbursements were made to the students. The submittals were late by 6 to 136 days.

*Los Angeles Valley College*

We noted that 5 out of 30 students selected for compliance testing were reported late to the DLSS via the COD report. The required reports were submitted between 16 to 30 days after the disbursements were made to the students. The submittals were late by 1 to 15 days.

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*Los Angeles City College*

We noted that 1 out of 6 students selected for compliance testing was reported late to the DLSS via the COD report. The required report was submitted 16 days after the disbursement was made to the student. The submittal was late by 1 day.

*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. The effect is that disbursement information is not reported to the US Department of Education timely and is not accurate. Incorrect and/or untimely reporting could result in additional oversight and the institution could be deemed lacking administrative capability.

*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 and has taken corrective action to remediate the finding. The District will implement a process to submit COD files immediately after disbursement twice a week. In addition, the District will also submit COD files regardless of whether the District disburses during the given week.

Persons responsible for implementation: Thai Quach

Position of responsible personnel: Sr. Computer and Network Specialist

Expected date of Implementation: 10/02/18

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**Finding FA 2018-006: Eligibility: Incorrect Federal Pell Grant Amounts Awarded**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.063
<i>Federal Program Name:</i>	Student Financial Assistance Cluster; Federal Pell Grant Program
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P063P170036 and P063P175260
<i>Federal Award Year:</i>	July 1, 2017 to June 30, 2018
<i>Campuses:</i>	Los Angeles Trade Technical College Los Angeles Valley College
<i>Compliance Requirement:</i>	Eligibility

*Criteria or Specific Requirement*

Per *34 Code of Federal Regulations 690.61 Submission process and deadline for a Student Aid Report or Institutional Student Information Record*, An institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement and electronically transmit Federal Pell Grant disbursement data to the Secretary for that student if –

- (i) The student submits a valid SAR to the institution; or
- (ii) The institution obtains a valid ISIR for the student.

Further, per *34 Code of Federal Regulations 690.62 Calculation of a Federal Pell Grant*, the amount of a student's Pell grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

The *Uniform Guidance Compliance Supplement* states that the Department of Education provides to institutions Payment and Disbursement Schedules for determining Pell awards each year. The Payment or Disbursement Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, Expected Family Contribution (EFC) and Cost of Attendance (COA). The Payment Schedule is used to determine the annual award for full-time, three-quarter time, half-time, and less-than-half-time students.

The steps to determine Pell awards are as follows:

- (1) Determine the student's enrollment status (full-time, three-quarter time, half-time, or less than-half-time).
- (2) Calculate the cost of attendance. This is always based on the cost for a full-time enrollment status for a full academic year. If the student is enrolled in a program or enrollment period that is longer or shorter than an academic year, the costs must be prorated so that they apply to one full academic year. There are two allowable proration methods. Costs can be on an actual cost-per-student basis or an average cost for

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groups of similar students. If the student is enrolled less than half-time, the only allowable cost components are tuition and fees, allowance for books and supplies, transportation allowance, allowance for dependent care, and room and board.

- (3) Determine the annual award, based on the cost of attendance calculated above and the EFC, from the Payment or Disbursement Schedule for the student's enrollment status (i.e., full-time, three quarter-time, half-time, or less than half-time).
- (4) Determine the payment period. For term programs (semester, trimester, quarter), the payment period is the term.
- (5) Calculate the payment for the payment periods. The calculation of the payment for the payment period may vary depending on the formula used, the length of the program compared to the academic year, and whether the institution uses an alternative calculation for students who attend summer terms (34 CFR Sections 690.61 through 690.67.)
- (6) Disburse funds at prescribed times. (34 CFR Sections 690.61 through 690.67, and 690.75 through 690.76; Pell Grant Payment Schedules; General Provisions regulations, part 668, subpart K, and FSA Handbook).

#### *Identified Condition*

##### *Los Angeles Trade Technical College*

Of the 30 students selected for eligibility testwork, we noted the following:

- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$221. The student's less than half-time status at Fall 2017 was eligible for \$519, but was awarded for \$740 in assistance
- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement by \$196. The student's less than half-time status at Spring 2018 was eligible for \$544 but was awarded for \$740 in assistance.
- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an understatement of the disbursement to the student by \$137. The student was eligible for \$544, but was awarded for \$407 in assistance
- 1 student who received an FSEOG and was also eligible for a Pell grant award of \$2,960 in Fall 2017. However, the Pell grant was not disbursed to the student until identified during audit.

##### *Los Angeles Valley College*

Of the 30 students selected for eligibility testwork, we noted that:

- 1 student had an incorrect calculation of Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$221. The student's less than half-time status at Summer 2018 was eligible for \$519 but was awarded for \$740 in assistance.
- 1 student had an incorrect calculation of Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$196. The student's less than half-time status at Summer 2018 was eligible for \$544 but was awarded for \$740 in assistance.

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- 1 student an incorrect calculation of Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$63. The student's less than half-time status at Summer 2018 was eligible for \$544 but was awarded for \$607 in assistance.
- 1 student who had received an FSEOG and was also eligible for Pell grant award of \$5,920 in academic year 2018. However, the Pell grant award was not disbursed to the student until identified during audit.

#### *Causes and Effect*

The new SIS incorrectly calculated the budgets for Less Than Half Time (LTHT) students when building budgets for a single term. When building budgets for more than one term, the SIS builds the budgets correctly. The District would be liable for overpayments and deemed lacking administrative capability and placed on heightened cash monitoring

#### *Questioned Costs*

The District has a known over award of Pell grant by \$760. The District has a projected net over-award in the amount of \$123,669, computed by dividing errors found in samples over total award in the sample size multiplied by the total awards for the identified colleges.

#### *Recommendation*

We recommend that the District make the necessary system modifications to the new SIS in order to ensure student budgets are properly calculated for the various student types. This will help ensure that Federal Pell grants are properly awarded to students who meet the eligibility requirements.

#### *Views of Responsible Officials and Planned Corrective Actions*

The District concurs and has taken corrective action to remediate the finding. Effective summer of 2018, the SIS has been configured so that it will not disburse Pell awards to students that are enrolled LTHT and the Pell award is higher than the calculated value of \$544. The campuses will also implement a process to manually update the student's budget and recalculate eligibility which will allow the Pell grant to be properly disbursed to the student. In addition, CFAU is working with the District IT department to develop an automated process to build the budgets correctly.

Persons responsible for implementation: Ludwig Perez, Vernon Bridges, Peggy Loewy Wellisch, Steve Giorgi  
Position of responsible personnel: Financial Aid Manager

Expected date of Implementation: Manual process is in effect as of the summer term 2018 and the automated solution is expected to be implemented by the end of the fall term (12/16/18).

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**Finding FA 2018-007: Reporting: Inaccurate Participant Data Reported in the Annual Performance Report**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.031
<i>Federal Program Name:</i>	Higher Education – Institutional Aid Jardin de STEM Program
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P031C160250 – 17
<i>Federal Award Year:</i>	October 1, 2017 to September 30, 2018
<i>Campus:</i>	East Los Angeles College
<i>Compliance Requirement:</i>	Reporting

*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.

*Identified Condition*

In performing testwork over reporting at East Los Angeles College, we noted that the number of program participants originally used in preparing the program's preliminary Annual Performance Report (APR) for fiscal year 17-18 was incorrect. The supporting system-generated report used to derive the number of participants also included student employees who are not actual program participants. Once this issue was identified as part of the audit, the participant data in the APR was subsequently corrected prior to the APR submission date.

*Causes and Effect*

Per inquiry with the Associate Dean, the CI Track system is used for scheduling student appointments with counselors and is also used as a convenience to schedule employee meetings with the counselors. These particular employees were past students and used their student identification numbers to request employee meetings with counselors. Consequently, the list of participants generated from the system inadvertently included both student program participants and student employees who had met with counselors as part of their regular job function. Without the report being reviewed and data cleaned, the system report was forwarded to the program external evaluator and also used as the source report for the listing of student program participants receiving counseling services.

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*Questioned Costs*

None.

*Recommendation*

We recommend that the College implement processes and procedures to verify the accuracy of the source data used in preparing the APR. Such procedures should include a formal review of program participant supporting source documents and reconciliation process to ensure that the APR reflects actual student program participants only and properly excludes student employees.

*Views of Responsible Officials and Planned Corrective Actions*

The College will have:

1. Employee meetings with counselors scheduled outside of the CI Track system.
2. The participant data report obtained from CI Track system will be reviewed for data accuracy prior to being forwarded to evaluators and/or prior to being considered in the project decision-making and reporting activities.
3. Student employees who administer or provide Jardin de STEM services, such as SI Coaches or Peer Mentors, will be excluded from the comparison group and will also be excluded from any Jardin de STEM activities in which they also administer the services. Current student program participants who are also student employees who receive Jardin de STEM services that they do not also administer will be included in the treatment group.

Personnel responsible for implementation: Djuradj Babic

Position of responsible personnel: Associate Dean and Project Director Expected

Date of Implementation: Immediate



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**Finding FA 2018-008: Eligibility: Missing Proof of Review and Academic Need Data Inputs in the Application Forms**

*Federal Program Information*

*Federal Catalog Number:* TRIO Cluster – CFDA 84.042 and CFDA 84.047

*Federal Program Name:* TRIO – Student Support Services  
TRIO – Upward Bound

*Federal Agency:* U.S. Department of Education

*Passed Through Entity:* N/A

*Federal Award Number:* P042A150835 – 17  
P047A120008

*Federal Award Year:* September 1, 2017 to August 31, 2018  
September 1, 2016 to August 31, 2017

*Campus:* Los Angeles Southwest College

*Compliance Requirement:* Eligibility

*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.

*Identified Condition*

*Student Support Services (SSS)*

We noted that 2 out of 3 student applications selected for eligibility testwork were missing data input (tickmarks) for the section used in determining academic need.

*Upward Bound (UB)*

We noted that 4 out of 4 student applications were lacking evidence of review (signatures of Program Counselor) on the "Verification of Eligibility and Selection" Form included in the supporting documentation attached to the application.

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*Causes and Effect*

*Student Support Services (SSS)*

The academic need section in the "Verification of Eligibility and Selection" form was not marked due to unintentional oversight upon filling out the form. Supporting documents, however, showed the student has an academic need and is still a qualified participant of the program. Further, another "Academic Need" section is on the application where students check all the items listed that may apply to them. It is for the student to determine if any of the reasons indicated are applicable to their particular circumstance.

*Upward Bound (UB)*

Since the Upward Bound project was entering the final year of the 2012-17 performance period, and with the knowledge that the program had not received funding to continue, the decision was made to cease the recruitment of new students. Due to this, manpower used to oversee the program has significantly changed and proper reviews and sign-offs have not been in place.

*Questioned Costs:*

None.

*Recommendation:*

We recommend that the College monitor Eligibility supporting documents to ensure that application forms and verification of eligibility determination is properly reviewed and approved. We also recommend that additional review procedures be established to ensure supporting documentation is complete and intact even through employee transitions.

*Views of Responsible Officials and Planned Corrective Actions:*

*Student Support Services (SSS)*

The TRIO Scholars SSS application has been updated to clearly indicate the appropriate areas for "Academic Need" and "Academic History" An additional checkbox has been added to the "Academic History" section stating "None of the above apply"

Additionally, supplemental monitoring of the programs will now exist to ensure compliance. During November 2018, the Dean will review the eligibility compliance and the file documentation guidelines with each program coordinator. The Dean will also implement the conducting of random reviews of the files for accuracy and missing data each year. This will include ensuring that there is no missing data (tick marks) for determining academic need as well as verification of signatures in the appropriate areas. This same process will also be repeated and implemented as we begin another grant period.

*Upward Bound (UB)*

As the program ended in October 2017, no action plan is warranted. However, for similar Trio programs, the College will create a check sheet that will encompass signature of the reviewer as evidence that the review has been performed.

Personnel responsible for implementation: Dr. Erika Miller (SSS), and Jeanette Magee (All programs)

Position of responsible personnel: Program Directors and Dean of Special Programs

Date of Implementation: November 2018

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**Finding FA 2018-009: Equipment Management: Lack of Regular Physical Inspection and Reconciliation of Equipment Listing**

*Federal Program Information*

*Federal Catalog Number:* TRIO Cluster – CFDA 84.042, 84.044

*Federal Program Name:* TRIO – Student Support Services (SSS)  
TRIO – Student Support Services – Science, Technology,  
Engineering, Mathematics (SSS-STEM)  
TRIO – Talent Search (TS)  
TRIO – Upward Bound (UB)

*Federal Agency:* U.S. Department of Education

*Passed Through Entity:* N/A

*Federal Award Number:* P042A150835 – 17  
P042A150850 – 17  
P044A160617 – 17  
P047A120008

*Federal Award Year:* September 1, 2017 to August 31, 2018  
September 1, 2017 to August 31, 2018  
September 1, 2017 to August 31, 2018  
September 1, 2016 to August 31, 2017

*Campus:* Los Angeles Southwest 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.

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- (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 the *TRIO – SSS, SSS-STEM, TS and UB* programs did not perform regular physical inspections of federally purchased equipment. Per inquiry with the program directors, physical inspections are currently performed on an “as-needed” basis.

*Causes and Effect*

The College staff did not adhere to district policies and therefore the required inspection was not performed.

*Questioned Costs*

None.

*Recommendation*

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

*Views of Responsible Officials and Planned Corrective Actions*

In order to ensure the College adheres to District policies, the College will have

- 1. The physical inventory and inspection of property performed and properly documented every two years.
- 2. Any issues noted will be fully investigated and resolved.

Personnel responsible for implementation: Dr. Erika Miller (SSS), Dr. Angelita Salas(SSS-STEM), Sidney Cosby (TS), and Jeanette Magee (All programs)

Position of responsible personnel: Program Directors and Dean of Special Programs

Date of Implementation: November 2018

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**Finding FA 2018-010: Earmarking: Unmet Earmarking Requirements**

*Federal Program Information*

<i>Federal Catalog Number:</i>	TRIO Cluster – CFDA 84.042
<i>Federal Program Name:</i>	TRIO – Student Support Services (SSS)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P042A150835 – 17
<i>Federal Award Year:</i>	September 1, 2017 to August 31, 2018
<i>Campus:</i>	Los Angeles Southwest College
<i>Compliance Requirement:</i>	Earmarking

*Criteria or Specific Requirement*

Per the *Uniform Guidance* Supplement, the Earmarking Compliance Requirements for the TRIO – SSS Program is as follows:

- (i) SSS Program – For each year of the project period, a grantee must serve at least the number of participants that the Secretary identifies in the Federal Register notice inviting applications for a competition (34 CFR Section 646.32(a))

*Identified Condition*

In performing testwork over reporting, we noted that the program did not meet the earmarking requirements. There were 244 participants served compared to the required 258 participants.

*Causes and Effect*

Due to low enrollment throughout the college district, the College saw a dramatic drop in student enrollment during FY2016-17 school year. During the indicated school year, the program did not have a dedicated Director, Counselor or Dean of TRIO to help retain the appropriate number of participants expected. Recruitment efforts were also limited due to the vacancy of those positions.

*Questioned Costs*

None.

*Recommendation:*

We recommend that the College closely monitor the program's compliance with the Earmarking Requirements. We also recommend that additional review procedures be established to at the end of each project period to verify whether earmarking requirements have been met.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Schedule of Federal Findings and Questioned Costs  
Year ended June 30, 2018

*Views of Responsible Officials and Planned Corrective Actions*

To help maintain the expected participant numbers, application deadlines have been extended for interested parties and heavier recruitment efforts have also been instituted. Additional staff has been hired to assist with recruiting new students for the program.

Personnel responsible for implementation: Dr. Erika Miller (SSS), and Jeanette Magee (All programs)  
Position of responsible personnel: Program Directors and Dean of Special Programs  
Date of Implementation: November 2018

**Finding FA 2018-011: Reporting: Lack of Supporting Documentation and Records Retention of Reported Performance Data**

*Federal Program Information*

*Federal Catalog Number:* TRIO Cluster – CFDA 84.042  
*Federal Program Name:* TRIO – Student Support Services (SSS)  
*Federal Agency:* U.S. Department of Education  
*Passed Through Entity:* N/A  
*Federal Award Number:* P042A150327 – 17  
*Federal Award Year:* September 1, 2017 to August 31, 2018  
*Campus:* Los Angeles Valley College  
*Compliance Requirement:* Reporting

*Criteria or Specific Requirement*

Per the *Uniform Guidance* Supplement and 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 Valley College*

During our review of the Performance Report for the SSS grant, we noted that there was no supporting documentation maintained on file to validate the reported number of students for each type of services indicated in the submitted performance report.

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*Causes and Effect*

The contract with the third-party vendor who maintains the record-keeping system ended at the time of the audit. The College only had limited access to the reporting data. The College is working on having its access restored to be able to generate the required supporting documents.

*Questioned Costs*

None.

*Recommendation*

We recommend that the colleges 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 Performance Reports.

*Views of Responsible Officials and Planned Corrective Actions*

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 make sure required documentation for compliance is retained

Personnel responsible for implementation: Julie Mendoza (LAVC)  
Positions of responsible personnel: Program Director  
Date of Implementation: Next submission due date of Performance Report.

**Finding FA 2018-012: Allowable Costs/Cost Principles: Incomplete and Inaccurate Information in the Time and Effort Certification**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.048
<i>Federal Program Name:</i>	Career and Technical Education – Basic Grants to States (Perkins IV)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	California Community College’s Chancellors Office
<i>Federal Award Number:</i>	16-C01-027
<i>Federal Award Year:</i>	July 1, 2017 to June 30, 2018
<i>Campus:</i>	Los Angeles Pierce College
<i>Compliance Requirement:</i>	Allowable Costs/Cost Principles

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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*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.
- 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
  - (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

*Identified Condition*

In performing testwork over payroll-related expenditures charged to the grant, we noted that for 1 of 2 employees sampled, the time and effort certification did not contain program and fund information used in determining appropriate charges to the grant. The time and effort was also not updated to reflect the most recent percentage used in determining actual charges and time spent on the program.



**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
Schedule of Federal Findings and Questioned Costs  
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*Causes and Effect*

The program team was unable to fully implement proper review and monitoring controls in the preparation of time and effort.

*Questioned Costs*

None.

*Recommendation*

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

*Views of Responsible Officials and Planned Corrective Actions*

Time and effort reports form will be changed to include the following information: program name, project name, funding source, percentage of time charged and other account information. The forms will be collected and sorted by employee and fund for each pay period. Proper review and monitoring controls would also be established.

Persons responsible for implementation: Tom Vessella

Position of responsible personnel: Dean of CTE

Expected date of Implementation: November 1, 2018

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
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**Finding FA 2018-013: Equipment Management: Lack of Regular Physical Inspection and Reconciliation of Equipment Listing**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.048
<i>Federal Program Name:</i>	Career and Technical Education – Basic Grants to States (Perkins IV)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	California Community College’s Chancellors Office
<i>Federal Award Number:</i>	16-C01-027
<i>Federal Award Year:</i>	July 1, 2017 to June 30, 2018
<i>Campus:</i>	Los Angeles Pierce College
<i>Compliance Requirement:</i>	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 a formalized regular physical inspection for federally purchased equipment was not performed. Further, the equipment listing did not contain a readily verifiable equipment identifier number that could be used to locate the actual piece of equipment during a physical inspection.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
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*Causes and Effect*

The College staff did not adhere to District policies and therefore the required inspection was not performed.

*Questioned Costs*

None.

*Recommendation*

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

*Views of Responsible Officials and Planned Corrective Actions*

Pierce College will implement inventory software. The inventory will include the 12 items designated in the District inventory policy as well as the funding source and condition. The inventory records will also include serial numbers. The tagging system will also have a number identification as well as a program designation. This will allow identification of purchased items even when installation obscures the serial number and other identifying information. The new system will also put permanent marking on items when possible to avoid any confusion or accidental tag removal.

A classified position has been requested and sent to the Personnel Commission for approval. This individual will be responsible for yearly inventory and marking. The inventory will be placed on the CTE programs website and will take place in July 2019.

Persons responsible for implementation: Thomas Vessella  
Position of responsible personnel: Dean of CTE  
Expected date of Implementation: June 2019

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
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**Finding SA 2018-014: Suspension and Debarment: Vendor Status Verification**

*Federal Program Information*

<i>Federal Catalog Number:</i>	CFDA 84.048
<i>Federal Program Name:</i>	Career and Technical Education – Basic Grants to States (Perkins IV)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	California Community College’s Chancellors Office
<i>Federal Award Number:</i>	16-C01-027
<i>Federal Award Year:</i>	July 1, 2017 to June 30, 2018
<i>Campus:</i>	East Los Angeles College
<i>Compliance Requirement:</i>	Procurement, 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 non-procurement 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.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed \$25,000 or meet certain other criteria specified in the guidance. All nonprocurement transactions entered into by a recipient, irrespective of award amount, are considered covered transactions, unless they are exempt. This verification may be accomplished by checking the Excluded Parties List System (EPLS/SAM), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR Section 180.300).

*Identified Condition*

In performing test work, we noted that at East Los Angeles College, one procurement transaction did not have evidence of qualified status verification from the System of Award Management (SAM). Per inquiry with the Program Technicians, the vendor were not found in the SAM website, so they only obtained verbal confirmation from vendor and checked Dun & Bradstreet and California State Secretary instead.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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*Causes and Effect*

The Office of Continuing Education and Workforce Development (CEWD) did not have full understanding of the different methods for verifying a vendor that is not found in the SAM website.

*Questioned Costs*

None.

*Recommendation*

We recommend that additional training be performed to educate Contract Advisors on the compliance requirement for performing suspension and debarment checks before engaging the services of a vendor. Additionally, a review checklist should be implemented which requires the reviewer to assert that a SAM screenshot has been attached before initiating the purchase order.

*Views of Responsible Officials and Planned Corrective Actions*

The Continuing Education and Workforce Development Department updated its Procurement Vendor Verification procedure effective July 1, 2018. The update informed staff that they shall verify the sam.gov website prior to entering into any procurement transactions in order to ensure that vendors are not debarred or suspended from receiving federal funds. In addition, the office has implemented a checklist for vendor verification. If Vendor is not found in SAM website, the staff will be requesting a Certification Letter from the Vendor to assert they are not suspended or debarred in accordance with 2 CFR Section 180.300.

Persons responsible for implementation: Armida Ornelas, Ph.D.

Position of responsible personnel: Vice President

Expected date of Implementation: July 1, 2018

**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS**

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of State Findings and Questioned Costs

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**Finding SC 2018-001: Missing Supporting Residency Documentation and Missing Student Certification of Answers under Oath or Penalty of Perjury**

*State Compliance Requirement Information*

*State Compliance Section:* Section 425

*State Compliance Requirement:* Residency Determination for Credit Courses

*Campuses:* Los Angeles Trade Tech College  
West Los Angeles College

*State Criteria or Requirement*

Per the *Contracted District Audit Manual (CDAM) Section 425 – Residency Determination for Credit Courses*, the auditors should test the supporting residency documentation (hardcopy and/or electronic) of a sample of students in credit courses to determine whether each student has been properly classified as either a “resident” or a “nonresident”. The residence questionnaire used by the district in making residence classifications must require students to certify their answers under oath or penalty of perjury (certified electronically using an electronic signature or a manual signature).

*References*

Contracted District Audit Manual (CDAM) FY2017-18

*Identified Condition*

*Los Angeles Trade Technical College*

For 1 of 8 students sampled, we noted that there was no application form maintained on file.

*West Los Angeles College*

For 1 of 18 students sampled at West Los Angeles College, the application form used in determining residency classifications did not contain the student’s signature certifying the answers under oath or penalty of perjury.

*Causes and Effect*

*Los Angeles Trade Technical College*

The college implemented a one-stop onboarding office, Bridges to Success, in February 2014. The college accepted paper hard-copy applications at Bridges to Success and established a practice that once entered into the Student Information System (SIS), the original hard copy application would be stored in Admissions and Records and then stored as a scanned item via Viatron. While the college is able to demonstrate that the application was entered into SIS; the original hard copy application could not be located.

*West Los Angeles College*

In 2010, during the first week of semester rush period, a temporary worker failed to check to see if a student signed her paper application prior to processing it. As a result, the application was processed without the student’s signature. Supervisors spot-check staff work but they cannot double-check in every case.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of State Findings and Questioned Costs

Year ended June 30, 2018

*Questioned Costs*

None.

*Recommendation*

We recommend that the Campus strictly enforce procedures in reviewing and verifying completeness of residency determination supporting documentation files.

*Views of Responsible Officials and Planned Corrective Actions*

*Los Angeles Trade Technical College*

The District now utilizes an automated application process called CCC apply. This technology has led to a significant reduction in the use of paper hard copy applications. While there is an elimination of the use of paper applications, the Office of Student Services will implement a review of protocols for the processing and handling of paper applications.

Personnel responsible for implementation: Kaneesha Tarrant;  
Position of responsible personnel: Vice President of Student Services  
Expected date of Implementation: Fall 2018

*West Los Angeles College*

Corrective action has already been implemented. Starting with the implementation of our new student information system in fall of 2017, we no longer accept paper hard copy applications. As a result, there is no longer a need for front-line staff to check for signatures on applications.

Personnel responsible for implementation: Michael Goltermann  
Position of responsible personnel: Dean, Admissions and Records,  
Expected date of Implementation: Implementation already took place in fall 2018.

**Finding SC 2018-002: 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 Harbor 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.



## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Questioned Costs

Year ended June 30, 2018

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, Section 58102 Contracted District Audit Manual (CDAM) FY2017-18

#### *Identified Condition*

For 1 of 16 classes sampled at Los Angeles Harbor College, prerequisite information presented in the college catalog differed from that published in the class schedule. In the Class Schedule, "Nursing 323" indicates that the course has no prerequisites, while in the College Catalog the subject has a prerequisite that the student should have a grade "C" or better in all previous nursing courses taken.

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*

In the fall 2017, the District implemented PeopleSoft to maintain the class schedule. As a result, the schedule of classes incorrectly listed the prerequisite for Nursing 323. Review and reconciliation of information should have been made between the schedule of classes and the college catalog.

#### *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*

Currently, all Academic Affairs Deans are reviewing the winter and spring class schedules to ensure all requisite information alignment between the class schedule and the catalog. Once complete, there should be no future discrepancies.

Persons responsible for implementation: Luis Dorado  
Position of responsible personnel: Vice President of Student Services  
Expected date of Implementation: Immediately

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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**Finding SC 2018-003: Improper Apportionment for Students without Attendance Documentation and Students With Zero Hours As Of The Census Date And Classes Did Not Meet Required Conditions For TBA Apportionment**

*State Compliance Requirement Information*

*State Compliance Section:* Section 479

*State Compliance Requirement:* To be Arranged Hours

*Campuses:* Los Angeles Harbor College  
Los Angeles Trade Technical College

*State Criteria or Requirement*

Per the *Contracted District Audit Manual (CDAM) Section 479 – To be Arranged Hours*, districts need to track to be arranged (TBA) hour student participation carefully and make sure they do not claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course.

Per the California Community Colleges Chancellor's Office Memorandum titled "To Be Arranged (TBA) Hours Follow-up Memorandum, dated January 26, 2009", the following conditions must be met for TBA Hours Consideration:

1. The official course outline of record must include the number of TBA hours and specific instructional activities/learning outcomes for TBA hours expected of all students enrolled in the course.
2. The TBA hours must provide instruction that is not homework and the student work completed for TBA must be evaluated. In this regard, do not include within TBA hours unsupervised activities such as attendance at plays and concerts. Apportionment may not be collected for such activities.
3. The TBA hours/week required for the course must be included in the published catalog and class schedule.
4. The designated location for the TBA hours must be specified in a way that appropriately informs students.
5. All students enrolled in a course with TBA hours must be required to fulfill the hours and other conditions for TBA. Make sure that all student participation is documented.
6. TBA hours may not be claimed for apportionment under the auspices of individual student tutoring.

*References*

Contracted District Audit Manual (CDAM) FY2017-18

To Be Arranged (TBA) Hours Follow-up Memorandum, dated January 26, 2009

*Identified Condition*

*Los Angeles Harbor College*

During our testwork at Los Angeles Harbor College, we noted that 115 of 506 students have documented 0 hours as of the census date and 112 of 506 students have no documentation of student participation.

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Questioned Costs

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#### *Los Angeles Trade Tech College*

We noted that 5 out of 23 classes sampled at Los Angeles Trade Tech College did not meet the conditions to qualify as a TBA class. These classes were only created to accommodate students seeking credit by an examination. These classes did not have any instructional activities or learning outcomes from TBA hours enrolled by the students.

#### *Causes and Effect*

##### *Los Angeles Harbor College*

The implementation of PeopleSoft provided the College a new process to keep track of TBA courses via that system. However, the system is fairly new and is still in transition. As a result many faculty members have continued to keep track of TBA courses in a variety of manners. The faculty that did attempt to use the system encountered that data disappeared once entered. As result, faculty members reverted back to keeping track of their TBA attendance via excel spreadsheets, sign in and sign out sheets, or the use of ACCU Track.

##### *Los Angeles Trade Technical College*

The District switched to the new PeopleSoft student information system (SIS) in Summer 2017. Course scheduling in the new SIS came with challenges, primarily learning the system along with correcting system issues along the first year roll out. Credit by exam "shells" were input into the SIS by faculty department chairs. These shells are required in order for the credit by exam grade to be entered into the SIS and the students' grades to be transcribed. These course shells are unpaid and are non-apportionment generating. Unfortunately, some of these course shells were not coded correctly and were classified as TBA courses with one or two student enrollments.

#### *Questioned Costs*

##### *Los Angeles Harbor College*

\$185,856.74 (36.08 FTES exception multiplied by \$5,151.24 credit FTES reimbursement rate)

##### *Los Angeles Trade Technical College*

None.

#### *Extrapolated Finding*

##### *Los Angeles Harbor College*

\$256,068.14 (49.71 FTES exception multiplied by \$5,151.24 credit FTES reimbursement rate)

##### *Los Angeles Trade Technical College*

None.

#### *Recommendation*

We recommend that the Campus strictly enforce procedures in tracking TBA hour student participations. We also recommend that the District strengthen its review controls to ensure that apportionments are being claimed on properly classified TBA courses only. Additionally, the District should review the coding in SIS and update accordingly to ensure that TBA courses are properly coded.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

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Year ended June 30, 2018

*Views of Responsible Officials and Planned Corrective Actions*

*Los Angeles Harbor College*

To ensure discrepancies don't occur in the future, Admissions & Records Staff have been working with faculty and training them on how to ensure their data is saved. We have done individual trainings and are also doing group trainings. Academic Affairs is also in the process of reviewing all the TBA Sections for Spring 2019 to strictly enforce TBA student tracking moving forward.

Persons responsible for implementation: Luis Dorado  
Position of responsible personnel: Vice President Student Services  
Expected date of Implementation: Spring 2019

*Los Angeles Trade Technical College*

For year 2017-2018, the Office of Instruction has gone back through each term, checked all credit by exam sections for proper coding, and corrected any sections improperly coded prior to the district submitting for a recalculation.

The Office of instruction will implement a series of reviews to check for proper coding of all courses in the schedule. This includes a primary review of all TBA by the scheduling staff, then a second review by the deans, followed by third review that will be completed by the vice president of instruction. Additionally, credit by exam section SIS input will be restricted to the scheduling staff or the college registrar.

Persons responsible for implementation: Jim Lancaster  
Position of responsible personnel: Vice President, Instructional Deans, Scheduling Staff  
Expected date of Implementation: Fall 2018

**Finding SC 2018-004: Missing Academic Accommodation Plan (AAP)**

*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*

Per 2015 *Implementing Guidelines for Title 5 DSPS Regulations*, each college shall generate an Academic Accommodation Plan (AAP) and maintain a record of the interactive process between each DSPS student and a DSPS certificated staff member regarding the academic adjustments, auxiliary aids, services and/or instruction necessary to provide the student equal access to the educational process, given the educational limitations resulting from the student's disabilities. In addition, when a student is enrolled in educational assistance classes the AAP shall define measurable progress toward the goals of each class.

We are required by *Contracted District Audit Manual* to test student files for eligibility for state- sponsored disabled student services programs or courses.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**  
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*References*

2015 Implementing Guidelines for Title 5 DSPS Regulations Contracted District Audit Manual (CDAM)  
FY2017-18

*Identified Condition*

For 3 of 10 students sampled, there was no Academic Accommodation Plan (AAP) that serves as a record of the interactive process between each DSPS student and a DSPS professional staff member regarding the academic adjustments, auxiliary aids, services and/or instruction necessary to provide the student equal access to the educational process.

*Causes and Effect*

The college did not have a director of DSPS and therefore documents were not properly maintained.

*Questioned Costs*

None.

*Recommendation*

We recommend that the Campus strictly enforce procedures in the safekeeping of the student's eligibility documents.

*Views of Responsible Officials and Planned Corrective Actions*

Additional monitoring of the programs will exist to ensure compliance. During November of 2018, the Dean will review the eligibility compliance and the file documentation guidelines with each program staff. This will include ensuring that there is no missing Academic Accommodation Plan (AAP) which serves as the interactive process between the student and certificated staff as well as solidifying student access to the educational process. The Dean will also implement the conducting of random reviews of the files for accuracy and missing data. Furthermore, student records will be kept in locked files in a secured area to protect the safekeeping of eligibility documents.

Persons responsible for implementation: Jeanette Magee

Position of responsible personnel: Dean of Special Programs and Services

Expected date of Implementation: November 2018

**Finding SC 2018-005: Instructor did not Meet Minimum Qualifications**

*State Compliance Requirement Information*

*State Compliance Section:* Section 427

*State Compliance Requirement:* Disabled Student Programs and Services

*Campus:* Los Angeles Trade Technical College

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Questioned Costs

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#### *State Criteria or Requirement*

Per *Contracted District Audit Manual, Section 427-Dual Enrollment*, auditors are required to determine if the instructor teaching each course satisfies applicable minimum qualifications (Cal.Code Regs., tit. 5, sections 53410 et seq. and 58060).

Per *CCR 5 Section 53410. Minimum Qualifications for Instructors of Credit Courses, Counselors, and Librarians*. The minimum qualifications for service as a community college faculty member teaching any credit course, or as a counselor or librarian, shall be satisfied by meeting any one of the following requirements:

- (i) Possession of a master's degree, or equivalent foreign degree, in the discipline of the faculty member's assignment.
- (ii) Possession of a master's degree, or equivalent foreign degree, in a discipline reasonably related to the faculty member's assignment and possession of a bachelor's degree, or equivalent foreign degree, in the discipline of the faculty member's assignment.
- (iii) For faculty assigned to teach courses in disciplines where the master's degree is not generally expected or available, but where a related bachelor's or associate degree is generally expected or available, possession of either:
  - a bachelor's degree in the discipline directly related to the faculty member's teaching assignment or equivalent foreign degree plus two years of professional experience directly related to the faculty member's teaching assignment; or
  - an associate degree in the discipline directly related to the faculty member's teaching assignment or equivalent foreign degree plus six years of professional experience directly related to the faculty member's teaching assignment.
- (iv) For faculty assigned to teach courses in disciplines where the master's degree is not generally expected or available, and where a related bachelor's or associate degree is not generally expected or available, possession of either:
  - any bachelor's degree or equivalent foreign degree plus two years of professional experience directly related to the faculty member's teaching assignment; or
  - any associate degree or equivalent foreign degree plus six years of professional experience directly related to the faculty member's teaching assignment.

#### *References:*

California Code of Regulations Title 5

Contracted District Audit Manual (CDAM) FY2017-18

#### *Identified Condition:*

For 1 of 60 instructors sampled, we noted the instructor's credentials did not meet the minimum qualifications required for the subject.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Schedule of State Findings and Questioned Costs

Year ended June 30, 2018

*Causes and Effect*

Instructor was initially hired in 2013 for overlapping unclassified recreation series walk-on and adjunct coach (no seniority) assignments. Re-assignment of existing [i.e. continuing] employees into other classes is performed through campus scheduling function and not the district office. Assignment qualification issue was discovered during current audit, at which time the college was directed to provide documentation to establish minimum qualifications. Although employee appears to have sufficient professional experience to meet minimum qualifications, transcripts provided need to indicate that a degree has been conferred. Transcripts document completion of sufficient course units that may be equivalent to total units required for associate's degree.

*Questioned Costs*

None.

*Recommendation*

We recommend that the Campus strictly enforce procedures to comply with the minimum qualifications requirements.

*Views of Responsible Officials and Planned Corrective Actions*

The College has been directed by the District to provide transcript documenting conferred degree (BA or AA). The College may terminate adjunct assignment and return employee to unclassified walk-on coach assignment.

Persons responsible for implementation: R.L. Wells and Shawn Tramel

Position of responsible personnel: Athletic Director and HR Administrative Analyst

Expected date of Implementation: December 11, 2018

**Finding SC 2018-006: No source documents for hours claimed for RSI**

*State Compliance Requirement Information*

*State Compliance Section:* Section 444

*State Compliance Requirement:* Apprenticeship Related and Supplemental Instruction (RSI) Funds

*Campus:* Los Angeles Trade Technical College

*Contact Person:* Leticia Barajas

*State Criteria or Requirement*

Per Education Code 79149.1, attendance of apprentices enrolled in any class maintained by a community college, pursuant to Section 3074 of the Labor Code, shall be reimbursed pursuant to Section 79149.3 only if reported separately to the Chancellor of the California Community Colleges.

We are required by Contracted District Audit Manual to verify the hours claimed for RSI by tracing the hours reported for reimbursement to source documents such as student sign in sheets.

## LOS ANGELES COMMUNITY COLLEGE DISTRICT

### Schedule of State Findings and Questioned Costs

Year ended June 30, 2018

#### *References*

Education Code

Contracted District Audit Manual (CDAM) FY2017-18

#### *Identified Condition*

1,932 hours of the 5,760 sampled claimed RSI hours have no source documents.

#### *Causes and Effect*

Apprenticeship partners have multiple methods to confirm attendance (i.e. rosters, sign in sheets, roll call, etc.). There are no state regulations that require a specific format for source documentation. Since there were no prescribed guidelines for LATTC's apprenticeship partners regarding attendance tracking, source documentation varied across apprenticeship sites. The program was not able to retain standard supporting documentation for some hours reported.

#### *Questioned Costs*

\$11,398.80 (1,932 hours multiplied by \$5.90 reimbursement rate per RSI hour).

#### *Extrapolated Finding*

\$72,435.62 (1,932 hours exception divided by 5,760 sampled hours multiplied by 36,612 reported hours multiplied by \$5.90 reimbursement rate per RSI hour).

#### *Recommendation*

We recommend that the Campus strictly enforce procedures in the documentation and safekeeping of the hours participated by students. We also recommend that source documents are clearly defined and retained to support reported RSI hours and provide verifiable audit trail.

#### *Views of Responsible Officials and Planned Corrective Actions*

The VP of PIIE, working in collaboration with the Apprenticeship Faculty Coordinator and the apprenticeship support classified staff member, will develop protocols that align with applicable state regulations and requirements. This includes establishing an LATTC Apprenticeship Manual that will outline processes, forms and instructions to apprenticeship faculty to acquire and maintain source documentation. This will help ensure the timely identification of courses and student accompanied by regular monitoring on reporting of hours and tracking of required source documents. In addition, the existing apprenticeship PeopleSoft programming will be reviewed for needed updates to troubleshoot any barriers for student enrollment or "holds" thereby ensuring timely registration of apprenticeship students into respective apprenticeship courses.

Finally, a job classification review of the existing classified support position will be requested to ensure that the level of duties and responsibilities align with the level of student registration assistance, source document monitoring, and level of student interaction required for programmatic compliance.

Persons responsible for implementation: Leticia Barajas

Position of responsible personnel: Vice President, District Office PeopleSoft Lead (programming updates, as needed)

Expected date of Implementation: Initiate Fall 2018



## **SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

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
FA 2017-001	<i>Condition</i>		
Incorrect Cost of Attendance	<p>During our test eligibility testwork, we noted that the cost of attendance for 1 out of 30 students selected from Los Angeles City College 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.</p> <p><i>Corrective Action Plan</i></p> <p>The District will provide additional training to the financial aid staff to ensure that the correct Cost of Attendance 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.</p>	Implemented (City)	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>FA 2017-002</p> <p>Untimely Reporting of Direct Loan Disbursement (Repeat Finding)</p>	<p><i>Condition</i></p> <p>During our testing of compliance with special tests and provisions requirements for borrower data transmission and reconciliation, we noted that:</p> <ul style="list-style-type: none"> <li>• 1 out of 30 students sampled at Los Angeles City College 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.</li> <li>• 1 out of 30 students sampled at West Los Angeles College 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.</li> </ul>		
	<p><i>Corrective Action Plan</i></p> <p>The District noted 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</p>	<p>Not implemented (City)</p>	<p>Repeat current year finding FA 2018-005.</p>

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-003	<p>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.</p>	<p>Implemented  (West)</p>	
Incorrect Priority for FSEOG Awards	<p><i>Condition</i></p> <p>From a sample of 30 students from Los Angeles Southwest College 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>Corrective Action Plan</i></p> <p>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,</p>	<p>Implemented  (Southwest)</p>	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-004	<p>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.</p>		
Overstatement of Unmet Need	<p><i>Condition</i></p> <p>We noted that 2 out of 30 students selected for eligibility testwork at the Los Angeles Southwest College 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>Corrective Action Plan</i></p> <p>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>	<p>Implemented (Southwest)</p>	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-005	<p data-bbox="585 342 701 367"><i>Condition</i></p> <p data-bbox="585 399 966 423"><i>Los Angeles Southwest College</i></p> <p data-bbox="585 456 1213 675">Of 5 samples selected for testwork for compliance with special tests and provisions requirements for written arrangements, 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 data-bbox="585 708 903 732"><i>West Los Angeles College</i></p> <p data-bbox="585 764 1213 1049">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 data-bbox="585 1081 852 1105"><i>Corrective Action Plan</i></p> <p data-bbox="585 1138 966 1162"><i>Los Angeles Southwest College</i></p> <p data-bbox="585 1195 1213 1317">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>	Implemented (Southwest)	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-006	<p><i>West Los Angeles College</i></p> <p>The District 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>	Implemented (West)	
Enrollment Status Change Not Reported and Untimely Reporting of Status Change	<p><i>Condition</i></p> <p>In performing test work over enrollment reporting, we noted the following:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>		
	<p><i>Corrective Action Plan</i></p> <p><i>Los Angeles Southwest College</i></p> <p>The District noted 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</p>	Not Implemented (Southwest)	Repeat current year finding FA 2018-003.

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-007	<p>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.</p> <p><i>West Los Angeles College</i></p> <p>The District noted 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.</p>	Not Implemented (West)	Repeat current year finding FA 2018-003.
Incomplete Review of Participant Information (Repeat Finding)	<p><i>Condition</i></p> <p>In performing testwork, we noted the following control deficiencies over eligibility determinations at Los Angeles Southwest College:</p>		
H1B Job Training Grant CFDA 17.268	<ul style="list-style-type: none"> <li>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</li> </ul>		



Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-008	<p>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.</p> <ul style="list-style-type: none"> <li>Documentation was not maintained to verify high school information.</li> </ul> <p><i>Corrective Action Plan</i></p> <p>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.</p>	Not Implemented (Southwest)	With the program ended, the corrective action plan will be implemented when a grant with similar requirements is awarded to the College in the future period. There are no similar grants in the current year to verify that the corrective action plan has been implemented.
Vendor Status Verification (Repeat Finding)	<p><i>Condition</i></p> <p>The suspension and debarment statuses of vendors were not regularly verified prior to procurement.</p>		
H1B Job Training Grant	<p><i>Corrective Action Plan</i></p>		
CFDA 17.268	<p>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</p>	Not Implemented (Southwest)	With the program ended, the corrective action plan will be implemented when a grant with similar requirements is awarded to the College in the

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-009	<p data-bbox="585 342 1205 435">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.</p> <p data-bbox="585 581 701 610"><i>Condition</i></p> <p data-bbox="585 643 963 672"><i>Los Angeles Southwest College</i></p> <p data-bbox="585 704 1205 889">Expenditures on the Schedule of Expenditures of Federal Awards 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.</p>		<p data-bbox="1556 342 1877 500">future period. There are no similar grants in the current year to verify that the corrective action plan has been implemented.</p>
<p data-bbox="197 643 512 769">Inaccurate Reporting of Expenditures in Federal Financial Reports (Repeat Finding)</p> <p data-bbox="197 797 478 826">H1B Job Training Grant</p> <p data-bbox="197 854 359 883">CFDA 17.268</p>	<p data-bbox="585 919 900 948"><i>West Los Angeles College</i></p> <p data-bbox="585 980 1205 1421">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</p>		

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>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.</p> <p><i>Corrective Action Plan</i></p> <p><i>Los Angeles Southwest College</i></p> <p>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.</p>	<p>Not Implemented (Southwest)</p>	<p>With the program ended, the corrective action plan will be implemented when a grant with similar requirements is awarded to the College in the future period. There are no similar grants in the current year to verify that the corrective action plan has been implemented.</p>

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-010	<p><i>West Los Angeles College</i></p> <p>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.</p>	Not Implemented (West)	
<p>Inaccurate Reporting of Program Expenditures</p> <p>H1B Job Training Grant</p> <p>CFDA 17.268</p>	<p><i>Condition</i></p> <p>In performing compliance testwork for activities allowed or unallowed and allowable costs/cost principles, 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.</p>	Not Implemented (Southwest)	<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. 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.</p> <p>With the program ended, the corrective action plan will be implemented when a grant with similar requirements is awarded to the College in the future period. There are no similar grants in the current year to verify that the corrective action plan has been implemented.</p>

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-011	<i>Condition</i>		
Unmet Level of Effort (Repeat Finding)	In performing compliance testwork for Level of Effort, we noted that the Consortium did not meet 8 out of 9 targeted levels of outcome for the third program year as follows:		
Trade Adjustment Assistance Community College and Career Training	<ol style="list-style-type: none"> <li>7. Total Unique Participants Served</li> <li>8. Total Number of Participants Completing a Grant-Funded program of study</li> <li>9. Total Number of Participants Retained in Their program of study or Program of Study</li> <li>10. Total Number of Participants Completing Credit Hours</li> <li>11. Total Number of Participants Earning Credentials</li> <li>12. Total Number of Participants Enrolled in Further Education After Grant-funded program of study Completion</li> <li>13. Total Number of Participants Employed After Grant-funded program of study Completion</li> <li>14. Total Number of Participants Retained in Employment after program of study Completion</li> <li>15. Total Number of Those Participants Employed at Enrollment Who Received a Wage Increase Post-Enrollment</li> </ol>		
CFDA 17.282			

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-012	<p data-bbox="585 342 852 370"><i>Corrective Action Plan</i></p> <p data-bbox="585 402 1209 711">The Los Angeles Trade Technical 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.</p>	<p data-bbox="1278 396 1482 423">Not Implemented</p> <p data-bbox="1278 451 1367 483">(Trade)</p>	<p data-bbox="1556 396 1902 711">With the program ended, the corrective action plan will be implemented when a grant with similar requirements is awarded to the College in the future period. There are no similar grants in the current year to verify that the corrective action plan has been implemented.</p>
Payroll Documentation for Time and Effort	<p data-bbox="585 743 701 771"><i>Condition</i></p> <p data-bbox="585 805 1150 894">In performing testwork over payroll-related expenditures charged to the grant, we noted the following:</p> <ul data-bbox="585 927 1209 1253" style="list-style-type: none"> <li data-bbox="585 927 1209 1114">• 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.</li> <li data-bbox="585 1130 1209 1253">• 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.</li> </ul>		

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<i>Corrective Action Plan</i>			
	<i>East Los Angeles College</i>		
	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.	Implemented (East)	
	<i>Los Angeles Harbor College</i>		
	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.	Implemented (Harbor)	
FA 2017-013	<i>Condition</i>		
Vendor Status Verification	The suspension and debarment statuses of vendors were not verified prior to the first procurement activity using program funds.		

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-014	<p data-bbox="585 342 852 367"><i>Corrective Action Plan</i></p> <p data-bbox="585 399 894 423"><i>East Los Angeles College</i></p> <p data-bbox="585 456 1209 740">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.</p> <p data-bbox="585 773 921 797"><i>Los Angeles Harbor College</i></p> <p data-bbox="585 829 1209 1078">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.</p>	<p data-bbox="1278 461 1436 550">Implemented (East)</p> <p data-bbox="1278 829 1436 915">Implemented (Harbor)</p>	
<p data-bbox="197 1170 506 1354">Incorrect Period Reporting of Expenditures and Lack of Supporting Information and Records Retention of Reported Performance Data</p>	<p data-bbox="585 1110 701 1135"><i>Condition</i></p> <p data-bbox="585 1170 894 1195"><i>East Los Angeles College</i></p> <p data-bbox="585 1227 1209 1382">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>		



*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.

*Corrective Action Plan*

*East Los Angeles College*

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.

Implemented  
(East)

*Los Angeles Harbor College*

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,

Implemented  
(Harbor)

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-015	<p>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>Condition</i></p> <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 College will ensure all assets purchased be delivered to College</p>	<p>Implemented (Mission)</p>	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FA 2017-016	Receiving Unit to tag with LACCD tag before delivering to requesters.		
Improper Charging of Expenditure to Federal Program	<p data-bbox="585 431 701 456"><i>Condition</i></p> <p data-bbox="585 492 1209 740">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.</p> <p data-bbox="585 773 852 797"><i>Corrective Action Plan</i></p> <p data-bbox="585 829 1209 1333">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.</p>	Implemented (City)	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>FA 2017-017</p> <p>Missing Documentation for Time and Effort</p>	<p><i>Condition</i></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>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. 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.</p>	<p>Partially Implemented (Pierce)</p>	<p>While the process for Time and Effort has been implemented, the practice could use improvement and additions to the process as more conditions that need attention become apparent. A classified position was requested to complete this work but the position was denied as written on the first request. An additional request has been submitted and is under review.</p>
<p>FA 2017-018</p> <p>Absence of Physical Inventory of Equipment (Repeat Finding)</p>	<p><i>Condition</i></p> <p>In performing testwork for Equipment Management, we noted that:</p> <ul style="list-style-type: none"> <li>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</li> </ul>		

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>(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.</p> <ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>– 2 of 8 sampled units of equipment are missing the LACCD inventory tag</li> </ul> </li> </ul>		

- 1 of 8 sampled units of equipment has a serial number that does not match the tag number.

*Corrective Action Plan*

*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.

Implemented  
(East)

*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

Partially  
Implemented  
(Pierce)

A Physical inventory of Perkins purchased items was completed manually for 2016-2017 and 2017-2018. A computerized system was not purchased with sufficient time to implement for the 2016-2017 or



Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
SC 2017-001	<p data-bbox="585 342 888 367"><i>Los Angeles City College</i></p> <p data-bbox="585 399 1218 776">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.</p>		
<p data-bbox="199 867 510 987">Inconsistent Prerequisite Information Between College Catalog And Published Class Schedule</p>	<p data-bbox="585 808 701 833"><i>Condition</i></p> <p data-bbox="585 867 1218 1084">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 data-bbox="585 1117 1218 1427">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</p>		



Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>descriptions should be clear and understandable. Information is not consistent throughout the College's published documents.</p> <p><i>Corrective Action Plan</i></p> <p>The Course Outline of Records (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 Los Angeles South College 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 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 implemented changes which will be documented in the formal minutes.</p>	<p>Implemented (Southwest)</p>	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
SC 2017-002	<i>Condition</i>		
Ineligible Disabled Student Programs and Services (DSPS) Participants	<p>We noted that 5 out of 20 students sampled for test of compliance requirement for disabled student programs and services were not enrolled at the campus. These students received general services from the "Disabled Student Programs and Services" campus department.</p> <p><i>Corrective Action Plan</i></p> <p>The Los Angeles Southwest 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.</p>	Implemented (Southwest)	
SC 2017-003	<i>Condition</i>		
Missing Approval of Classes Attended by K-12 Students (Repeat Finding)	<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>		

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<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>Corrective Action Plan</i></p>		
	<p>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>Implemented (Southwest)</p>	
	<p>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 &amp; 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 &amp; Records staff of the process.</p>		

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
SC 2017-004	<p data-bbox="585 342 701 367"><i>Condition</i></p> <p data-bbox="585 399 1184 456">During our audit to verify eligibility of K-12 students claimed for apportionment, we noted the following:</p> <ul data-bbox="585 488 1220 1040" style="list-style-type: none"> <li data-bbox="585 488 1220 805">• 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.</li> <li data-bbox="585 821 1220 1040">• 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.</li> </ul>	Implemented (Southwest)	
	<p data-bbox="585 1068 852 1092"><i>Corrective Action Plan</i></p> <p data-bbox="585 1130 963 1154"><i>Los Angeles Southwest College</i></p> <p data-bbox="585 1190 1220 1343">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.</p>		

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
SC 2017-005	<p><i>Los Angeles Valley College</i></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 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.</p>	Implemented (Valley)	
Error in the Calculation of FY16-17 GANN "Appropriation Subject to Limit"	<p><i>Condition</i></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><i>Corrective Action Plan</i></p> <p>The District 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</p>	Implemented	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
SC 2017-006	and Management Analysis. The date of completion of the plan will be February 2018.	(District)	
Inclusion of Dropped Students in 'Students Actively Enrolled' Apportionment	<p data-bbox="585 431 701 456"><i>Condition</i></p> <p data-bbox="585 492 1209 643">During our compliance testwork over students actively enrolled, 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.</p> <p data-bbox="585 678 852 703"><i>Corrective Action Plan</i></p> <p data-bbox="585 738 1220 1302">The District already has an existing process to ensure that all exclusion rosters are turned in prior to calculation of Full Time Equivalent Student (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.</p>	Implemented (Valley)	

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FS-2017-001  Information Technology	<p data-bbox="585 342 701 367"><i>Condition</i></p> <p data-bbox="585 399 1220 808">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 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 data-bbox="585 841 852 865"><i>Corrective Action Plan</i></p> <p data-bbox="585 898 1220 1179">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</p>	Partially Implemented  (District)	The District has hired a third party vendor – Grant Thornton to complete the redesign of the Security Roles to address the Segregation of Duties Conflicts (SoD). The project is in process and on target for completion in fiscal year FY 2019.

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>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>		