



December 4, 2015

Chancellor's Office
California Community Colleges
College Finance and Facilities Planning
1102 Q Street, 4th Floor, Suite 4554
Sacramento, CA 95811-6511

To Whom It May Concern:

Enclosed is one bound copy of the annual financial report for the Lake Tahoe Community College for the year ended June 30, 2015. Electronic copies of this report have also been submitted to CDAMReports@cccco.edu.

Copies of the report have also been filed with the following agencies:

California Department of Education
Audits Investigation Division
1430 N Street, Room 5319
Sacramento, CA 95814

Department of Finance
Via PDF to OSAEHOTLINE@dof.ca.gov

El Dorado County Office of Education
Roslynne Manansala
6767 Green Valley Road
Placerville, CA 95667

Accrediting Commission for Community and Junior Colleges
Attn: Tom Lane, Admin Support
10 Commercial Blvd., Suite 204
Novato, CA 94949

and/or
Via PDF to nlyons@edcoe.org

and
Via PDF to accjc@accjc.org

Department of Social Services
Via PDF to Morgan.Peschko@dss.ca.gov

Federal Audit Clearinghouse
Via <http://harvester.census.gov> website

Very truly yours,

Terri A. Montgomery, Partner
of VAVRINEK, TRINE, DAY & CO., LLP

TAM/bjz

Enclosures

LAKE TAHOE COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit (Lake Tahoe College Foundation), of Lake Tahoe Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 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 auditor's 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 District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the supplementary information such as the Management's Discussion and Analysis, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions as listed in the table of contents 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by (U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Ture, Day & Co LLP

Pleasanton, California
December 2, 2015

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The discussion and analysis of Lake Tahoe Community College District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of the "Management's Discussion and Analysis" is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 15, and the notes to the basic financial statements beginning on page 24.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." Statement No. 35 was subsequently released, defining financial reporting for public colleges and universities. The financial statements in this report have been prepared in accordance with these standards.

The California Community College Chancellor's Office, through its Fiscal and Accountability Standards Committee, has recommended the Business Type Activity (BTA) model for financial reporting. Lake Tahoe Community College District has adopted the BTA reporting model for these financial statements.

To provide a more meaningful analysis of the District's financial information, certain comparative information is required to be presented in the MD&A. The reader will find comparative information relative to Full Time Equivalent Student enrollment (FTES) as well as key highlights of the audited financial statements.

As required, the annual report consists of three basic financial statements that provide information on the District as a whole:

- Statement of Net Position
- Statement of Revenues, Expenses and Change in Net Position
- Statement of Cash Flows

Financial Highlights

- The 2014/2015 State Budget Act was adopted on June 20, 2014. Voter approval of Proposition 30 along with a recovering economy provided California with a more positive revenue outlook than prior years. Funding specific to community colleges was similar to the Governor's May Revision and included a .85% cost of living adjustment (COLA). Access funding was included at 2.75% and was distributed to those colleges that have enrollment growth beyond their 2013/14 funded FTES. Additionally, categorical programs (Student Success and Support Program (SSSP) and Disabled Students Programs & Services (DSPPS) received increased allocations. Proposition 39, now in Year 2 of 5 provided approximately \$37.5 million to community colleges for energy efficiency projects.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Financial Highlights (Continued)

- The Board of Trustees' designated contingency reserve was designated in the Adopted Budget at 10.26% of budgeted unrestricted appropriations (\$1,461,061). At June 30, 2015, the ending unrestricted fund balance was \$1,745,811 or 12.52% of 2014/15 budgeted unrestricted appropriations. In addition to the General Fund Reserves, LTCCD held reserves in other funds for the following purposes:
 - Child Development Center (Fund 33) - \$5,000 was committed for unanticipated declining revenue as well as unexpected expenses.
 - Capital Projects Fund (Fund 41) - \$161,001 was committed for capital projects
 - Self-Insurance Fund (Fund 61) - \$60,000 was committed at June 30, 2015 in this fund to fund the District share of property/liability claims.
 - Retiree Health Benefits Fund (Fund 69) – \$42,863 was committed for retiree benefits.
 - Other Post-Employment Benefits (Fund 79) - \$184,238 is restricted and \$198,982 is committed for retiree benefits.
- LTCC has a number of categorical programs and grants to support college-wide initiatives including student equity, enrollment, instruction, and support. The Student Success and Support Program received increased funding, and the Student Equity Program is a new categorical program in California. The District had three federal TRIO grants: Upward Bound, for Math and Science Instruction; Education Talent Search, to assist individuals from disadvantaged backgrounds complete postsecondary education; and Student Support Services, to increase the college retention and graduation rates. These federal grants are awarded in five year terms. Additionally, the District was awarded an Adult Education Consortium Planning Grant (ABEG) to be expended in 2015/16. This grant provides funding for the purpose of developing regional plans for adult education and funding will be allocated between the District and the Lake Tahoe Unified School District (K-12).
- Fiscal Year 2014-15 achieved significant restoration in full-time equivalent students (FTES). LTCC was in the second of three years of stabilization due to the significant reduction in FTES in 2012/13. The college began a focused effort to stabilize campus-generated FTES in 2013/2014 that included strategic partnerships, course offerings, schedule enhancement, marketing strategies, and strategic recruitment and retention efforts. The college contracted an Enrollment Management Consultant to further these efforts.

The District continued to recover FTES due to an increase in off-campus enrollment. The South Bay Regional Public Safety Training Consortium Partnership (SBRPSTC) resulted in 314 FTES, an increase of 64 over the projected 250 and an increase of 242 from 2013/14. The factors that contributed to the steep decline in enrollment in 2012/13 were State imposed restrictions on course repeatability and the elimination of the California Good Neighbor Policy, which allowed Nevada residents to enroll at LTCC at a reduced tuition rate.

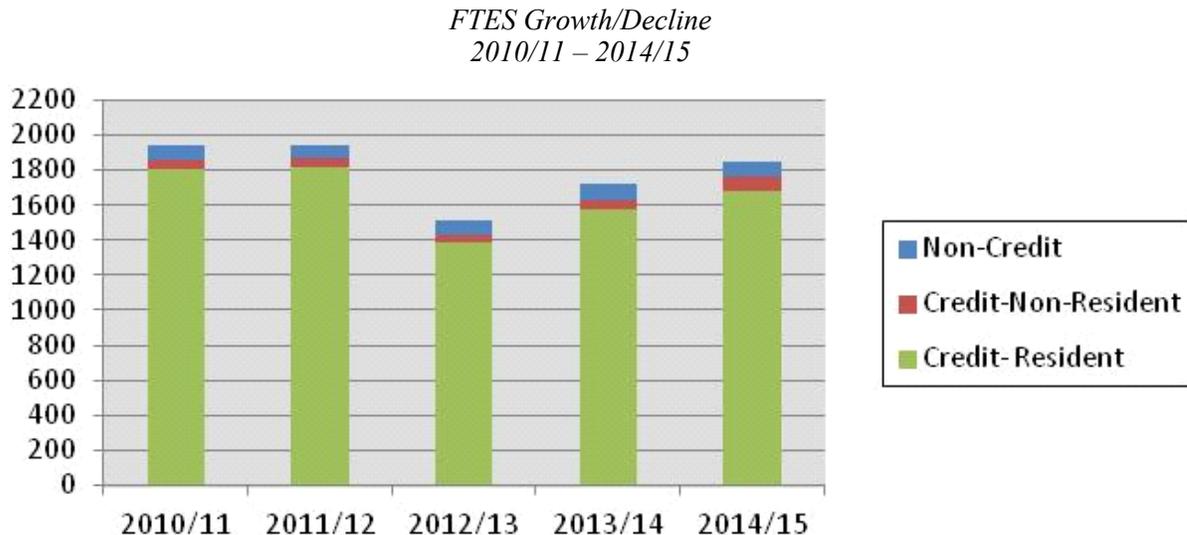
LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Financial Highlights (Continued)

The following chart summarizes the past five years of enrollment:



For the fiscal year 2014/15, each non-credit FTES was funded at \$2,812 per student and \$3,311 for each non-credit CDCP student. Each resident credit FTES was funded at a rate of \$4,676. In 2012/13 the District qualified for “stability funding”, a one-time funding mechanism to allow the District to adjust to the FTES decline. By State regulation, the District will have three years, ending in 2015/16, to restore FTES and corresponding funding. Subsequent year funding, however, will be commensurate with actual FTES earned.

Ancillary Programs

- The District’s Bookstore is operated by Barnes & Noble. The District receives a percentage of revenues from Barnes & Noble each year based upon the following scale:
 - 7.75% on all gross sales up to \$500,000.
 - 8.75% on all gross sales over \$500,000.
 - The district received \$32,800 in commissions from Barnes & Noble for the 2014/15 fiscal year.
- The Child Development Center (CDC) was designed with the idea of service for the child, the child's family, LTCC and the community. The CDC also provides training for students interested in becoming teachers of children through observation and on-site participation. The operating deficit in fiscal year 2014/15 was \$41,490 which was partially covered with a \$20,000 subsidy from the general fund.
- A Community Education program was launched in 2011/12 to meet the needs of community members affected by the new repeatability regulations and those desiring enrichment courses. These courses are not subsidized by State apportionment and are instead funded solely by participation fees. In 2014/15 this program generated \$233,072 in revenue and provided over 126 workshops to approximately 2,153 participants.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the modified-accrual basis of accounting, which is different than the methods of accounting used by most private-sector institutions. Net position, defined as the difference between assets and liabilities, is one way to measure the financial health of the District.

ASSETS	<u>2015</u>	Restated <u>2014</u>	<u>% Change</u>
Current Assets			
Cash and cash equivalents	\$ 2,383,431	\$ 1,286,866	85.2%
Accounts receivable, net	1,102,725	2,310,715	-52.3%
Prepaid expenses	13,765	68,966	-80.0%
Total Current Assets	<u>3,499,921</u>	<u>3,666,547</u>	-4.5%
Noncurrent Assets			
Capital assets, net	<u>27,800,997</u>	<u>28,726,245</u>	-3.2%
Total Noncurrent Assets	<u>27,800,997</u>	<u>28,726,245</u>	-3.2%
TOTAL ASSETS	<u>\$ 31,300,918</u>	<u>\$ 32,392,792</u>	-3.4%
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension contribution	<u>\$ 749,277</u>	<u>\$ 731,505</u>	100.0%

- Total assets for the District decreased 3.4% in fiscal year 2014/15 from the previous fiscal year.
- Cash and cash equivalents increased by over 85%, and receivables decreased 52% year over year primarily due to the improvement in timing of apportionment revenue received from the State.
- Included in capital assets are the net values of buildings, land and equipment. The capitalization threshold is \$5,000 or higher based upon original acquisition cost and capital assets by nature must have a life of longer than one year. Capital assets decreased \$925,248 year-over-year, largely due to annual depreciation expense.
- Deferred outflows are a new category of items related to the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*. This amount consists of pension contributions made during the 2014-15 fiscal year that are not included in the actuarial calculation of net pension liability until the following year.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Statement of Net Position (Continued)

LIABILITIES	2015	Restated 2014	% Change
Current Liabilities			
Accounts payable	\$ 418,053	\$ 213,448	95.9%
Accrued payroll and related liabilities	520,235	413,792	25.7%
Due to fiduciary funds	154,997	-	100.0%
Unearned revenue	712,660	323,185	120.5%
Long term debt - current portion	192,001	113,691	68.9%
Total Current Liabilities	<u>1,997,946</u>	<u>1,064,116</u>	87.8%
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	310,073	316,968	-2.2%
Bonds payable - noncurrent portion	1,135,000	1,225,000	-7.3%
Aggregate net pension obligation	9,282,659	12,423,771	100.0%
Other post employment benefits	152,604	299,182	-49.0%
Total Noncurrent Liabilities	<u>10,880,336</u>	<u>14,264,921</u>	-23.7%
TOTAL LIABILITIES	<u>\$ 12,878,282</u>	<u>\$ 15,329,037</u>	-16.0%

DEFERRED INFLOWS OF RESOURCES

Difference between projected and actual earnings on pension plan investments	<u>\$ 3,179,126</u>	<u>\$ 602,218</u>	100.0%
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- Accounts payable amounts increased primarily due to an accrual for \$218,639 for the South Bay Regional JPA.
- Accrued payroll increased 25.7% due to variations in scheduling that shift the number of sections and days of wages earned in June but not paid until July 2015.
- Due to fiduciary funds increased by \$154,997 due to a transfer of funds to the new irrevocable trust to fund other post employment benefits.
- Unearned revenue increased primarily due to roll over of Student Success (Credit and Non Credit) in the amount of \$165,717 and Student Equity in the amount of \$112,666.
- Compensated absences represent the dollar value of accrued vacation leave, compensatory time and banked faculty load. They are classified as a “non-current” liability as we cannot predict the amount that will be paid out in the subsequent year.
- Long-term debt consists of retiree health benefits payable, early retirement incentives, and the principal portion of financing capital projects. Banked faculty load remained about the same as the previous year. Long-term debt is reported both under current and non-current liabilities. The current portion of long-term debt increased 68% due primarily to the golden handshake plan approved in 2014/15.
- Aggregate net pension liability related to the District’s share of unfunded PERS and STRS pension plan liabilities is included for the first time due to the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*.
- Deferred inflows are a new category of items related to the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*. This amount consists of the difference between projected and actual earnings on pension plan investments as used in the actuarial studies.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

- **Statement of Net Position (Continued)**

	<u>2015</u>	<u>Restated 2014</u>	<u>% Change</u>
Invested in capital assets, net	\$ 26,571,145	\$ 27,415,479	-3.1%
Restricted or reserved	437,406	739,286	-40.8%
Unrestricted	(11,015,763)	(10,961,727)	0.5%
Total Net Position	<u>\$ 15,992,788</u>	<u>\$ 17,193,038</u>	-7.0%

- Net position invested in capital assets includes the net value of all capital assets net of accumulated depreciation, and related outstanding debt used to purchase the capital assets.
- Restricted amounts include reserves for encumbrances, capital projects, stores, and prepaid items.
- Unrestricted net assets reflect the remaining balance of unrestricted assets in all funds and for the first time includes the results of the aggregate net pension liability related to the District's share of unfunded PERS and STRS pension plan liabilities due to the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*.

Statement of Revenues, Expenses and Change in Net Position

"The Statement of Revenues, Expenses and Change in Net Position" presents the operating results of the District, as well as the non-operating revenues and expenses. State general apportionment, while budgeted for in operations, is considered non-operating revenue according to Generally Accepted Accounting Principles.

As reported in the statement of revenues, expenses, and changes in net position on page 16 of this report, the cost of all the District's governmental activities this year was \$21,349,141. The amount funded through local taxpayers by means of property taxes and other revenue was \$4,095,916; an increase of 14.9% from the previous fiscal year. Unrestricted state apportionment totaled \$7,865,003, an increase of 2.6%, reflecting an increase in resident FTES.

Net tuition and fees increased 13.2% in fiscal year 2014/15 primarily due to an increase in enrollment of non-resident students as well as a decrease in the in scholarship discounts and allowances such as Board of Governors Grant (BOGG) waivers from the prior year. Federal grants awarded to the District decreased year-over-year with additional TRIO funds being allocated by the federal government in the prior year, the loss of the Title III grant, and final drawdowns of TRIO funds occurring after the District's fiscal year end. State and local grants also increased due to Student Success, Student Equity, and the Adult Education Block Grant. The increase reflected in apportionment was due to an increase in resident FTES. Secured Roll taxes are primarily responsible for the increase in local taxes.

REVENUE SOURCE	<u>2015</u>	<u>2014</u>	<u>% Change</u>
OP-Net Tuition and Fees	\$ 1,993,273	\$ 1,760,083	13.2%
NO-Federal Grants	2,798,460	3,775,436	-25.9%
NO-State/Local Grants	2,790,544	1,766,033	58.0%
NO-Appportionment	7,865,003	7,668,934	2.6%
NO-State/Local Taxes, other	4,197,292	3,564,120	17.8%

OP: Operating NO: Non-Operating

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Statement of Revenues, Expenses and Change in Net Position (Continued)

Total operating expenses increased approximately \$1.0 million or about 5% from the previous fiscal year with the largest increases occurring in supplies and other operating expenses, while benefits decreased 3.5% primarily due to the changes in OPEB funding and in STRS and PERS liabilities associated with pension plans, and depreciation which increased approximately 10%. The increase in supplies and other operating expenses was related to the SBRPSTC. The off-campus FTES generated by this program come with an offsetting expense of approximately 56% of the apportionment revenue generated by this program. The non-operating interest expense reflects the interest cost the lease revenue bonds.

The following table summarizes expenditures by expense category.

EXPENSE CATEGORY	2015	2014	% Change
OP-Salaries	\$ 9,446,081	\$ 9,357,125	1.0%
OP-Benefits	3,279,085	3,396,658	-3.5%
OP-Supplies/Other Operating	4,299,446	3,059,957	40.5%
OP-Payments to Students	2,271,209	2,512,364	-9.6%
OP-Depreciation	1,358,658	1,218,066	11.5%
NO-Interest Expense	35,346	94,656	-62.7%

OP: Operating *NO: Non-Operating*

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps readers assess the District's ability to generate net cash flows, its ability to meet its obligations and its need for external financing.

Cash (used in) provided by:	2015	2014	% Change
Operating activities	\$ (17,857,424)	\$ (19,075,786)	-6.4%
Non-capital financing activities	19,503,571	17,958,342	8.6%
Capital and related financing activities	(555,567)	(490,303)	13.3%
Investing activities	5,585	5,704	-2.1%
Net increase (decrease) in cash and cash equivalents	1,096,165	(1,602,043)	-168.4%
Cash - Beginning of fiscal year	1,286,866	2,888,909	-55.5%
Cash - End of fiscal year	<u>\$ 2,383,031</u>	<u>\$ 1,286,866</u>	85.2%

- Operating activities include tuition and fees revenues, revenues from grants, operating expenditures, and payments on behalf of the auxiliary enterprises. The significant decrease in net cash used by operating activities was due to the prior year retirement of \$2,500,000 in tax revenue anticipation notes (TRAN).
- Non-capital financing activities include state apportionment and property tax receipts which represent the largest cash in-flow to the District. The increase is due to the reduction of State deferrals and additional grant revenues.
- Construction projects and capital debt are reported in capital and related financing activities.
- Investing activities include interest and capital gains on District investments.
- Overall, cash at the end of the year increased significantly due to the conclusion of state apportionment deferrals.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Factors That May Affect the Future

- The District achieved a significant restoration of FTES in 2014/15 and continues to predict this trend into 2015/16. After a steep decline of FTES in 2012/13, the District has looked to increase off-campus enrollment and has been successful in obtaining increases in the following areas:
 - The South Bay Regional Public Safety Training Consortium Partnership (SBRPSTC) is projected to for 300 FTES in 2015/16.
 - The intercollegiate soccer program is projected for continued growth above 2014/15 which resulted in 35 resident and 34 nonresident FTES.
 - Incarcerated Students Program is projected for continued growth in 2015/16 with the expectation of 175 FTES.
 - The Dual Enrollment Program, which is a new partnership with Lake Tahoe Unified School District, is expected to result in 25 FTES.
- The State of California adopted its 2015/16 budget as per statutory law on-time for the fifth consecutive year. California State revenue was higher than anticipated in 2014/2015, resulting in increased spending on education. LTCC expects to receive an increase in 2015/2016 of about \$2.4 million in restricted and unrestricted state funding over 2014/2015. The following State budget enhancements will benefit LTCCD in 2015/16:
 1. Of the additional increase in funding approximately \$960,000 is a one-time allocation. These are to be used for one-time expenses and the college should be vigilant in the use of these funds for one-time purposes to avoid incurring expenses as these funds are not guaranteed in 2016/17.
 2. The state budget includes \$266.7 million to increase base allocation funding in 2015/16 which doubles the rural allocation for the twelve rural community colleges. LTCC will receive an increased base allocation of \$820,000 of which \$540,000 is due to the increased rural allocation.
 3. 1.02% cost of living adjustment (COLA) to computational revenue (\$124,000)
 4. The Student Success and Support Program (SSSP) funding was increased to \$615,868 in 2015/16 up from \$419,617 in 2014/15.
 5. The Student Equity program was allocated an additional \$50,000 to the District in 2015/16 for this program.
- Health and welfare benefit costs have continued to increase each year. The District has negotiated options to control the employer cost of the health plans, including having employees cover the cost differential of any plan that exceeds the current negotiated cap of \$18,456.
- The District established a separate Retiree Benefit Fund, Fund 69, in 2012/13 and has prefunded the costs of retiree benefits into 2015/16. In addition, the District established a new Other Post Retirement Benefits Trust Fund (OPEB), Fund 79, in 2013/14 and transferred \$154,997 to this fund. This contribution is slightly lower than the current year obligation for post-retirement benefits. The \$176,997 is equal to the Annual Required Contributions (ARC) as established by the Amortization of Unfunded Actuarial Accrued Liability (UAAL). The funds transferred to the OPEB trust will be invested and are permanently restricted for the purpose of providing future post-retirement benefits.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Factors That May Affect the Future (Continued)

- Projected increases to Public Employees Retirement System (PERS) and State Teachers Retirement System (STRS) will impact the District's budget in future years. Employer contributions to PERS are projected to increase annually to reach 20.4% by 2020/21 up from 11.7% in 2013/14. Employer contributions to STRS are also projected to increase annually up to 19.1% in 2020/21 up from 8.88% in 2014/15.
- In recent years, the college has strategically used reserves to help offset costs while attempting to restore its FTES levels. As a result the ending fund balance (EFB) has been reduced significantly. In FY15-16, the EFB is expected to increase by \$105,000 over FY14-15 actuals to about \$1,850,000. However, the EFB as a percentage of appropriations is projected to decrease from the FY14-15 actual amount of 12.52% to 11.75% in FY15-16 due to increased one-time expenses and outgoing payments. The budgeted FY15-16 EFB (11.75%) is a significant increase over the FY14-15 budgeted EFB of 10.26%.
- Full-time equivalent students (FTES) is one of the college's biggest challenges. The budget for 2015/16 is built on an increase of 87 FTES. If that is not achieved, it will greatly impact the college's revenue picture. There is also concern regarding the decline of FTES on campus and speculation on whether or no the local decline will continue. LTCC should not become overly dependent on the FTES and corresponding revenue from the South Bay Regional Public Safety Training Consortium and the Incarcerated Students Program. Regulatory changes could threaten those programs in the future.
- The passage of Measure F, a \$55 million dollar Proposition 39 general obligation bond, will provide funding for maintenance and repair and modernization of existing facilities as well as the construction of new facilities. In addition, the bond allows for the prepayment of the outstanding \$1,395,000 in lease revenue bonds that were used to construct the Library building. Paying down the bonds will free up approximately \$140,000 annually from the general fund that would have been used to pay the principal and interest on these bonds. Additionally, funds that would have been necessary to pay for the maintenance and repair of aging facilities will be freed up for other purposes. The modernization of the facilities will also result in significant savings in utility expenses as inefficient boilers and electrical systems are replaced with more energy efficient equipment.
- California Senate Bill 605 was signed by Governor Brown on October 8, 2015, to reduce tuition rates for Nevada residents in neighboring Tahoe Basin communities which is anticipated to have a positive effect on FTES. The new legislation will allow up to 200 Nevada residents per year to enroll at LTCC at a 45% discount. There will be a reciprocal agreement for California residents of the Tahoe Basin at Western Nevada College. The new policy is projected to go into effect beginning in the 2016/17 academic year. Senate Bill 605 may help to bridge the gap in FTES created by the loss of the Good Neighbor Policy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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, contact Lake Tahoe Community College District, Jeff DeFranco, Vice President of Administrative Services of Lake Tahoe Community College defranco@ltcc.edu or (530)541-4660.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2015**

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,383,031
Investments	400
Accounts receivable, net	1,102,725
Prepaid expenses	13,765
Total Current Assets	<u>3,499,921</u>

Noncurrent Assets

Nondepreciable capital assets	1,252,228
Depreciable capital assets, net of depreciation	26,548,769
Total Noncurrent Assets	<u>27,800,997</u>
TOTAL ASSETS	<u>31,300,918</u>

DEFERRED OUTFLOWS OF RESOURCES

Current year pension contribution	<u>749,277</u>
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LIABILITIES

Current Liabilities

Accounts payable	418,053
Accrued payroll and related liabilities	520,235
Due to fiduciary funds	154,997
Unearned revenue	712,660
Bonds payable - current portion	90,000
Lease obligations - current portion	4,852
Other long-term liabilities - current portion	97,149
Total Current Liabilities	<u>1,997,946</u>

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	310,073
Bonds payable - noncurrent portion	1,135,000
Other postemployment benefits - noncurrent portion	152,604
Aggregate net pension obligation	9,282,658
Total Noncurrent Liabilities	<u>10,880,335</u>
TOTAL LIABILITIES	<u>12,878,281</u>

DEFERRED INFLOWS OF RESOURCES

Difference between projected and actual earnings on pension plan investments	<u>3,179,126</u>
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NET POSITION

Net investment in capital assets	26,571,145
Restricted for:	
Capital projects	349,193
Educational programs	52,704
Other activities	35,509
Unrestricted	(11,015,763)
TOTAL NET POSITION	<u>\$ 15,992,788</u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES

Student Tuition and Fees	\$ 3,084,189
Less: Scholarship discount and allowance	(1,090,916)
TOTAL OPERATING REVENUES	<u>1,993,273</u>

OPERATING EXPENSES

Salaries	9,446,081
Employee benefits	3,279,085
Supplies, materials, and other operating expenses and services	4,299,446
Student financial aid	2,271,209
Depreciation	1,358,658
TOTAL OPERATING EXPENSES	<u>20,654,479</u>

OPERATING LOSS

(18,661,206)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	7,865,003
Local property taxes, levied for general purposes	3,774,278
Federal grants	2,798,460
State grants	2,790,544
Investment income	5,585
Interest expense on capital related debt	(35,346)
Transfer to fiduciary funds	(154,997)
Other nonoperating revenue	316,053
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>17,359,580</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES

(1,301,626)

State revenues, capital	<u>101,376</u>
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CHANGE IN NET POSITION

(1,200,250)

NET POSITION, BEGINNING OF YEAR, RESTATED

17,193,038

NET POSITION, END OF YEAR

\$ 15,992,788

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 1,980,139
Payments to vendors for supplies and services	(4,097,538)
Payments to or on behalf of employees	(13,468,816)
Payments to students for scholarships and grants	(2,271,209)
Net Cash Flows From Operating Activities	<u>(17,857,424)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	8,910,034
Property taxes - nondebt related	3,774,278
Federal grants and contracts	3,225,279
State grants and contracts	3,228,759
Other nonoperating	365,221
Net Cash Flows From Noncapital Financing Activities	<u>19,503,571</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(433,410)
Principal paid on capital debt	(86,811)
Interest paid on capital debt	(35,346)
Net Cash Flows From Capital Financing Activities	<u>(555,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	5,585
Net Cash Flows From Investing Activities	<u>5,585</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,096,165
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,286,866</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,383,031</u></u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2015**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (18,661,206)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	1,358,658
Changes in Assets and Liabilities:	
Receivables	(37,346)
Accounts payable, current loans, and accrued liabilities	(521,228)
Unearned revenue	<u>3,698</u>
Total Adjustments	<u>803,782</u>
Net Cash Flows From Operating Activities	<u><u>\$ (17,857,424)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 429,857
Local Agency Investment Fund	123,887
Cash in county treasury	<u>1,829,287</u>
Total Cash and Cash Equivalents	<u><u>\$ 2,383,031</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u>\$ 248,996</u>
Board of governors fee waivers	<u><u>\$ 1,090,916</u></u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2015

	<u>Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,633	\$ 607
Investments	184,238	-
Due from primary government	154,997	-
Total Assets	<u>341,868</u>	<u>\$ 607</u>
 LIABILITIES		
Accounts payable	34	\$ -
Due to student groups	-	607
Total Liabilities	<u>34</u>	<u>\$ 607</u>
 NET POSITION		
Restricted	341,834	
Total Net Position	<u>\$ 341,834</u>	

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	<u>Trust</u>
ADDITIONS	
Local revenues	\$ 17,038
Total Additions	<u>17,038</u>
DEDUCTIONS	
Books and supplies	1,031
Services and operating expenditures	16,740
Total Deductions	<u>17,771</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	154,997
Total Other Financing Sources (Uses)	<u>154,997</u>
Change in Net Position	154,264
Net Position - Beginning	187,570
Net Position - Ending	<u>\$ 341,834</u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT LAKE TAHOE COLLEGE FOUNDATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 164,975
Prepaid expenses	4,894
Total Current Assets	<u>169,869</u>

NONCURRENT ASSETS

Investments	3,259,062
TOTAL ASSETS	<u>\$ 3,428,931</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 12,591
Unearned revenue	11,742
Total Current Liabilities	<u>24,333</u>

NET ASSETS

Unrestricted	340,428
Temporarily restricted	2,639,536
Permanently restricted	424,634
Total Net Assets	<u>3,404,598</u>
Total Liabilities and Net Assets	<u>\$ 3,428,931</u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Donations	\$ 6,777	\$ 2,146,923	\$ -	\$ 2,153,700
Special events, net	75,677	3,255	-	78,932
In-kind contribution	36,958	7,803	-	44,761
Interest and dividends, net	14,573	23,085	-	37,658
Assets released from restrictions	194,086	(194,086)	-	-
Total Revenues	<u>328,071</u>	<u>1,986,980</u>	<u>-</u>	<u>2,315,051</u>
EXPENSES				
Operating expenses	101,613	-	-	101,613
Program expenses	219,449	-	-	219,449
Fundraising expenses	2,651	-	-	2,651
Total Expenses	<u>323,713</u>	<u>-</u>	<u>-</u>	<u>323,713</u>
CHANGE IN NET ASSETS	4,358	1,986,980	-	1,991,338
NET ASSETS, BEGINNING OF YEAR	<u>336,070</u>	<u>652,556</u>	<u>424,634</u>	<u>1,413,260</u>
NET ASSETS, END OF YEAR	<u>\$ 340,428</u>	<u>\$ 2,639,536</u>	<u>\$ 424,634</u>	<u>\$ 3,404,598</u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,991,338
Changes in Assets and Liabilities	
Decrease in accounts receivable	2,610
Decrease in prepaid expenses	(1,970)
Increase in accounts payable	(35,172)
Increase in deferred revenues	(11,433)
Net Cash Flows From Operating Activities	<u>1,945,373</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	<u>(1,991,683)</u>
Net Cash Flows From Investing Activities	<u>(1,991,683)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	(46,310)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>211,285</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 164,975</u></u>

The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - ORGANIZATION

Lake Tahoe Community College District (the District) was established in 1974 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the general fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college located within El Dorado County, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- Lake Tahoe College Foundation

The Lake Tahoe College Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at One College Drive, South Lake Tahoe, CA 96150.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in 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*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statements of Net Position - Primary Government
 - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statements of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statements of Fiduciary Net Position
 - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 10 years; vehicles and most equipment, 8 years, and technology equipment 3 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include lease revenue bonds, compensated absences, banked leave, capital lease obligations and OPEB obligations, and early retirement obligations with maturities greater than one year.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. Net Position are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net of investment in Capital Assets: consists of Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net Position that 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. The entity-wide financial statements report \$437,406 of restricted net position.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of El Dorado bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2015, was \$248,996 for CalSTRS. There were no state contributions to CalPERs for the fiscal year ended June 30, 2015. These amounts are reflected in the District's audited financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Foundation Financial Statement Presentation

The Lake Tahoe College Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of Net Assets: Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets. As permitted by the codification, the Foundation does not use fund accounting.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets: Net assets not subject to donor-imposed restrictions.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted Net Asset classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted Net Assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted Net Assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$12,294,488. The decrease results from recognizing the net pension liability, net of related deferred inflows and outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2015, consist of the following:

Primary Government	
Cash on hand and in banks	\$ 420,082
Cash in revolving	9,775
Investments	1,953,574
Total Deposits and Investments	<u>\$ 2,383,431</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Deposits and investments of the Fiduciary Funds as of June 30, 2015, consist of the following:

Fiduciary Funds

Cash on hand and in banks	\$ 2,702
Investments	184,776
Total Deposits and Investments	<u>\$ 187,478</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County pool and LAIF.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Money market master trust	\$ 184,638	Not applicable
County Pool	1,829,825	0.84
State Investment Pool	123,887	0.65
Total	<u>\$ 2,138,350</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2015.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, approximately \$190,000 of the District's bank balance of \$436,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District had no custodial credit risk on the investment in El Dorado Savings Bank of approximately \$400.

NOTE 4 - ACCOUNTS RECEIVABLE

Primary Government

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 311,170
State Government	
Apportionment	397,570
Categorical aid	44,431
Lottery	167,620
Local Sources	
Student receivables	45,797
Other local sources	136,137
Total	<u><u>\$ 1,102,725</u></u>

Foundation

The Foundation has received a pledge for \$5.8 million for the University Center building project. \$2 million of this pledge has been recorded and received by June 30, 2015. The remaining amounts are conditional based on the phases of construction. Conditional promises to give are recorded only when the conditions upon which they depend are substantially met and the promises become unconditional. Therefore, the remaining amount of the pledge has not been recorded in these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Adjustments	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated					
Land	\$ 779,241	\$ -	\$ -	\$ -	\$ 779,241
Collections	125,000	-	-	-	125,000
Construction in progress	-	-	423,640	75,653	347,987
Total Capital Assets Not Being Depreciated	904,241	-	423,640	75,653	1,252,228
Capital Assets Being Depreciated					
Land improvements	1,187,286	-	-	-	1,187,286
Building improvements	709,886	-	75,653	-	785,539
Buildings	37,545,688	-	-	-	37,545,688
Equipment	3,885,622	-	9,770	-	3,895,392
Total Capital Assets Being Depreciated	43,328,482	-	85,423	-	43,413,905
Total Capital Assets	44,232,723	-	509,063	75,653	44,666,133
Less Accumulated Depreciation					
Land improvements	1,131,430	-	7,416	-	1,138,846
Building improvements	296,421	-	65,690	-	362,111
Buildings	12,912,583	-	655,549	-	13,568,132
Equipment	1,166,044	-	630,003	-	1,796,047
Total Accumulated Depreciation	15,506,478	-	1,358,658	-	16,865,136
Net Capital Assets	\$ 28,726,245	\$ -	\$ (849,595)	\$ 75,653	\$ 27,800,997

Depreciation expense for the year was \$1,358,658.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Pell disbursements	\$ 7,706
Construction	95,221
Other	315,126
Total	\$ 418,053

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	<u>Primary Government</u>
Federal financial assistance	\$ 9,321
State categorical aid	379,252
Enrollment fees	211,548
Other local	<u>112,539</u>
Total	<u>\$ 712,660</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2015, the amount owed between the primary government and the fiduciary funds was \$154,997.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2015 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$154,997.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
Lease revenue bonds	\$ 1,310,000	\$ -	\$ 85,000	\$ 1,225,000	\$ 90,000
Capital leases	766	5,897	1,811	4,852	4,852
Compensated absences	280,268	-	10,180	270,088	-
Banked faculty load	36,700	3,285	-	39,985	-
Other post employment benefits	299,182	176,997	323,575	152,604	-
Net pension liability	-	11,823,726	2,541,068	9,282,658	-
Early retirement incentive	27,925	97,149	27,925	97,149	97,149
Total Long-Term Debt	<u>\$ 1,954,841</u>	<u>\$ 12,107,054</u>	<u>\$ 2,989,559</u>	<u>\$ 11,072,336</u>	<u>\$ 192,001</u>

Description of Debt

Payments on the lease revenue bonds are paid by the Debt Service Fund. The capital leases are paid by the general fund. The compensated absences, banked faculty load, other post employment benefits, early retirement incentives, and pension liabilities will be paid by the fund for which the employee worked.

The lease revenue bonds were issued on January 1, 2006 in the amount of \$1,915,000 to finance the purchase of equipment and to fund the reconstruction of the old library space. At June 30, 2015, \$1,225,000 was outstanding. The lease revenue bonds mature through August 2025. Interest rates range from 3.5- 4.38 percent.

The District has utilized capital leases agreements to purchase equipment. The current lease purchase agreements in the amount of \$4,852 will be paid through June 2016.

Debt Maturity

Lease Revenue Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 90,000	\$ 49,375	\$ 139,375
2017	95,000	45,675	140,675
2018	100,000	41,775	141,775
2019	100,000	37,775	137,775
2020	105,000	33,609	138,609
2021-2025	600,000	96,400	696,400
2026-2027	135,000	2,953	137,953
Total	<u>\$ 1,225,000</u>	<u>\$ 307,563</u>	<u>\$ 1,532,563</u>

The District has historically paid the July 1 payment on June 30. This schedule has been adjusted to address the reduction in future interest payments due.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Capital Leases

The District has entered into various capital lease arrangements for equipment:

	Copiers
Balance, July 1, 2014	\$ 766
Additions	5,897
Payments	1,811
Balance, June 30, 2015	<u>\$ 4,852</u>

The District's liability on lease agreements with option to purchase is summarized below:

Year Ending June 30,	Lease Payment
2016	\$ 6,383
Total	6,383
Less: Amount Representing Interest	1,531
Present Value of Minimum Lease Payments	<u>\$ 4,852</u>

Compensated absences and Banked Faculty Load

The District calculated the total long term portion of compensated absences as of June 30, 2015 at \$270,088. Unfunded faculty banked leave was \$39,985. The compensated absences and the unfunded faculty banked leave are included in the entity-wide statements.

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$176,997, and contributions made by the District during the year were \$323,575, which resulted in a decrease of \$146,578 to the net OPEB obligation. As of June 30, 2015, the net OPEB obligation was \$152,604. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Net Pension Liability

The District's proportionate share of the net pension liability related to STRS and PERS plans for the year ended June 30, 2015 was \$9,282,658. See Note 13 for additional information.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Early Retirement Incentive

Early Retirement Incentive 2013/14

On March 11, 2014 the District's Board of Trustees approved an offering of an early retirement incentive for 2013/14 for full time faculty meeting eligibility requirements. These employees were offered an employer contribution to a 403b account in the total amount of \$3,475 per complete year of service with the District (no maximum). This offer coincides with health and welfare coverage, per Board Policy, for a maximum of five years immediately preceding retirement or until the retiree reaches age 65 and becomes Medicare eligible.

Employer contributions will be made to a qualified 403b plan consisting of an approved vendor. These payments will be issued in annual installments during the months of June 2014 and June 2015 prior to the 30th day within each month. Payments will not exceed \$52,000 annually, less the total employee voluntary contribution for that year. The remaining payment in full occurred in 2014/15.

On February 10, 2015 the District's Board of Trustees approved an offering of an early retirement incentive for 2014/15 for full time faculty meeting eligibility requirements. Employer contributions will be made to a qualified 403b plan consisting of an approved vendor. These amounts will be paid in 2015/16.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical insurance benefits to eligible retirees and their spouses and eligible dependents for five years beyond retirement or until Medicare age is obtained, whichever is sooner. Employees who have been in continuous full time employment of the District for a minimum of ten years immediately prior to retirement and who have reached age 55 or older upon retirement are eligible. Membership of the Plan consists of 11 retirees and beneficiaries currently receiving benefits, and 95 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District 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 with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of 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 liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 176,997
Contributions made	<u>(323,575)</u>
Increase in net OPEB obligation	(146,578)
Net OPEB obligation, July 1, 2014	<u>299,182</u>
Net OPEB obligation, June 30, 2015	<u><u>\$ 152,604</u></u>

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation for the past three years is as follows:

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net OPEB Asset/Obligation
2013	\$ 184,238	\$ 119,543	65%	\$ 438,892
2014	184,238	323,948	176%	299,182
2015	176,997	323,575	183%	152,604

Funding Status and Funding Progress

The District established an irrevocable trust to partially fund the plan. The District contributed \$154,997 to the Plan, and \$168,578 was paid for current premiums (pay as you go amount). The actuarial accrued liability of \$1,455,404 was based on the March 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Actuarial Methods and Assumptions

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

In the March 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), based on the assumed long term return on employer assets and healthcare cost trend rates of 4 percent. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at March 1, 2015, was 25 years.

NOTE 11 - LEASE REVENUES

The District owns land leased to the U.S. Forest Service on a long term 50 year lease. The agreement contains a termination clause providing for cancellation after a specified number of days written notice by the lesser or lessee, but is not anticipated that the lease will be canceled prior to its expiration date. The land was originally purchased for \$779,241 and a portion of that land is leased to the U.S. Forest Service and on which the U.S. Forest Service has built an office building. The future minimum lease payments expected to be received under this agreement is as follows:

Year Ending June 30,	Lease Revenue
2016	\$ 84,387
2017	85,653
2018	86,938
2019	88,242
2020	89,565
Thereafter	3,554,691
Total	<u>\$ 3,989,476</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2015, the District contracted with the Statewide Association of Community Colleges Joint Powers Authority for property and liability insurance and with Protected Insurance Program for Schools and Community Colleges for workers compensation coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Protected Insurance Program for Schools & Community Colleges	Workers' Compensation	\$ 1,000,000
Statewide Association of Community Colleges	Property and Liability	\$ 250,000,000

Employee Medical Benefits

The District has contracted with Tri-County School Insurance Group Joint Powers Agency to provide employee medical benefits. Rates are set through an annual calculation process.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 5,839,258	\$ 364,919	\$ 1,437,906	\$ 504,117
CalPERS	3,443,400	384,358	1,741,220	306,048
Total	<u>\$ 9,282,658</u>	<u>\$ 749,277</u>	<u>\$ 3,179,126</u>	<u>\$ 810,165</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were \$364,919.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 5,839,258
State's proportionate share of net pension liability associated with the District	<u>3,525,996</u>
Total	<u><u>\$ 9,365,254</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.01 percent.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$443,605 and revenue of \$248,996 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 364,919	\$ -
Differences between projected and actual earnings on pension plan investments	-	1,437,906
Total	<u>\$ 364,919</u>	<u>\$ 1,437,906</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 359,477
2017	359,477
2018	359,477
2019	359,475
Total	<u>\$ 1,437,906</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 9,101,877
Current discount rate (7.60%)	\$ 5,839,258
1% increase	\$ 3,118,828

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were \$384,358.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$3,443,400. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0303 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$306,048. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 384,358	\$ -
Differences between projected and actual earnings on pension plan investments	-	1,741,220
Total	\$ 384,358	\$ 1,741,220

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 435,305
2017	435,305
2018	435,305
2019	435,305
Total	\$ 1,741,220

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 6,040,510
Current discount rate (7.50%)	\$ 3,443,400
1% increase (8.50%)	\$ 1,273,253

Tax Deferred Annuity

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2015, 2014, and 2013, which amounted to \$248,996, \$235,590, and \$231,422 respectively, (5.679 percent for 2015) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act CalPERS. No contributions were made for CalPERS for the years ended June 30, 2015, 2014, and 2013. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amount have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges, the Tri-County School Insurance Group Joint Powers Authority, Protected Insurance Program for Schools and Community Colleges, and the South Bay Regional Public Safety JPAs. The District pays annual premiums for its property liability, health, and workers' compensation coverage and for providing public safety training. The relationship between the District and the JPAs is such that it they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2015, the District made payments of \$80,511 to the Statewide Association of Community Colleges, \$1,891,605 to the Tri-County School Insurance Group, \$155,808 to Protected Insurance Program for Schools and Community Colleges, and \$613,581 to South Bay Regional Public Safety.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects.

CAPITAL PROJECT	Spent to Date	Remaining Construction Commitment	Expected Date of Completion
Replace Exterior Lighting with LEDs	\$ 36,518	\$ 250	8/25/2015
HVAC Repairs (Main Bldg, LRC, PE Bldg)	58,985	3,104	8/25/2015
Solar Generation Storage Facility	3,403	46,597	1/1/2018
Student Services Front Counter Renovations	9,000	67,900	9/30/2015
E-103 Counseling Offices	8,400	46,100	10/31/2015
Main Building Boiler Replacement	86,403	811,697	10/31/2015
D-Wing Water Intrusion	14,563	38,436	12/31/2015
LRC NE Siding Replacement	4,555	22,745	10/31/2015
Gymnasium Renovation	17,332	542,868	8/31/2016
Main Parking Lot/ADA Improvements	8,336	2,424,464	9/30/2016
Environmental Impact Reports (TRPA/CEQA)	16,481	199,191	7/31/2016
Backbone Cabling and Hardware	7,600	542,600	8/30/2016
Wireless Access	11,550	168,250	1/31/2016
Digital Phones Phase 3	3,000	37,000	9/30/2015
Centralized Clock System Phase 1	1,600	70,200	6/30/2016
Servers and Firewall	35,981	115,219	7/31/2016
University Center	6,750	5,793,250	7/30/2018
	<u>\$ 330,457</u>	<u>\$ 10,929,871</u>	

NOTE 16 – RESTATEMENT OF PRIOR YEAR NET POSITION

Primary Government	
Net Position - Beginning	\$ 29,487,526
Restatement of long-term obligations for implementation of GASB Statement No. 68	(12,294,488)
Net Position - Beginning, as Restated	<u>\$ 17,193,038</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
February 1, 2010	\$ -	\$ 2,324,309	\$ 2,324,309	0%	\$ 6,281,082	37%
January 1, 2013	-	1,500,188	1,500,188	0%	6,174,828	24%
March 1, 2015	184,238	1,455,404	1,271,166	13%	5,477,550	23%

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30,**

CalSTRS	<u>2015</u>
District's proportion of the net pension liability	<u>0.0100%</u>
District's proportionate share of the net pension liability	\$ 5,839,258
State's proportionate share of the net pension liability associated with the District	3,525,996
Total	<u>\$ 9,365,254</u>
District's covered - employee payroll	<u>\$ 4,199,918</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>139.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 CalPERS	
District's proportion of the net pension liability	<u>0.0303%</u>
District's proportionate share of the net pension liability	<u>\$ 3,443,400</u>
District's covered - employee payroll	<u>3,183,160</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30,**

CalSTRS	<u>2015</u>
Contractually required contribution	\$ 367,178
Contributions in relation to the contractually required contribution	<u>364,919</u>
Contribution deficiency (excess)	<u>\$ 2,259</u>
District's covered - employee payroll	<u>\$ 4,073,149</u>
Contributions as a percentage of covered - employee payroll	<u>9.01%</u>
CalPERS	
Contractually required contribution	\$ 364,323
Contributions in relation to the contractually required contribution	<u>384,358</u>
Contribution deficiency (excess)	<u>\$ (20,035)</u>
District's covered - employee payroll	<u>\$ 3,265,298</u>
Contributions as a percentage of covered - employee payroll	<u>11.2%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

LAKE TAHOE COMMUNITY COLLEGE

DISTRICT ORGANIZATION JUNE 30, 2015

Lake Tahoe Community College District was established by the voters on March 5, 1974, opened its doors on September 18, 1975; and serves an area of approximately 196 square miles located in El Dorado County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Kerry S. David	President	December 2018
Frederick Wenck, Jr., D.D.S	Clerk	December 2016
Karen Borges	Trustee	December 2016
Michelle Sweeney	Trustee	December 2018
Jeff Cowen	Trustee	December 2018
Antonio Benitez	Student Trustee	June 2016

ADMINISTRATION

Kindred Murillo, Ed.D.	President/Superintendent
Jeff DeFranco	Vice President, Administrative Services
Michelle Risdon, Ph. D.	Executive Dean of Instruction
Virginia Boyar, Ph.D.	Executive Dean of Career Technical Education and Instruction
Sue Gochis	Executive Dean of Student Services

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL AID CLUSTER			
Federal Pell Grant Programs (PELL)	84.063	[1]	\$ 2,047,958
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	38,552
Federal College Work Study (FWS)	84.033	[1]	<u>39,364</u>
Total Student Financial Aid Cluster			2,125,874
PASS THROUGH FUNDS			
Career Technical Education Act - Title IC	84.048	03303	128,556
Career Technical Education Act - Trio Student Support Services	84.042	[2]	215,074
Career Technical Education Act - Talent Search	84.044	[2]	242,763
Career Technical Education Act - Upward Bound	84.047	[2]	<u>310,633</u>
Total U.S. Department of Education			<u>3,022,900</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	<u>25,520</u>
Total Corporation for National and Community Service			<u>25,520</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASS THROUGH FUNDS			
Child Development Training Consortium	93.575	[2]	3,224
Temporary Assistance for Needy Families (TANF)	93.558	[2]	<u>18,101</u>
Total U.S. Department of Health and Human Services			<u>21,325</u>
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Vocational and Educational Counseling for Service Members and Veterans	64.125	[1]	<u>4,637</u>
Total U.S. Department of Veteran's Affairs			4,637
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	17,080
Forest Reserve	10.665	[2]	<u>38,716</u>
Total U.S. Department of Agriculture			55,796
Total Expenditures of Federal Awards			<u><u>\$ 3,130,178</u></u>

[1] Pass-Through Entity Identifying Number not applicable, direct funded

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year /Adjustments	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
GENERAL FUND								
AB 1725 Staff Diversity	\$ 3,380	\$ -	\$ 3,380	\$ 3,380	\$ -	\$ -	\$ 3,380	\$ 3,380
AB 86 Adult Education	187,761	-	187,761	171,773	15,988	-	187,761	187,761
Basic Skills	90,000	12,294	102,294	102,294	-	2,636	99,658	99,658
BFAP Administration	122,147	-	122,147	122,147	-	-	122,147	122,147
California State Pre-school Program	18,159	-	18,159	18,159	-	-	18,159	18,159
CalGrant B & C	-	-	-	87,204	-	-	87,204	87,204
Calworks	98,710	-	98,710	98,710	-	25,469	73,241	73,241
Child Care Food Program	-	-	-	716	-	-	716	716
Child Development Training	-	3,800	3,800	3,800	-	-	3,800	3,625
Cooperative Agencies Resources for Education	18,216	-	18,216	18,216	-	-	18,216	18,216
Disabled Student Programs & Services	208,837	-	208,837	202,159	-	-	202,159	202,159
Enrollment Fee Waiver Admin	24,137	-	24,137	24,137	-	-	24,137	24,137
Extended Opportunity Programs & Services	127,133	-	127,133	127,133	-	-	127,133	127,133
Foster and Kinship Care	105,349	-	105,349	79,112	26,578	-	105,690	105,690
Student Equity	200,000	-	200,000	199,720	-	69,666	130,054	130,054
Student Equity Supplemental	43,000	-	43,000	43,000	-	43,000	-	-
North/Far North Training	-	-	-	-	-	-	-	-
Part-Time Faculty Compensation	36,550	-	36,550	36,550	-	-	36,550	36,550
Part-Time Faculty Office Hours	1,745	-	1,745	1,745	-	-	1,745	1,745
SB 70 Folsom Lake	-	3,675	3,675	6,574	-	-	6,574	6,574
Career Tech Enhancement Fund	73,384	-	73,384	29,354	-	26	29,328	29,328
DOE State Block Grant - CCTR	45,577	-	45,577	43,709	1,868	-	45,577	45,577
Career Tech Ed Grant	20,000	-	20,000	20,000	-	-	20,000	20,000
Scheduled Maintenance	111,931	71,268	183,199	183,196	-	58,342	124,854	124,854
Prop 39 Energy Efficiency	47,790	11,150	58,940	58,940	-	-	58,940	58,940
Matriculation	503,775	11,514	515,289	515,289	-	165,717	349,572	349,572
High 5 for Quality Grant	750	-	750	750	-	202	548	548
Instructional Equipment Materials Grant	111,931	-	111,931	111,931	-	-	111,931	111,931
DHH - Deaf & Hard of Hearing	5,724	-	5,724	6,678	-	6,047	631	631
SB 1070 - SB 1070 (Senate Bill 1070) Career Technical Education Pathways Program	13,000	-	13,000	13,000	-	8,147	4,853	4,853
Lottery (unrestricted)	239,910	-	239,910	134,740	105,169	-	239,909	239,910
Lottery (restricted)	67,554	-	67,554	5,103	62,451	-	67,554	67,554
Subtotal	<u>\$ 2,526,450</u>	<u>\$ 113,701</u>	<u>\$ 2,640,151</u>	<u>\$ 2,469,219</u>	<u>\$ 212,054</u>	<u>\$ 379,252</u>	<u>\$ 2,302,021</u>	<u>\$ 2,301,847</u>

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

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Amounts reported as of Annual 320 dated July 14, 2015

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 2,125,237	\$ -	\$ 2,125,237	\$ 2,125,237	\$ -	\$ 2,125,237
Other	1300	1,651,168	-	1,651,168	1,651,168	-	1,651,168
Total Instructional Salaries		3,776,405	-	3,776,405	3,776,405	-	3,776,405
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	554,627	-	554,627
Other	1400	-	-	-	126,889	-	126,889
Total Noninstructional Salaries		-	-	-	681,516	-	681,516
Total Academic Salaries		3,776,405	-	3,776,405	4,457,921	-	4,457,921
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	1,622,961	-	1,622,961
Other	2300	-	-	-	272,964	-	272,964
Total Noninstructional Salaries		-	-	-	1,895,925	-	1,895,925
Instructional Aides							
Regular Status	2200	153,626	-	153,626	153,626	-	153,626
Other	2400	145,819	-	145,819	145,819	-	145,819
Total Instructional Aides		299,445	-	299,445	299,445	-	299,445
Total Classified Salaries		299,445	-	299,445	2,195,370	-	2,195,370
Employee Benefits	3000	1,087,406	-	1,087,406	2,268,063	-	2,268,063
Supplies and Material	4000	-	-	-	172,519	-	172,519
Other Operating Expenses	5000	679,906	-	679,906	2,356,554	-	2,356,554
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		5,843,162	-	5,843,162	11,450,427	-	11,450,427

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	32,775	-	32,775
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	7,728	-	7,728
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	91,639	-	91,639
Classified Salaries	2000	-	-	-	71,871	-	71,871
Employee Benefits	3000	-	-	-	68,679	-	68,679
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	2,382	-	2,382
Total Supplies and Materials		-	-	-	2,382	-	2,382

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6400	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	275,074	-	275,074
Total for ECS 84362, 50 Percent Law		\$ 5,843,162	\$ -	\$ 5,843,162	\$ 11,175,353	\$ -	\$ 11,175,353
Percent of CEE (Instructional Salary Cost/Total CEE)		52.29%		52.29%	100.00%		100.00%
50% of Current Expense of Education					\$ 5,587,677		\$ 5,587,677

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 2,162,165
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 2,162,165			\$ 2,162,165
Total Expenditures for EPA		\$ 2,162,165	-	-	\$ 2,162,165
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report and the audited financial statements.

	General Obligation Bond Fund	Other Trust Fund
FUND BALANCE		
Balance, June 30, 2015, (CCFS-311)	\$ -	\$ 155,496
<i>Fund balance not reported</i>		
Change in:		
Investments		184,243
Accounts receivable	(645,359)	-
Balance, June 30, 2015, Audited	<u>\$ (645,359)</u>	<u>\$ 339,739</u>

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 2,798,460
Career Technical Education Act - Trio Student Support Services	84.042	331,718
Total Expenditures of Federal Awards		<u>\$ 3,130,178</u>

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

(FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

***ADDITIONAL SUPPLEMENTAL
INFORMATION***

LAKE TAHOE COMMUNITY COLLEGE

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Bond Interest and Redemption</u>	<u>Capital Outlay Projects</u>	<u>Revenue Bond Construction</u>	<u>Total Governmental Fund (Memorandum Only)</u>
ASSETS							
Cash and cash equivalents	\$ 2,346,251	\$ 100,080	\$ 46,124	\$ 21	\$ 250,800	\$ (551,178)	\$ 2,192,098
Investments	400	-	-	-	-	-	400
Accounts receivable	378,347	535,486	5,056	-	157,819	-	1,076,708
Due from other funds	130,814	8,948	20,000	-	-	-	159,762
Prepaid expenses	13,765	-	-	-	-	-	13,765
Total Assets	<u>\$ 2,869,577</u>	<u>\$ 644,514</u>	<u>\$ 71,180</u>	<u>\$ 21</u>	<u>\$ 408,619</u>	<u>\$ (551,178)</u>	<u>\$ 3,442,733</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 267,308	\$ 15,789	\$ 20,125	\$ -	\$ 1,040	\$ 94,181	\$ 398,443
Accrued payroll and related liabilities	440,903	64,086	15,246	-	-	-	520,235
Due to other funds	183,945	91,075	98	21	44	-	275,183
Unearned revenue	231,613	420,860	202	-	58,342	-	711,017
Total Liabilities	<u>1,123,769</u>	<u>591,810</u>	<u>35,671</u>	<u>21</u>	<u>59,426</u>	<u>94,181</u>	<u>1,904,878</u>
FUND BALANCES							
Nonspendable	13,765	-	-	-	-	-	13,765
Restricted	-	52,704	30,509	-	188,192	-	271,405
Committed	-	-	5,000	-	161,001	-	166,001
Assigned	1,086,684	-	-	-	-	-	1,086,684
Unassigned	645,359	-	-	-	-	(645,359)	-
Total Fund Balances	<u>1,745,808</u>	<u>52,704</u>	<u>35,509</u>	<u>-</u>	<u>349,193</u>	<u>(645,359)</u>	<u>1,537,855</u>
Total Liabilities and Fund Balances	<u>\$ 2,869,577</u>	<u>\$ 644,514</u>	<u>\$ 71,180</u>	<u>\$ 21</u>	<u>\$ 408,619</u>	<u>\$ (551,178)</u>	<u>\$ 3,442,733</u>

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
REVENUES							
Federal revenues	\$ 45,896	\$ 619,648	\$ 17,080	\$ -	\$ -	\$ -	\$ 682,624
State revenues	8,538,760	1,653,366	65,010	-	101,376	-	10,358,512
Local revenues	5,594,589	16,006	343,622	(21)	90,088	-	6,044,284
Total Revenues	14,179,245	2,289,020	425,712	(21)	191,464	-	17,085,420
EXPENDITURES							
Current Expenditures							
Academic salaries	4,841,746	733,135	45,903	-	-	-	5,620,784
Classified salaries	2,896,152	634,717	279,722	-	-	14,706	3,825,297
Employee benefits	2,915,422	459,379	94,427	-	-	3,102	3,472,330
Books and supplies	250,290	164,219	18,606	-	802	-	433,917
Services and operating expenditures	2,831,326	441,597	27,472	1,815	35,622	188,076	3,525,908
Student financial aid	4,529	56,552	-	-	-	-	61,081
Capital outlay	107,496	132,038	1,072	-	171,050	233,160	644,816
Debt service - principal	-	-	-	85,000	-	-	85,000
Debt service - interest and other	-	-	-	52,875	-	-	52,875
Total Expenditures	13,846,961	2,621,637	467,202	139,690	207,474	439,044	17,722,008
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES							
	332,284	(332,617)	(41,490)	(139,711)	(16,010)	(439,044)	(636,588)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	12,367	-	20,000	139,690	68,258	-	240,315
Operating transfers out	(347,797)	-	-	-	-	(206,315)	(554,112)
Other sources	5,897	-	-	-	-	-	5,897
Total Other Financing Sources (Uses)	(329,533)	-	20,000	139,690	68,258	(206,315)	(307,900)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES							
	2,751	(332,617)	(21,490)	(21)	52,248	(645,359)	(944,488)
FUND BALANCES, BEGINNING OF YEAR	1,743,057	385,321	56,999	21	296,945	-	2,482,343
FUND BALANCES, END OF YEAR	\$ 1,745,808	\$ 52,704	\$ 35,509	\$ -	\$ 349,193	\$ (645,359)	\$ 1,537,855

LAKE TAHOE COMMUNITY COLLEGE

**BALANCE SHEET- PROPRIETARY FUNDS
JUNE 30, 2015**

	Internal Service Funds
ASSETS	
Cash and cash equivalents	\$ 184,678
Accounts receivable	18,312
Total Assets	<u>202,990</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	11,904
Due to other funds	40,000
Total Liabilities	<u>51,904</u>
FUND EQUITY	
Retained earnings	<u>151,086</u>
Total Liabilities and Fund Equity	<u>\$ 202,990</u>

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Internal Service Funds
OPERATING REVENUES	
Sales revenues	\$ <u> -</u>
OPERATING EXPENSES	
Employee benefits	168,578
Services and other operating expenditures	105,747
Total Operating Expenses	<u>274,325</u>
Operating Income (Loss)	<u>(274,325)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	620
Miscellaneous revenues	37,535
Operating transfers in	158,800
Total Nonoperating Revenues (Expenses)	<u>196,955</u>
NET INCOME (LOSS)	(77,370)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>228,456</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 151,086</u></u>

LAKE TAHOE COMMUNITY COLLEGE

**CASH FLOW STATEMENT - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to employees for services	\$ (175,152)
Cash payments to suppliers for goods and services	(94,998)
Net Cash Provided (Used) for Operating Activities	<u>(270,150)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from assessments made to other funds	<u>100,488</u>
Net Cash Provided (Used) from Noncapital Financing Activities	<u>100,488</u>
Net decrease in cash and cash equivalents	(169,662)
Cash and cash equivalents - Beginning	<u>354,340</u>
Cash and cash equivalents - Ending	<u><u>\$ 184,678</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	(274,325)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	<u>4,175</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (270,150)</u></u>

LAKE TAHOE COMMUNITY COLLEGE

**BALANCE SHEET – FIDUCIARY FUNDS
JUNE 30, 2015**

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Scholarship and Loan	Employment Benefits Trust	Total
ASSETS						
Cash and cash equivalents	\$ 607	\$ 34	\$ 13,005	\$ 2,095	\$ 504	\$ 16,245
Investments	-	-	-	-	184,238	184,238
Accounts receivable	-	-	955	-	-	955
Due from other funds	-	-	424	-	154,997	155,421
Total Assets	<u>\$ 607</u>	<u>\$ 34</u>	<u>\$ 14,384</u>	<u>\$ 2,095</u>	<u>\$ 339,739</u>	<u>\$ 356,859</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 34	\$ 7,706	\$ -	\$ -	\$ 7,740
Unearned revenue	-	-	1,643	-	-	1,643
Due to student groups	607	-	-	-	-	607
Total Liabilities	<u>607</u>	<u>34</u>	<u>9,349</u>	<u>-</u>	<u>-</u>	<u>9,990</u>
FUND BALANCES						
Restricted	-	-	5,035	2,095	140,757	147,887
Committed	-	-	-	-	198,982	198,982
Total Fund Balances	<u>-</u>	<u>-</u>	<u>5,035</u>	<u>2,095</u>	<u>339,739</u>	<u>346,869</u>
Total Liabilities and Fund Balances	<u>\$ 607</u>	<u>\$ 34</u>	<u>\$ 14,384</u>	<u>\$ 2,095</u>	<u>\$ 339,739</u>	<u>\$ 356,859</u>

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE –
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Student Representation Fee	Student Financial Aid	Scholarship and Loan	Employment Benefits Trust	Total
REVENUES					
Federal revenues	\$ -	\$ 2,115,836	\$ -	\$ -	\$ 2,115,836
State revenues	-	94,004	-	-	94,004
Local revenues	5,838	-	10,701	499	17,038
Total Revenues	<u>5,838</u>	<u>2,209,840</u>	<u>10,701</u>	<u>499</u>	<u>2,226,878</u>
EXPENDITURES					
Current Expenditures					
Books and supplies	1,031	-	-	-	1,031
Services and operating expenditures	6,240	-	10,500	-	16,740
Total Expenditures	<u>7,271</u>	<u>-</u>	<u>10,500</u>	<u>-</u>	<u>17,771</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>(1,433)</u>	<u>2,209,840</u>	<u>201</u>	<u>499</u>	<u>2,209,107</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	154,997	154,997
Other uses	-	(2,210,128)	-	-	(2,210,128)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,210,128)</u>	<u>-</u>	<u>154,997</u>	<u>(2,055,131)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	(1,433)	(288)	201	155,496	153,976
FUND BALANCES, BEGINNING OF YEAR	1,433	5,323	1,894	184,243	192,893
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 5,035</u>	<u>\$ 2,095</u>	<u>\$ 339,739</u>	<u>\$ 346,869</u>

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF STATEMENT OF NET POSITION TO BALANCE SHEET
JUNE 30, 2015**

**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Total Fund Balance:

General Funds	\$ 1,803,547	
Special Revenue Funds	35,509	
Capital Project Funds	(296,166)	
Internal Service Funds	151,086	
Total Fund Balance - All District Funds	<u>151,086</u>	\$ 1,693,976

Capital assets used in governmental activities are not financial resources and,

The cost of capital assets is	44,304,022	
Accumulated depreciation is	<u>(16,503,025)</u>	27,800,997

Expenditures related to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.

749,277

The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.

(3,179,126)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Lease revenue bonds	(1,225,000)	
Early retirement	(97,149)	
Capital leases payable	(4,852)	
Load banking	(39,985)	
Compensated absences	(270,088)	
Net pension liability	(9,282,658)	
Other post employment benefits	<u>(152,604)</u>	<u>(11,072,336)</u>
Total Net Position		<u>\$ 15,992,788</u>

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO ADDITIONAL SUPPLEMENTAL INFORMATION JUNE 30, 2015

Basis of Presentation - Fund Accounting

The District follows GASB Statement 35 and reports its audited financial statements in accordance with business type financial statements in the audited financial statements as listed in the table of contents. Internally, the accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District has optionally included the fund financial statements in this Additional Supplementary Information section. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO ADDITIONAL SUPPLEMENTAL INFORMATION JUNE 30, 2015

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO ADDITIONAL SUPPLEMENTAL INFORMATION JUNE 30, 2015

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 5 percent of General Fund expenditures and other financing uses.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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***

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe, California

We have audited, 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, the basic financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of Lake Tahoe Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Vavinek, Ture, Day & Co LLP

Pleasanton, California
December 2, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe, California

Report on Compliance for Each Major Federal Program

We have audited Lake Tahoe 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, 2015. The District's major Federal programs are identified in the Summary of Auditor's 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 its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider 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 types of compliance 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Vaurinek, Ture, Day & Co LLP

Pleasanton, California
December 2, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Lake Tahoe Community College District
South Lake Tahoe, California

Report on State Compliance

We have audited Lake Tahoe Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2015.

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

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	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District did not spend any Proposition 1D State Bond Funds; therefore, the compliance tests within this section were not applicable.

Vavinek, Tine, Day & Co LLP

Pleasanton, California
December 2, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAKE TAHOE COMMUNITY COLLEGE

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Aid Cluster</u>
<u>84.042, 84.044, 84.047</u>	<u>Career Technical Education Act Trio Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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LAKE TAHOE COMMUNITY COLLEGE

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

None noted.

LAKE TAHOE COMMUNITY COLLEGE

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None noted.

LAKE TAHOE COMMUNITY COLLEGE

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None noted.

LAKE TAHOE COMMUNITY COLLEGE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2014-001 Finding - Section 426 – Students Actively Enrolled

Criteria or Specific Requirement

CCR Title 5 Section 58003.1 and 58004 indicate that as of the last day of business that precedes the census day, any student who has been identified as a no show, officially withdrawn from the course, or been dropped from the course shall not be considered actively enrolled in the course.

Condition

Students who dropped courses continued to be included in student counts as of census dates.

Questioned Costs

2.76 FTES. The District reviewed all drops, including but not limited to the ones noted during the audit and proposed corrections. The corrections were reviewed by and agreed to by the auditor. The October 1, 2014 recalc 320 report reflects the reductions for this issue of 2.76 FTES.

Context

4 of 54 students dropping courses prior to census date continued to be included in census date student counts.

Effect

Students dropping courses before census date continued to be included in the student counts on census date and were not removed from the accumulated totals until after the data entry date passed.

Cause

The District entered drops as of the date of posting of the information instead of as of the effective date of the drop.

Recommendation

We recommend the District review procedures applicable to the accurate accumulation of student data and ensure that drops are processed using an effective date of when the student dropped, not the entry date of when the transaction was processed.

Management's Response and Corrective Action Plan

For FY13-14 the District submitted the corrective FTES changes in the revised 320 report. Moving forward the District has implemented procedure that student drops are dated using the effective date when the student actually dropped. This process will ensure that students aren't incorrectly counted at census date. Admissions and Records staff have been trained to ensure compliance.

Status

Implemented.

LAKE TAHOE COMMUNITY COLLEGE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2014-002 Finding - Section 424 – State General Apportionment Funding

Criteria or Specific Requirement

CCR Title 5, Sections 58020-24 require the district maintain detailed documentation to substantiate the data reported on the Apportionment Attendance Report Form CCFS-320, and that positive attendance hours are based on an accurate count of students present at each course meeting.

Condition

We noted that Actual Hours of Attendance courses (commonly known as positive attendance) records supporting all contact hours were not available.

Questioned Costs

3.58 FTES. The District reviewed all the supporting information for all positive attendance courses, including but not limited the ones noted during the audit and proposed corrections. The corrections were reviewed by and agreed to by the auditor. The October 1, 2014 recal 320 report reflects the reductions for this issue of 3.58 FTES.

Context

6 of 15 positive attendance P.E. courses reviewed did not have supporting attendance records for all of the contact hours claimed.

Effect

Contact hours were over-reported on the P2 and Annual 320 Form.

Cause

Accurate attendance records were not maintained and reconciled to the contact hours reported on the 320 Forms.

Recommendation

We recommend the District review procedures applicable to the accurate accumulation of student contact hours for positive attendance courses and ensure that all supporting data is maintained and reconciles to the reports submitted.

Management's Response and Corrective Action Plan

For FY13-14 the District submitted the corrective FTES changes in the revised 320 report. The District will train staff to accurately record student contact hours for positive attendance courses. Procedures will be put in place to ensure that proper documentation will be maintained regarding student contact hours. Reports submitted will be periodically audited by District staff to ensure that they reconcile with supporting data.

Status

Implemented