LAKE TAHOE COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the 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, 2014, 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 opinions 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 opinions.

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FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2014, and the changes in financial position and cash flows 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, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB 62 related to capitalized interest. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress 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 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 supplementary information and Additional 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 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 4, 2014, 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, Trine, Day & Co LLP

Pleasanton, California
December 4, 2014, except for,
The component unit and Note 11 as to which the date is October 13, 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, 2014. 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 14, and the notes to the basic financial statements beginning on page 23.

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 2013/2014 State Budget Act (AB 110) was adopted on June 27, 2013. 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 favorable and included a 1.565% cost of living adjustment (COLA), the first funded COLA since 2007/08. Additionally, categorical programs (Student Success and Support Program, Extended Opportunity Program & Services, Disabled Students Programs & Services, and California Work Opportunities & Responsibility to Kids) all received increased allocations.

Financial Highlights (Continued)

- The Board of Trustees' designated contingency reserve was designated in the Adopted Budget at 10% of budgeted unrestricted appropriations ($1,358,267). At June 30, 2014, the ending general unrestricted fund balance was $1,753,047 or 13% of 2013/14 budgeted unrestricted appropriations. In addition to the General Fund Reserves, LTCCD held reserves in other funds for the following purposes:

    - Capital Projects Fund (Fund 41) - $149,001 reserves for capital projects
    - Self-Insurance Fund (Fund 61) - $60,000 in this fund to fund the District share of property/liability claims
    - Retiree Health Benefits Fund (Fund 69) – $146,781 reserve for retiree benefits.
    - Other Post-Employment Benefits (Fund 79) - $184,243 reserve for retiree benefits

- LTCC is increasing the number of grants it obtains to support student enrollment and instruction, especially in the Federal area. The District currently has three federal TRIO grants: Upward Bound, for Math and Science Instruction; Student Support Services, to increase the college retention and graduation rates; and Education Talent Search, to assist individuals from disadvantaged backgrounds complete postsecondary education. These federal grants are awarded in five year terms and the first of the awards, TRIO Student Support Services, will expire in 2015/16. The District is currently working on obtaining a second five year award for this program. Additionally, the District was awarded an Adult Education Consortium Planning Grant (AB86) in 2013/14 to be expended in 2014/15. 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).

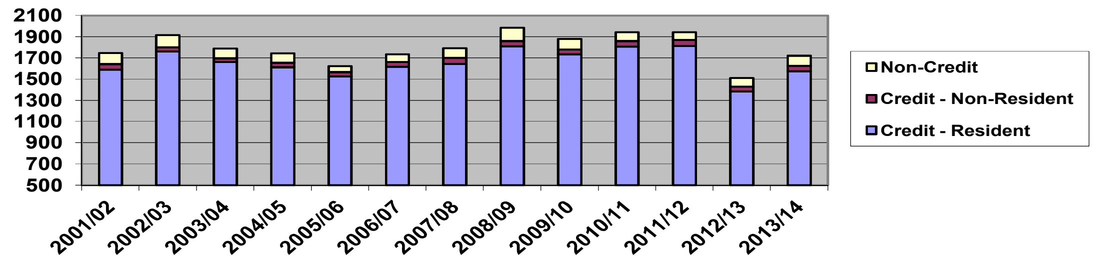
- The District experienced recovery in Full Time Equivalent Students (FTES) in 2013/14 after experiencing a sharp decline in enrollment in 2012/13. In 2013/14 the District had FTES of 1,720 (including non-resident), up from a total FTES of 1,511 in 2012/13 but still down significantly from a total of 1,941 FTES in 2011/12 (the all-time high was 2008/09 with 1,984 FTES).

  The District was able to recover FTES due to an increase in off-campus enrollment. The South Bay Regional Public Safety Training Consortium Partnership (SBRPSTC) resulted in 72 FTES and Instructional Service Agreements with Fire Science (multiple agencies) and the Culinary Jail program produced 55 FTES in 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 rate. These factors still exist and will continue to affect on-campus enrollment in future years. Looking forward, the FTES generated from the SBRPSTC is budgeted to increase to 250 FTES in 2014/15 and new programs are being offered that will drive enrollment increases such as the Inter-collegiate Soccer program which is budgeted to bring an additional 20 resident and 20 non-resident FTES in 2014/15.

Financial Highlights (Continued)

The following chart summarizes the past thirteen years of enrollment:

FTES Growth/Decline
2001/02 – 2013/14



For the fiscal year 2013/14, each non-credit FTES was funded at $2,788 per student and $3,283 for each non-credit CDCP student. Each resident credit FTES was funded at a rate of $4,636. 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 $41,499 in commissions from Barnes & Noble for the 2013/14 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 2013/14 was $23,680 which was covered with a subsidy from the general fund. This operating deficit was lower than in years past due in part to an increase in enrollment fees charged to parents in 2013/14.

- 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 enrollment fees. In 2013/14 this program generated $199,913 in revenue and provided over 130 workshops to approximately 1,800 participants.

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 (condensed)

Current Assets	2014	2013	% Change
Cash and cash equivalents	$ 1,286,866	$ 2,888,909	-124.49%
Receivables	2,310,715	3,181,001	-37.66%
Prepaid and other assets	68,966	103,668	-50.32%
Total Current Assets	3,666,547	6,173,578	-68.88%
Non-Current Assets			
Capital assets, net	28,726,245	29,358,815	-2.21%
Total Non-Current Assets	28,726,245	29,358,815	-2.21%
Total Assets	$32,392,792	$35,532,393	-9.70%

- Total assets for the District decreased 9.70% in fiscal year 2013/14 from the previous fiscal year. Cash and cash equivalents decreased by over 124% year over year primarily due to the retirement of tax and revenue anticipation notes ($2.5 million). Although significantly less than prior years, the State continued its apportionment deferrals to the District in the 2013/14 fiscal year to be paid in fiscal year 2014/15. Approximately $1.44 million in apportionment owed by the State was deferred until July/August 2014. State deferrals of apportionment are anticipated to be completed in 2014/15.

- 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 $632,570 year-over-year, largely due to annual depreciation expense.

Statement of Net Position (Continued)

Liabilities (condensed)

Current Liabilities	2014	2013	% Change
Accounts payable	$ 213,448	$ 116,060	45.63%
Unearned revenue	323,185	321,966	0.38%
Accrued payroll	413,792	271,320	34.43%
Current loans	0	2,500,000	100.00%
Long-term debt, current	113,691	285,921	-151.49%
Total Current Liabilities	1,064,116	3,495,267	-228.47%
Non-Current Liabilities			
Compensated absences	316,968	$ 323,029	-1.91%
Bonds payable, non-current	1,225,000	1,310,000	-6.94%
Long-term debt, non-current	299,182	439,774	-31.97%
Total Non-Current Liabilities	1,841,150	2,072,803	-11.12%
Total Liabilities	$ 2,905,266	$ 5,568,070	-47.82%

- Accounts payable amounts increased approximately 46% primarily due to an invoice in the amount of $138,864, for the Student Center water damage remediation, being outstanding as of June 30, 2014.

- Unearned revenue (previously presented as deferred revenue) remained approximately the same as the prior year, reflecting amounts received but unearned in several categorical programs. The deferrals will be spent in 13/14 or returned to the grantor, depending on program guidelines.

- Accrued payroll increased 34.43% due to variations in scheduling that shift the number of sections and days of wages earned in June but not paid until July 2014.

- 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 decreased 151% due primarily to the golden handshake payments that were paid out in 2013/14.

Statement of Net Position (Continued)

Net Position (condensed)

	2014	2013	% Change
Invested in capital assets, net	$ 27,415,479	$ 27,328,839	-0.32%
Restricted or reserved	739,286	434,840	70.01%
Unrestricted	1,332,761	2,200,644	-39.44%
Total Net Position	$ 29,487,526	$ 29,964,323	-1.59%

- Net position, previously reported as net assets under the former reporting model, includes the value of all capital assets net of accumulated depreciation.
- 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.

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 $19,544,170. The amount funded through local taxpayers by means of property taxes was $3,564,120; an increase of $111,488 from the previous fiscal year. Unrestricted state apportionment totaled $7,668,934, a decrease of $428,296, reflecting the loss of the stability funding received in 2012/13 to compensate for the steep decline in enrollment in that year.

Net tuition and fees increased 5.85% in fiscal year 2013/14 due to an increase in enrollment that was partially offset by an increase in scholarship discounts and allowances such as Board of Governors Grant (BOGG) waivers. Federal grants awarded to the District increased year-over-year with additional TRIO funds being allocated by the federal government. State and local grants also increased due to the restoration of Instructional Equipment funding that had been eliminated in 2009/10. The decline reflected in apportionment was due to the loss of stability funding that was received in 2012/13.

Revenue Source	**2014**	**2013**	**% Change**
OP-Net Tuition and Fees	$ 1,760,083	$ 1,662,762	5.85%
NO-Federal Grants	3,775,436	3,471,892	8.74%
NO-State/Local Grants	1,766,033	1,659,326	6.43%
NO-Apportionment	7,668,934	8,097,230	-5.29%
NO-State/Local Taxes, other	3,564,120	3,452,632	3.23%

OP: Operating NO: Non-Operating

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

Total operating expenses increased approximately $183,000 or about 1% from the previous fiscal year with the largest increases occurring in supplies and other operating expenses and depreciation while benefits decreased over 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 55% of the apportionment revenue generated by this program. The increase in depreciation was the result of a one-time adjustment to capitalized interest per GASB 62. All step increases were funded and the total cost to the health benefit package increased. The non-operating interest expense reflects the interest cost the tax revenue anticipation notes that were retired in 2013/14.

The following table summarizes expenditures by expense category.

Expense Category	2014	2013	% Change
OP-Salaries	$ 9,357,125	$ 9,381,553	-0.26%
OP-Benefits	3,396,658	3,990,299	-14.88%
OP-Supplies/Other Operating	3,059,957	2,796,457	9.46%
OP-Payment to Students	2,512,364	2,355,640	6.65%
OP-Depreciation	1,218,066	829,489	46.85%
NO-Interest Expense	94,656	65,194	45.19%

OP: Operating   NO: Non-Operating

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.

	2014	2013
Cash (used in) provided by:		
Operating activities	$ (19,075,786)	$ (14,325,810)
Non-capital financing activities	17,958,342	17,157,107
Capital and related financing activities	(490,303)	(793,667)
Investing activities	5,704	37,560
Net increase/(decrease) in cash and cash equivalents	(1,602,043)	2,075,190
Cash – beginning of fiscal year	2,888,909	813,719
Cash – end of fiscal year	$ 1,286,866	$ 2,888,909

- Operating activities include tuition and fees revenues, revenues from grants, operating expenditures, and payments on behalf of the auxiliary enterprises. The significant increase in net cash used by operating activities was due to the 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. The reduction in interest income is due to lower average cash balances due to the retirement of the TRAN.

- Overall, cash at the end of the year decreased significantly following the retirement of the TRAN, however, it remained at an acceptable level in relation to revenue and expenses.

Factors That May Affect the Future

- The District achieved a significant restoration of FTES in 2013/14 and predicts a moderate increase 2014/15. 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) resulted in 72 FTES and is projected to increase to 250 FTES in 2014/15.
    - The District is projecting an increase in off-campus Instructional Service Agreements (ISAs) from 55 in 2013/14 to 63 in 2014/15.
    - The new intercollegiate soccer program is projected to result in an increase of 20 resident FTES and 20 non-resident FTES in 2014/15.

- The State of California adopted its 2014/15 budget as per statutory law on-time for the fourth consecutive year. With the passage of Proposition 30 and a moderate overall recovering economy in California, education budgets have been somewhat stable for the first time in many years. The following State budget enhancements will benefit LTCCD in 2014/15:

    1. 0.85% cost of living adjustment (COLA) to computational revenue ($105,530)
    2. The Student Success and Support Program (SSSP) funding was increased to $419,000 in 2014/15 up from $150,176 in 2013/14.
    3. The State funded a new Student Equity program and allocated an additional $200,000 to the District in 2014/15 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 ‘standard’ plan.

- The District established a separate Retiree Benefit Fund, Fund 69, in 2012/13 and has prefunded the costs of retiree benefits into FY 2014/15. In addition, the District established a new Other Post Retirement Benefits Trust Fund (OPEB), Fund 79, in 2013/14 and transferred $184,238 to this fund. This is the first time that the District has funded more than the current year obligation for post-retirement benefits. The $184,238 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.

- 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 8.25% in 2013/14.

Factors That May Affect the Future (Continued)

- The passage of Measure F, a $55 million dollar Proposition 39 general obligation bond, will provide funding for the 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.

- In November of 2014, the Lake Tahoe Community College Foundation received a $5 million dollar donation to construct a University Center on campus in order for the College to offer four-year baccalaureate degrees either as a part of a pilot program through the Community College Chancellor's office or as an extension program partnership with another four-year University. The addition of this University Center will allow more opportunities for our students to pursue advanced degrees and is projected to have a positive impact on future enrollment.

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, 2014

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,286,866
Investments	57,198
Accounts receivable, net	2,310,715
Prepaid expenses	11,768
Total Current Assets	3,666,547
Noncurrent Assets	
Nondepreciable capital assets	904,241
Depreciable capital assets, net of depreciation	27,822,004
Total Noncurrent Assets	28,726,245
TOTAL ASSETS	32,392,792
LIABILITIES	
Current Liabilities	
Accounts payable	212,547
Accrued payroll and related liabilities	413,792
Due to fiduciary funds	901
Unearned revenue	323,185
Bonds payable - current portion	85,000
Lease obligations - current portion	766
Other long-term liabilities - current portion	27,925
Total Current Liabilities	1,064,116
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	316,968
Bonds payable - noncurrent portion	1,225,000
Other long-term liabilities - noncurrent portion	299,182
Total Noncurrent Liabilities	1,841,150
TOTAL LIABILITIES	2,905,266
NET POSITION	
Net investment in capital assets	27,415,479
Restricted for:	
Debt service	21
Capital projects	296,945
Educational programs	385,321
Other activities	56,999
Unrestricted	1,332,761
TOTAL NET POSITION	$ 29,487,526

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, 2014

OPERATING REVENUES	
Student Tuition and Fees	$ 2,952,288
Less: Scholarship discount and allowance	(1,192,205)
TOTAL OPERATING REVENUES	1,760,083
OPERATING EXPENSES	
Salaries	9,357,125
Employee benefits	3,396,658
Supplies, materials, and other operating expenses and services	3,059,957
Student financial aid	2,512,364
Depreciation	1,218,066
TOTAL OPERATING EXPENSES	19,544,170
OPERATING LOSS	(17,784,087)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	7,668,934
Local property taxes, levied for general purposes	3,564,120
Federal grants	3,775,436
State grants	1,766,033
Investment income	5,704
Interest expense on capital related debt	(94,656)
Investment income on capital asset-related debt, net	21
Transfer to fiduciary funds	(187,588)
Other nonoperating revenue	365,543
TOTAL NONOPERATING REVENUES (EXPENSES)	16,863,547
INCOME BEFORE OTHER REVENUES AND EXPENSES	(920,540)
State revenues, capital	163,928
TOTAL INCOME	163,928
CHANGE IN NET POSITION	(756,612)
NET POSITION, RESTATED	30,244,138
NET POSITION, END OF YEAR	$ 29,487,526

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 1,808,597
Payments to vendors for supplies and services	(2,911,593)
Payments to or on behalf of employees	(12,910,903)
Payments to students for scholarships and grants	(2,561,887)
Proceeds from loans	(2,500,000)
Net Cash Flows From Operating Activities	(19,075,786)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	8,926,273
Property taxes - nondebt related	3,564,120
Federal grants and contracts	3,416,137
State grants and contracts	1,901,728
Other nonoperating	150,084
Net Cash Flows From Noncapital Financing Activities	17,958,342
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(299,962)
Principal paid on capital debt	(95,706)
Interest paid on capital debt	(94,656)
Interest received on capital asset-related debt	21
Net Cash Flows From Capital Financing Activities	(490,303)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	5,704
Net Cash Flows From Investing Activities	5,704
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,602,043)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,888,909
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,286,866

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2014

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (17,784,087)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	1,218,066
Changes in Assets and Liabilities:	
Receivables	36,402
Accounts payable, current loans, and accrued liabilities	(2,534,055)
Unearned revenue	(12,112)
Total Adjustments	(1,291,699)
Net Cash Flows From Operating Activities	$ (19,075,786)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 293,788
Local Agency Investment Fund	123,585
Cash in county treasury	869,493
Total Cash and Cash Equivalents	$ 1,286,866
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 235,590
Board of governors fee waivers	$ 1,192,205

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Trust
ASSETS	
Cash and cash equivalents	$ 199,589
Due from primary government	901
Total Assets	200,490
LIABILITIES	
Accounts payable	489
Unearned revenue	901
Due to student groups	5,463
Total Liabilities	6,853
NET POSITION	
Unreserved	193,637
Total Net Position	$ 193,637

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Trust
ADDITIONS	
Local revenues	$ 4,049
Total Additions	4,049
DEDUCTIONS	
Services and operating expenditures	2,174
Total Deductions	2,174
OTHER FINANCING SOURCES (USES)	
Operating transfers in	187,588
Total Other Financing Sources (Uses)	187,588
Change in Net Position	189,463
Net Position - Beginning	4,174
Net Position - Ending	$ 193,637

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, 2014

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 211,285
Accounts receivable	2,610
Prepaid expenses	2,924
Total Current Assets	216,819
NONCURRENT ASSETS	
Investments	1,267,379
TOTAL ASSETS	$ 1,484,198
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 47,763
Unearned revenue	23,175
TOTAL LIABILITIES	70,938
NET ASSETS	
Unrestricted	336,070
Temporarily restricted	652,556
Permanently restricted	424,634
Total Net Assets	1,413,260
Total Liabilities and Net Assets	$ 1,484,198

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, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	$ 37,485	$ 128,870	$ -	$ 166,355
Special events, net	(5,581)	-	-	(5,581)
In-kind contribution	123,804	-	-	123,804
Interest and dividends	31,596	85,531	-	117,127
Assets released from restrictions	157,985	(157,985)	-	-
Total Revenues	345,289	56,416	-	401,705
EXPENSES				
Operating expenses	59,319	-	-	59,319
Program expenses	289,102	-	-	289,102
Fundraising expenses	6,245	-	-	6,245
Total Expenses	354,666	-	-	354,666
CHANGE IN NET ASSETS	(9,377)	56,416	-	47,039
NET ASSETS, BEGINNING OF YEAR	345,447	596,140	424,634	1,366,221
NET ASSETS, END OF YEAR	$ 336,070	$ 652,556	$ 424,634	$ 1,413,260

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

DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	47,039
Changes in Assets and Liabilities		
Decrease in accounts receivable		(2,550)
Decrease in prepaid expenses		(299)
Increase in accounts payable		27,248
Increase in deferred revenues		9,100
Net Cash Flows From Operating Activities		80,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(93,682)
Net Cash Flows From Investing Activities		(93,682)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(13,144)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		224,429
CASH AND CASH EQUIVALENTS, END OF YEAR	$	211,285

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

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.

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 and No. 38. 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 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- 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, 2014, 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.

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.

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.

Current Loans

Current loans consist of amounts for Tax and Revenue Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. These liabilities are offset with any cash deposits in the El Dorado County Treasurer, which have been set aside to repay the notes.

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.

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 resourced when an expense is incurred for purposed 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 $739,286 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.

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 the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (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, 2014, was $235,590 for CalSTRS. 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 entity-wide financial statements.

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.

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

As the result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB 62 provisions related to Capital Interest, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively increasing net position as of July 1, 2013, by $279,815. The increase results from capitalization of a portion of prior year interest expense and no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issues 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 the 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 provide trough 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 non-employer contributing entities to the pension plan and earning 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 employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditor of the plan members.

The Statement establishes standard for measuring and recognizing liabilities, deferred outflows or resources, deferred inflows of resources, and 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers bases 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 plan 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 provided 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 circumstance in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

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.

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 provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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.

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, 2014, consist of the following:

Primary Government	
Cash on hand and in banks	$ 283,863
Cash in revolving	9,925
Investments	1,050,276
Total Deposits and Investments	$ 1,344,064

Deposits and investments of the Fiduciary Funds as of June 30, 2014, consist of the following:

Fiduciary Funds	
Cash on hand and in banks	$ 13,913
Investments	185,676
Total Deposits and Investments	$ 199,589

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:

Investment Type	Fair Value	Weighted Average Maturity in Years
Certificate of deposit	$ 57,198	1.00
County Pool	1,055,169	0.94
State Investment Pool	123,585	0.64
Total	$ 1,235,952	

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, 2014.

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, 2014, approximately $38,000 of the District's bank balance of $288,000 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.

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 $57,000.

NOTE 4 - ACCOUNTS RECEIVABLE

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:

	Primary Government
Federal Government	
Categorical aid	$ 400,548
State Government	
Apportionment	1,442,601
Categorical aid	100,362
Lottery	93,632
Local Sources	
Student receivables	8,451
Other local sources	265,121
Total	$ 2,310,715

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, 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	2,855,950	-	-	2,855,950	-
Total Capital Assets Not Being Depreciated	3,635,191	-	125,000	2,855,950	904,241
Capital Assets Being Depreciated					
Land improvements	1,148,287	-	38,999	-	1,187,286
Building improvements	585,134	-	124,752	-	709,886
Buildings	37,166,324	379,364	-	-	37,545,688
Equipment	1,284,396	-	2,866,210	264,984	3,885,622
Total Capital Assets Being Depreciated	40,184,141	379,364	3,029,961	264,984	43,328,482
Total Capital Assets	43,819,332	379,364	3,154,961	3,120,934	44,232,723
Less Accumulated Depreciation					
Land improvements	1,125,964	-	5,466	-	1,131,430
Building improvements	240,682	-	55,739	-	296,421
Buildings	12,087,205	37,936	787,442	-	12,912,583
Equipment	1,062,559	-	369,420	265,935	1,166,044
Total Accumulated Depreciation	14,516,410	37,936	1,218,067	265,935	15,506,478
Net Capital Assets	$ 29,302,922	$ 341,428	$ 1,936,894	$ 2,854,999	$ 28,726,245

Depreciation expense for the year was $1,218,067.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Pell disbursements	$ 4,108
Construction	139,956
Other	68,483
Total	$ 212,547

NOTE 7 – CURRENT LOANS

The District issued $2,500,000 of Tax and Revenue Anticipation Notes dated March 1, 2013. The notes matured on December 31, 2013, and yielded 0.29 percent interest. The notes were sold to supplement cash flow due to the State of California deferring apportionment revenues to the subsequent fiscal year. No new Tax and Revenue Anticipation Notes were issued.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
Tax Revenue and Anticipation Note	$ 2,500,000	$ -	$ 2,500,000	$ -

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
State categorical aid	$ 115,335
Enrollment fees	187,336
Other local	20,514
Total	$ 323,185

NOTE 9 - 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, 2014, the amount owed between the primary government and the fiduciary funds was $901.

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 2014 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $187,588.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 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	$ 1,395,000	$ -	$ 85,000	$ 1,310,000	$ 85,000
Capital leases	11,472	-	10,706	766	766
Compensated absences	288,853	-	8,585	280,268	-
Banked faculty load	34,176	2,524	-	36,700	-
Other post employment benefits	438,892	184,238	323,948	299,182	-
Early retirement incentive	190,331	52,000	214,406	27,925	27,925
Total Long-Term Debt	$ 2,358,724	$ 238,762	$ 642,645	$ 1,954,841	$ 113,691

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, and early retirement incentives 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, 2014, $1,310,000 was outstanding. The lease revenue bonds mature through August 2025. Interest rates on the lease revenue bonds 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 $766 will be paid through July 2014.

Debt Maturity

Lease Revenue Bonds

Fiscal Year	Principal	Interest to Maturity	Total
2015	$ 85,000	$ 52,875	$ 137,875
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
2020-2024	575,000	121,260	696,260
2025-2027	265,000	11,703	276,703
Total	$ 1,310,000	$ 360,438	$ 1,670,438

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.

Capital Leases

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

	Copiers
Balance, July 1, 2013	$ 11,472
Additions	-
Payments	10,706
Balance, June 30, 2014	$ 766

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

Year Ending June 30,	Lease Payment
2015	$ 959
Total	959
Less: Amount Representing Interest	193
Present Value of Minimum Lease Payments	$ 766

Compensated absences and Banked Faculty Load

The District calculated the total long term portion of compensated absences as of June 30, 2014 at $280,268. Unfunded faculty banked leave was $36,700. 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, 2014, was $184,238, and contributions made by the District during the year were $323,948, which resulted in a decrease to the net OPEB obligation. As of June 30, 2014, the net OPEB obligation was $299,182. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Early Retirement Incentive

Early Retirement Incentive 2012/13

On June 12, 2012 the District's Board of Trustees approved an offering of several options for early retirement incentives for 2012/13 for both classified and academic employees meeting eligibility requirements. Academic employees were offered 2 additional years of CalSTRS service credit or a lump sum payment equivalent to $2,000 per year of full-time service. The District also agreed to extend medical benefits for five years (or the cash equivalent) to academic employees exceeding the Medicare age of 65. Classified employees were offered 2 additional years of CalPERS service credit or a lump sum payment equivalent to $2,000 per year of full-time service. All lump sum payments to employees that accepted the incentive were made before June 30, 2013 and totaled $89,563 for two academic employees and $100,000 for five classified employees. Golden handshake payments for both CalSTRS ($66,883) and CalPERS ($123,448) were pending invoices from the retirement agencies at June 30, 2013. Payment in full occurred by June 30, 2014.

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 is expected to occur in 2014/15.

NOTE 11 - 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 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 100 active Plan members.

Funding Policy

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.

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	$ 184,238
Contributions made	(323,948)
Increase in net OPEB obligation	(139,710)
Net OPEB obligation, July 1, 2013	438,892
Net OPEB obligation, June 30, 2014	$ 299,182

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 Obligation
2012	$ 201,299	$ 175,452	87%	$ 374,197
2013	$ 184,238	$ 119,543	65%	$ 438,892
2014	$ 184,238	$ 323,948	176%	$ 299,182

Funding Status and Funding Progress

During the fiscal year 2013-2014, the District established an irrevocable trust to partially fund the plan. The District contributed $323,948 to the Plan, $139,710 through pay as you go amounts all of which were used for current premiums (100%), and $184,238 deposited into the Plan to partially fund future payments. The actuarial accrued liability of $1,500,188 was based on the January 1, 2013, 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.

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 January 1, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 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 January 1, 2013, was 26 years.

NOTE 12 - 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
2015	$ 83,140
2016	84,387
2017	85,653
2018	86,938
2019	88,242
Thereafter	3,644,256
Total	$ 4,072,616

NOTE 13 - 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, 2014, the District contracted with the Statewide Association of Community Colleges Joint Powers Authority for property and liability insurance and workers compensation coverage. Settled claims have not exceeded this commercial 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.

Insurance Program / Company Name	Type of Coverage	Limits
Statewide Associaton of Community Colleges	Workers' Compensation	$ 1,000,000
Statewide Associaton 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.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $377,037, $350,770, and $359,614, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ended June 30, 2014, 2013, and 2012, were $364,154, $387,184 and $367,760, respectively, and equal 100 percent of the required contributions for each year.

Tax Deferred Annuity/Social Security

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 TDA 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, 2012, 2013, and 2014, which amounted to $235,590, $231,422, and $235,590 respectively, (5.541 percent for 2014) 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, 2012, 2013, and 2014. 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.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges and the Tri-County School Insurance Group Joint Powers Authority JPAs. The District pays annual premiums for its property liability, health, and workers' compensation coverage. 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, 2014, the District made payments of $1,909,574 to Community Colleges and the Tri-County School Insurance Group and $196,178 to South Bay Regional Public Safety.

NOTE 16 – NET ASSET RESTATEMENT

Net assets, Beginning	$ 29,964,323
Deferred issuance costs - GASB 65	(61,612)
Capitalized interest - GASB 62	341,427
Net assets, Beginning as restated	$ 30,244,138

NOTE 17 - 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, 2014.

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, 2014.

Construction Commitments

As of June 30, 2014, the District had no commitments with respect to the unfinished capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE TAHOE COMMUNITY COLLEGE

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

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	$ -	$ 6,281,082	37%
January 1, 2013	-	1,500,188	1,500,188	-	$ 6,174,828	24%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2014

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

MEMBER	OFFICE	TERM EXPIRES
Roberta L. Mason	President	December 2014
Kerry S. David	Clerk	December 2014
Karen Borges	Trustee	December 2016
Molly Blann	Trustee	December 2014
Frederick Wenck, Jr., D.D.S.	Trustee	December 2016
Nicholas Behney	Student Trustee	June 2014

ADMINISTRATION

Kindred Murillo, Ed.D.	President/Superintendent
Jeff DeFranco	Vice President, Administrative Services
Thomas Greene, Ph.D.	Vice President, Academic Affairs and Student Services
Kurt Green	Dean of Instruction
Virginia Boyar, Ph.D.	Dean of Career Technical Education and Instruction
Sue Gochis	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, 2014

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]	$ 2,266,805
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	61,161
Federal College Work Study (FWS)	84.033	[1]	36,694
Total Student Financial Aid Cluster			2,364,660
Title III Higher Educational Institutional Aid	84.031A	[1]	94,019
PASS THROUGH FUNDS			
Career Technical Education Act - Title IC	84.048	03303	97,434
Career Technical Education Act - Basic Grants To States (Perkins IV)	84.049	[2]	44,025
Career Technical Education Act - Trio Student Support Services	84.042	[2]	230,939
Career Technical Education Act - Talent Search	84.044	[2]	243,408
Career Technical Education Act - Upward Bound	84.047	[2]	261,573
Total U.S. Department of Education			3,336,058
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	23,340
Total Corporation for National and Community Service			23,340
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASS THROUGH FUNDS			
Child Development Training Consortium	93.575	[2]	3,700
Temporary Assistance for Needy Families (TANF)	93.558	[2]	24,896
Total U.S. Department of Health and Human Services			28,596
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Vocational and Educational Counseling for Service Members and Veterans	64.125	[1]	2,933
Total U.S. Department of Veteran's Affairs			2,933
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	14,129
Forest Reserve	10.665	[2]	38,662
Total U.S. Department of Agriculture			52,791
Total Expenditures of Federal Awards			$ 3,443,718

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

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
GENERAL FUND								
AB 1725 Staff Diversity	$ 3,541	$ -	$ 3,541	$ 3,541	$ -	$ -	$ 3,541	$ 3,541
AB 86 Adult Education	79,933	-	79,933	79,933	-	79,933	-	-
Basic Skills	90,000	12,990	102,990	102,990	-	12,294	90,696	90,696
BFAP Administration	123,187	-	123,187	123,187	-	-	123,187	123,187
California State Pre-school Program	9,425	-	9,425	9,425	-	64	9,361	9,361
CalGrant B & C	74,998	-	74,998	74,998	-	2,699	72,299	72,299
Calworks	115,734	-	115,734	115,734	-	-	115,734	115,734
Child Care Food Program	502	-	502	445	57	-	502	502
Child Development Training	3,750	-	3,750	3,750	-	50	3,700	3,700
Cooperative Agencies Resources for Education	18,216	-	18,216	18,216	-	-	18,216	18,216
Disabled Student Programs & Services	206,163	-	206,163	206,163	-	-	206,163	206,163
Enrollment Fee Waiver Admin	21,189	-	21,189	22,189	-	-	22,189	22,189
Extended Opportunity Programs & Services	127,133	-	127,133	127,133	-	-	127,133	127,133
Foster and Kinship Care	104,779	-	104,779	52,192	52,587	-	104,779	104,779
Student Success and Support	150,176	-	150,176	150,176	-	11,514	138,662	138,662
Student Success and Support - Non Credit	13,034	-	13,034	13,034	-	8,781	4,253	4,253
North/Far North Training	6,587	-	6,587	6,391	196	-	6,587	6,587
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	53,000	16,230	69,230	16,230	46,425	-	62,655	62,655
State Block Grant - CCTR	56,332	-	56,332	55,235	1,097	-	56,332	56,332
Summit to Sand	-	39	39	39	-	-	39	39
Subtotal	$ 1,295,974	$ 29,259	$ 1,325,233	$ 1,219,296	$ 100,362	$ 115,335	$ 1,204,323	$ 1,204,323

See accompanying note to supplementary information.

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit**	2.28	-	2.28
2. Credit	130.11	-	130.11
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit**	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	778.59	-	778.59
(b) Daily Census Contact Hours	65.86	-	65.86
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	90.30	-	90.30
(b) Credit	240.30	-	240.30
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	310.49	-	310.49
(b) Daily Census Contact Hours	40.73	-	40.73
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	1,658.66	-	1,658.66
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	88.42	-	88.42
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	62.44	-	62.44
2. Credit	20.62	-	20.62
CCFS-320 Addendum			
CDCP Noncredit FTES	32.98	-	32.98

Amounts reported as of Recalc 320 dated October 1, 2014.

** 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, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 2,222,414	$ -	$ 2,222,414	$ 2,224,132	$ -	$ 2,224,132
Other	1300	1,563,226	-	1,563,226	1,563,771	-	1,563,771
Total Instructional Salaries		3,785,640	-	3,785,640	3,787,903	-	3,787,903
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	619,527	-	619,527
Other	1400	-	-	-	127,429	-	127,429
Total Noninstructional Salaries		-	-	-	746,956	-	746,956
Total Academic Salaries		3,785,640	-	3,785,640	4,534,859	-	4,534,859
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	1,621,657	-	1,621,657
Other	2300	-	-	-	249,255	-	249,255
Total Noninstructional Salaries		-	-	-	1,870,912	-	1,870,912
Instructional Aides							
Regular Status	2200	121,505	-	121,505	121,505	-	121,505
Other	2400	165,035	-	165,035	173,852	-	173,852
Total Instructional Aides		286,540	-	286,540	295,357	-	295,357
Total Classified Salaries		286,540	-	286,540	2,166,269	-	2,166,269
Employee Benefits	3000	1,104,123	-	1,104,123	2,250,459	-	2,250,459
Supplies and Material	4000	-	-	-	167,094	-	167,094
Other Operating Expenses	5000	208,816	-	208,816	1,450,487	-	1,450,487
Equipment Replacement	6420	-	-	-	3,109	-	3,109
Total Expenditures Prior to Exclusions		5,385,119	-	5,385,119	10,572,277	-	10,572,277

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, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	30,968	-	30,968
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	13,984	-	13,984
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

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, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	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		-	-	-	44,952	-	44,952
Total for ECS 84362, 50 Percent Law		$ 5,385,119	$ -	$ 5,385,119	$ 10,527,325	$ -	$ 10,527,325
Percent of CEE (Instructional Salary Cost/Total CEE)		51.15%		51.15%	100.00%		100.00%
50% of Current Expense of Education					$ 5,263,663		$ 5,263,663

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2014

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 1,781,153
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 1,781,153			$ 1,781,153
Total Expenditures for EPA		$ 1,781,153	-	-	$ 1,781,153
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, 2014

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

	General Unrestricted	General Restricted	Child Development	Bond Interest And Redevelopment	Capital Outlay
FUND BALANCE					
Balance, June 30, 2014, (CCFS-311)	$ -	$ -	$ -	$ -	$ -
Fund balance not reported					
Change in:					
Cash in county treasury	-	331,718			
Assets, net of liabilities	1,743,057	53,603	56,999	21	296,945
Balance, June 30, 2014, Audited	$ 1,743,057	$ 385,321	$ 56,999	$ 21	$ 296,945

	Internal Service	Associated Students Trust	Student Representation Fee	Student Financial Aid	Scholarship and Loan	Investment Trust
FUND BALANCE						
Balance, June 30, 2014, (CCFS-311)	$ -	$ -	$ -	$ -	$ -	$ -
Incomplete form						
Change in:						
Assets net of liabilities	228,456	6,067	1,433	5,323	1,894	184,243
Balance, June 30, 2014, Audited	$ 228,456	$ 6,067	$ 1,433	$ 5,323	$ 1,894	$ 184,243

See accompanying note to supplementary information.

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:		$ 3,775,436
Career Technical Education Act - Trio Student Support Services	84.042	(331,718)
Total Expenditures of Federal Awards		$ 3,443,718

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, 2014

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Total Governmental Fund (Memorandum Only)
ASSETS						
Cash and cash equivalents	$ 535,150	$ 14,927	$ 62,984	$ 21	$ 290,450	$ 903,532
Investments	57,198	-	-	-	-	57,198
Accounts receivable	1,624,052	530,323	5,612	-	146,826	2,306,813
Due from other funds	195,235	55,927	-	-	-	251,162
Prepaid expenses	4,775	6,993	-	-	-	11,768
Total Assets	$ 2,416,410	$ 608,170	$ 68,596	$ 21	$ 437,276	$ 3,530,473
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 57,995	$ 3,784	$ 2,370	$ -	$ 139,956	$ 204,105
Accrued payroll and related liabilities	371,092	33,098	9,227	-	375	413,792
Due to other funds	38,622	68,476	-	-	-	107,098
Unearned revenue	205,644	117,491	-	-	-	323,135
Total Liabilities	673,353	222,849	11,597	-	140,331	1,048,130
FUND BALANCES						
Nonspendable	4,775	-	-	-	-	4,775
Restricted	-	53,603	-	21	296,945	350,569
Assigned	1,315,820	-	-	-	-	1,315,820
Uncommitted	422,462	331,718	56,999	-	-	811,179
Total Fund Balances	1,743,057	385,321	56,999	21	296,945	2,482,343
Total Liabilities and Fund Balances	$ 2,416,410	$ 608,170	$ 68,596	$ 21	$ 437,276	$ 3,530,473

LAKE TAHOE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Total Governmental Fund (Memorandum Only)
REVENUES						
Federal revenues	$ 47,815	$ 1,363,988	$ 14,130	$ -	$ -	$ 1,425,933
State revenues	8,137,826	1,121,280	66,195	-	163,928	9,489,229
Local revenues	5,007,456	20,860	358,785	21	155,133	5,542,255
Total Revenues	13,193,097	2,506,128	439,110	21	319,061	16,457,417
EXPENDITURES						
Current Expenditures						
Academic salaries	4,979,503	616,323	44,184	-	-	5,640,010
Classified salaries	2,848,271	558,101	278,093	-	2,201	3,686,666
Employee benefits	2,875,017	420,827	91,525	-	111	3,387,480
Books and supplies	212,729	115,578	19,794	-	17,455	365,556
Services and operating expenditures	1,868,196	390,964	27,769	1,815	65,588	2,354,332
Student financial aid	-	46,968	-	-	-	46,968
Capital outlay	177,593	25,178	1,425	-	168,988	373,184
Debt service - principal	9,195	-	-	85,000	-	94,195
Debt service - interest and other	39,862	-	-	56,275	-	96,137
Total Expenditures	13,010,366	2,173,939	462,790	143,090	254,343	16,044,528
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	182,731	332,189	(23,680)	(143,069)	64,718	412,889
OTHER FINANCING SOURCES (USES)						
Operating transfers in	39,862	-	56,004	141,481	29,000	266,347
Operating transfers out	(533,390)	-	-	-	(124,481)	(657,871)
Total Other Financing Sources (Uses)	(493,528)	-	56,004	141,481	(95,481)	(391,524)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(310,797)	332,189	32,324	(1,588)	(30,763)	21,365
FUND BALANCES, BEGINNING OF YEAR	2,053,854	53,132	24,675	1,609	327,708	2,460,978
FUND BALANCES, END OF YEAR	$ 1,743,057	$ 385,321	$ 56,999	$ 21	$ 296,945	$ 2,482,343

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET- PROPRIETARY FUNDS
JUNE 30, 2014

	Internal Service Funds
ASSETS	
Cash and cash equivalents	$ 354,340
Total Assets	354,340
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	884
Due to other funds	125,000
Total Liabilities	125,884
FUND EQUITY	
Retained earnings	228,456
Total Liabilities and Fund Equity	$ 354,340

LAKE TAHOE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Internal Service Funds
OPERATING REVENUES	
Sales revenues	$ -
OPERATING EXPENSES	
Employee benefits	347,804
Services and other operating expenditures	141,847
Total Operating Expenses	489,651
Operating Income (Loss)	(489,651)
NONOPERATING REVENUES (EXPENSES)	
Interest income	756
Miscellaneous revenues	27,460
Operating transfers in	197,709
Total Nonoperating Revenues (Expenses)	225,925
NET INCOME (LOSS)	(263,726)
RETAINED EARNINGS, BEGINNING OF YEAR	492,182
RETAINED EARNINGS, END OF YEAR	$ 228,456

LAKE TAHOE COMMUNITY COLLEGE

CASH FLOW STATEMENT - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to employees for services	$ (348,277)
Cash payments to suppliers for goods and services	(140,963)
Net Cash Provided (Used) for Operating Activities	(489,240)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from assessments made to other funds	358,929
Net Cash Provided (Used) from Noncapital Financing Activities	358,929
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	756
Net Cash Provided (Used) from Investing Activities	756
Net decrease in cash and cash equivalents	(129,555)
Cash and cash equivalents - Beginning	483,895
Cash and cash equivalents - Ending	$ 354,340
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	(489,651)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	411
NET CASH USED BY OPERATING ACTIVITIES	$ (489,240)

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET – FIDUCIARY FUNDS
JUNE 30, 2014

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Scholarship and Loan	Other Trust	Total
ASSETS						
Cash and cash equivalents	$ 12,019	$ 1,433	$ 28,994	$ 1,894	$ 184,243	$ 228,583
Accounts receivable	-	-	3,902	-	-	3,902
Due from other funds	-	901	475	-	-	1,376
Total Assets	$ 12,019	$ 2,334	$ 33,371	$ 1,894	$ 184,243	$ 233,861
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 489	$ -	$ 7,558	$ -	$ -	$ 8,047
Due to other funds	-	-	20,440	-	-	20,440
Unearned revenue	-	901	50	-	-	951
Due to student groups	5,463	-	-	-	-	5,463
Total Liabilities	5,952	901	28,048	-	-	34,901
FUND BALANCES						
Restricted	-	-	5,323	-	-	5,323
Assigned	6,067	1,433	-	1,894	184,243	193,637
Total Fund Balances	6,067	1,433	5,323	1,894	184,243	198,960
Total Liabilities and Fund Balances	$ 12,019	$ 2,334	$ 33,371	$ 1,894	$ 184,243	$ 233,861

LAKE TAHOE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Scholarship and Loan	Other Trust	Total
REVENUES						
Federal revenues	$ -	$ -	$ 2,349,503	$ -	$ -	$ 2,349,503
State revenues	-	-	109,666	-	-	109,666
Local revenues	4,078	4,044	-	-	5	8,127
Total Revenues	4,078	4,044	2,459,169	-	5	2,467,296
EXPENDITURES						
Current Expenditures						
Services and operating expenditures	-	6,412	-	-	-	6,412
Total Expenditures	-	6,412	-	-	-	6,412
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,078	(2,368)	2,459,169	-	5	2,460,884
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	3,350	6,227	-	184,238	193,815
Other uses	-	-	(2,465,396)	160	-	(2,465,236)
Total Other Financing Sources (Uses)	-	3,350	(2,459,169)	160	184,238	(2,271,421)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,078	982	-	160	184,243	189,463
FUND BALANCES, BEGINNING OF YEAR	1,989	451	5,323	1,734	-	9,497
FUND BALANCES, END OF YEAR	$ 6,067	$ 1,433	$ 5,323	$ 1,894	$ 184,243	$ 198,960

RECONCILIATION OF STATEMENT OF NET POSITION TO BALANCE SHEET
JUNE 30, 2014

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 2,133,701	
Special Revenue Funds	56,999	
Capital Project Funds	296,945	
Debt Service Funds	21	
Internal Service Funds	228,456	
Total Fund Balance - All District Funds		**$ 2,716,122**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	44,232,723	
Accumulated depreciation is	(15,506,478)	28,726,245
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	(1,310,000)	
Capital leases payable	(766)	
Load banking	(36,700)	
Compensated absences	(280,268)	
Early retirement incentive	(27,925)	
Other post employment benefits	(299,182)	(1,954,841)
Total Net Position		**$ 29,487,526**

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.

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.

Fund Balances - Governmental Funds

As of June 30, 2014, 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

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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
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 Lake Tahoe Community College District (the District) and its discretely presented component unit as of and for the year ended June 30, 2014, 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 4, 2014.

Change in Accounting Principles

As discussed in Note16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement 62 as related to interest capitalization. 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.

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

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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 4, 2014.

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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 4, 2014, except for,
The component unit and Note 11 as to which the date is October 13, 2015.

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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
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 OMB Circular A-133 *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, 2014. 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.

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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, 2014.

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* 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 4, 2014, except for,
The component unit and Note 11 as to which the date is October 13, 2015.

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Lake Tahoe Community College District
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 December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

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 December 2013.

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.

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Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Finding 2014-001 Section 426 – Students Actively Enrolled and Finding 2014-002 Section 424 – State General Apportionment Funding. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Unmodified Opinion for Each of the Other Programs

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, 2014, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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 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 in 2013-14; therefore, the compliance tests within this section were not applicable.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 4, 2014, except for,
The component unit and Note 11 as to which the date is October 13, 2015.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAKE TAHOE COMMUNITY COLLEGE

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063	Student Financial Aid Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

Unmodified for all State programs except for the following State programs which were qualified:

Name of State Program
Section 426 - Students Actively Enrolled
Section 424 - State General Apportionment Funding System

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

None noted.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None noted.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

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 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.

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 recalc 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.

2013-1 Finding - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Significant Deficiency

Criteria or Specific Requirement

Eligibility - Program guidelines require that the program provide for at least two CARE advisory committee meetings per year.

Condition

The District did not hold the required number of CARE advisory council meetings

Questioned Costs

Not Applicable

Context

During our testing of program operations and expenditures we discovered the conditions noted above.

Effect

Program operations were not consistently provided for in accordance with program guidelines.

Cause

The personnel designated to complete these tasks was not aware of the requirement to hold at least two CARE advisory committee meetings per year.

Recommendation

Program management should ensure that all services required to be provided to students are addressed.

Management's Response and Corrective Action Plan

The District concurs with the finding and will implement a procedure to ensure a minimum of two meetings per year of the CARE Advisory Committee. For the 2013/14 academic year, the CARE Advisory Committee has met during the fall term and has schedule a second meeting for spring 2014.

Status

Implemented