

LAKE TAHOE COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2013

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FINANCIAL SECTION



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' 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, 2013, 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.

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, 2013, 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.

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, 2013, 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.

Vaurine K. Trine, Day & Co LLP

Pleasanton, California
December 4, 2013

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. 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 13, and the notes to the basic financial statements beginning on page 22.

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 new 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 following bullet points include the financial highlights for FY 2012-13:

- The 2012/13 State Budget Act (AB 1464) was adopted on June 15, 2012. The state budget relied on the approval of a temporary tax increase through Proposition 30 to balance the overall budget. The successful passage of the proposition resulted in the establishment of the Education Protection Account (EPA) and provided necessary funding to meet K-14 Proposition 98 guarantees. The District built its 2012/13 Adopted Budget on the conservative assumption that the proposition would fail and was able to recognize the additional revenue in mid-year adjustments.
- 2012/13 inter-year cash deferrals for community colleges of \$765 million resulted in delayed payment of approximately \$2.4 million in apportionment revenues for LTCCD. To address the resulting cash flow issues, the District issued \$2.5 million of tax and revenue anticipation notes. Repayment of the notes will be made in December 2013.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Financial Highlights (Continued)

- The Board of Trustees' designated contingency reserve was appropriated in the Adopted Budget at 10% of budgeted unrestricted expenditures (\$1,376,494). All other additional contingency reserves (unrestricted) for operating expenses from the previous fiscal year were allocated in the Adopted Budget for program expenditures. Restricted reserves of \$301,194 were re-designated from Bookstore Reserves to reserves in new district fund for early-retiree benefit payments.
- In addition to the General Fund Reserves, LTCCD held reserves in other funds for the following purposes:
 - Restricted General Fund (Fund 12) - \$301,194 originally from the Bookstore Fund was committed to the Retiree Benefits Reserve (Fund 69)
 - Capital Projects Fund (Fund 41) - \$291,876 is assigned to reserves for capital projects
 - Self-Insurance Fund (Fund 61) - \$52,567 was assigned at June 30, 2013 in this fund to fund the District share of property/liability claims
 - Retiree Health Benefits Fund (Fund 69) – \$439,615 assigned to this reserve will pay for early-retirement incentives given in 2012/13 and retiree benefits into 14/15.
- After seeing an increase in enrollment in "full-time equivalent students" (FTES) in the previous four fiscal years, the District experienced a sharp decline in enrollment in 2012/13, dropping from a total (including non-resident) of 1,941 FTES in 2011/12 to 1,511 in 2012/13 (the all-time high was 2008/09 with 1,984 FTES). The largest impact was seen in the category of resident, credit students – nearly a 24% decline – while non-credit FTES saw a moderate increase of 12.5%.

Many factors contributed to this decline of FTES. The improving State economy resulted in a reduction of unemployment, resulting in students moving from the classroom back to the workplace. New State regulations imposed course repeatability restrictions, resulting in fewer students enrolling in certain physical education and fine/performing arts classes that previously offered more opportunities for students to repeat a class for personal enrichment/improvement. In 2011, Nevada terminated the tuition reciprocity agreement that had been in effect since 1992, which triggered elimination of the California Good Neighbor Policy (GNP) for LTCC students living in Nevada. Current Nevada students were grandfathered at the GNP fee rate if they maintained enrollment status, however new Nevada students or students that have not enrolled in consecutive regular terms are now required to pay the higher non-resident tuition fee.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

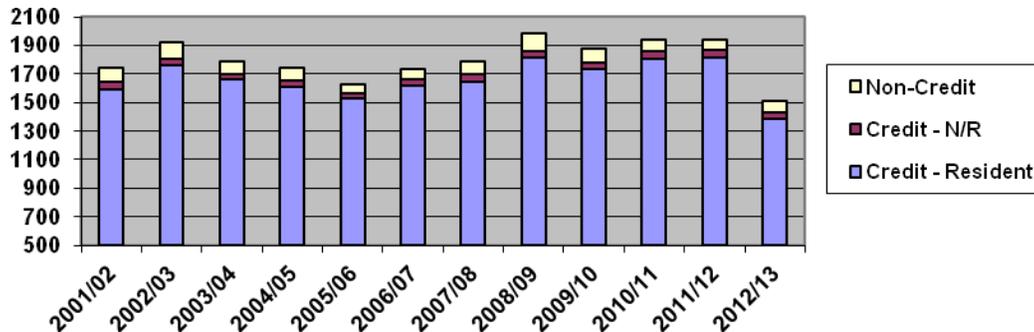
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Financial Highlights (Continued)

The following chart summarizes the past eleven years of enrollment:

*FTES Growth/Decline
2000/02 – 2012/13*



For the fiscal year 2012/2013, each non-credit FTES was funded at \$2,745 per student and \$3,232 for each non-credit CDCP student. Each resident credit FTES was funded at a rate of \$4,677. The total resulting FTES funding decrease to the District was approximately \$1.9 million. The State backfilled this apportionment loss in 2012/13 with “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 to restore FTES and corresponding funding. Subsequent year funding, however, will be commensurate with actual FTES earned. In addition, the 11 FTES decline in non-resident attendance resulted in tuition receipts dropping from \$302,914 in 2011/12 to \$263,688 in 2012/13.

- In November 2009 an outside company, Barnes & Noble, took over the operations of the Bookstore from the District. All assets including inventory owned by the District were sold in fiscal year 2009/10. 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 \$44,778 in commissions from Barnes & Noble for the 2012/13 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 2012/13 was \$18,255 including the subsidy from the general fund of \$44,078. Total expenses were \$441,707, approximately \$9,000 higher than originally budgeted, primarily due to utility expenses. Revenues were \$378,638, approximately \$9,000 less than budgeted revenues. The deficiency was covered by reserve funds within the CDC fund.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Financial Highlights (Continued)

- LTCC is increasing the number of grants it obtains to support student enrollment and instruction, especially in the Federal area as can be evidenced with the acceptance of a third TRIO grant in 2012 (Upward Bound for Math and Science instruction) to co-exist with the first two TRIO grants (Student Support Services and Education Talent Search) the district received in 2010 and 2011.

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 – the difference between assets and liabilities – is one way to measure the financial health of the District.

Assets (condensed)

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Current Assets			
Cash and cash equivalents	\$ 2,888,909	\$ 813,719	255.03%
Receivables	3,181,001	3,331,593	-4.52%
Prepays and other assets	<u>103,668</u>	<u>147,131</u>	-29.54%
Total Current Assets	<u>6,191,970</u>	<u>4,292,443</u>	44.25%
Non-Current Assets			
Capital assets, net	<u>29,358,815</u>	<u>29,464,423</u>	-0.36%
Total Non-Current Assets	<u>29,358,815</u>	<u>29,464,423</u>	-0.36%
Total Assets	<u>\$35,532,393</u>	<u>\$33,756,866</u>	5.26%

- Total assets for the District increased 5.26% in fiscal year 2012/13 from the previous fiscal year. Cash and cash equivalents increased by over 255% year over year primarily due to the issuance of tax and revenue anticipation notes (\$2.5 million) The State continued its apportionment deferrals to the District in the 2012/13 fiscal year to be paid in fiscal year 2013/14. Approximately \$2.4 million in apportionment owed by the State was deferred until July/August 2013.
- 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 increased \$637,388 year-over-year, largely due to the technology infrastructure project. There was approximately \$30,600 in deletions of previously acquired fixed assets and \$829,489 of depreciation.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Statement of Net Position (Continued)

Liabilities (condensed)

Current Liabilities	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Accounts payable	\$ 116,060	\$ 50,208	131.167%
Deferred revenue	321,966	310,549	3.68%
Accrued payroll	271,320	270,502	0.30%
Current loans	2,500,000	0	100.00%
Long-term debt, current	<u>285,921</u>	<u>111,815</u>	155.71%
Total Current Liabilities	3,486,251	743,074	370.38%
Non-Current Liabilities			
Compensated absences	\$ 323,029	\$ 354,636	-8.91%
Bonds payable, non-current	1,310,000	1,475,000	-11.19%
Long-term debt, non-current	<u>439,774</u>	<u>431,636</u>	1.89%
Total Non-Current Liabilities	2,072,803	2,261,272	-8.33%
Total Liabilities	<u>\$ 5,568,070</u>	<u>\$ 3,004,346</u>	85.33%

- Accounts payable amounts increased approximately 131% primarily due to a \$53,000 increase in student financial aid payments made after June 30.
- 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 remained at nearly the same amount as the previous year. This balance may vary each year depending on the number of sections and days outstanding for June payroll paid in July.
- Compensated absences represent the dollar value of accrued vacation leave, compensatory time and banked faculty load and is classified as a “non-current” liability as we cannot predict the amount that will be paid out in the subsequent year. This is disclosed in detail as a note to the financial statements.
- Long-term debt consists of retiree health benefits payable, early retirement incentives, and the principal portion of financing capital projects. Banked faculty load remained about the same as the previous year. Long-term debt is reported both under current and non-current liabilities. The current portion of long-term debt increased 156% due primarily to the increase in retiree health benefits and golden handshake payment that will be paid in 2013/14.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Statement of Net Position (Continued)

Net Position (condensed)

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Invested in capital assets, net	\$ 27,328,839	\$ 27,989,423	-2.36%
Restricted or reserved	434,840	490,915	-11.42%
Unrestricted	<u>2,200,644</u>	<u>2,272,182</u>	-3.15%
Total Net Position	<u>\$ 29,964,323</u>	<u>\$ 30,752,520</u>	-2.56%

- Net position, previously reported as fund balance under the former reporting model, include the value of all capital assets (net of accumulated depreciation).
- Restricted and/or reserved amounts include reserve for encumbrances, special reserves, capital projects reserves, stores, and prepaid items.
- Unrestricted net assets reflect the uncommitted balance of unrestricted funds 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 operations, is considered non-operating revenues according to Generally Accepted Accounting Principles.

As reported in the statement of revenues, expenses, and changes in net position on page 14 of this report, the cost of all the District's governmental activities this year was \$19,353,438. The amount funded through local taxpayers by means of property taxes was \$3,452,632 an increase of \$140,892 from the previous fiscal year. Unrestricted state apportionment totaled \$8,097,230, an increase of \$219,655, reflecting the voter approval of Proposition 30.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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

Net tuition and fees increased about 65.7% in fiscal year 2012/13 as the district received an increase in enrollment fees from the previous year and the number of scholarship discounts and allowances such as BOG Waivers increased as compared to the previous year. Federal grants awarded to the District increased year-over-year with additional TRIO funds by the District. State and local grants increased minimally overall; some grants saw slightly lower allocations, while additional funds were earned in Basic Skills and the Folsom Lake SB 70 Grant. The slight decline reflected in apportionment was due to an estimated deficit factor being applied statewide.

<u>Revenue Source</u>	<u>2013</u>	<u>2012</u>	<u>% Change</u>
OP-Net Tuition and Fees	\$ 1,662,762	\$ 1,003,608	65.68%
OP-Federal Grants	3,471,892	1,114,101	211.63%
OP-State/Local Grants	1,659,326	1,623,352	2.22%
NO-Appportionment	8,097,230	8,316,885	-2.64%
NO-State/Local Taxes, other	3,452,632	3,690,483	-6.44%

OP: Operating NO: Non-Operating

Total operating expenses increased approximately \$367,000 or about 2% from the previous fiscal year with the largest increases occurring in employee benefits across all programs and contracted services for community education. All step increases were funded and the total cost to the health benefit package increased. The non-operating interest expense reflects the interest cost of the lease revenue bond. Interest and principal payments follow a schedule from the creditor. Expenses for fiscal year 2012/13 include depreciation of the District's plant and equipment, which is not reported on the general ledger accounting system of the District.

The following table summarizes expenditures by expense category.

<u>Expense Category</u>	<u>2013</u>	<u>2012</u>	<u>% Change</u>
OP-Salaries	\$ 9,381,553	\$ 9,381,572	0.00%
OP-Benefits	3,990,299	3,360,327	18.75%
OP-Supplies/Other Operating	2,796,457	2,357,582	18.62%
OP-Payment to Students	2,355,640	2,536,828	-7.14%
OP-Depreciation	829,489	868,266	-4.47%
NO-Interest Expense	65,194	76,694	-14.99%

OP: Operating NO: Non-Operating

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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.

	<u>2013</u>	<u>2012</u>
Cash (used in) provided by:		
Operating activities	\$ (14,325,810)	\$ (14,347,753)
Non-capital financing activities	17,157,107	13,754,656
Capital and related financing activities	(793,667)	(451,682)
Investing activities	37,560	7,635
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	2,075,190	(1,037,144)
Cash – beginning of fiscal year	813,719	1,850,863
	<hr/>	<hr/>
Cash – end of fiscal year	<u>\$ 2,888,909</u>	<u>\$ 813,719</u>

- Operating activities includes tuition and fees revenues, revenues from grants, operating expenditures, and payments on behalf of the auxiliary enterprises. The nominal decrease reflects an overall increase in expenditures, including retirement incentives/retiree benefits, offset by additional funds received for enrollment fees due to the fee increase.
- Non-capital financing activities include state apportionment and property tax receipts which represents the largest cash in-flow to the District. The increase is due to the reduction of State deferrals, additional grant revenues the issuance of the \$2.5 million TRAN.
- Construction projects and capital debt are reported in capital and related financing activities.
- Investing activities includes interest and gains on District investments.
- With the maintenance of the 10 percent Board contingency reserve and the TRAN issuance, cash flow was at an acceptable level for a small District during the fiscal year.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Factors That May Affect the Future

- Student enrollment severely declined in 2012/13 (see “Financial Highlights on page 3) and it is predicted that the District will be unable to fully restore resident FTES to the 2011/12 level for several years. FTES revenue represents approximately 91% of funding sources in the Unrestricted General Fund. Efforts began in 2012/13 to reduce staffing by means of offering a retirement incentive which provided approximately \$475,000 in operational savings in 2013/14. Operating efficiencies are also being pursued to reduce other costs, such as utilities. Pursuit of additional funding is a high priority, e.g. a new contract with the South Bay Regional Public Safety Training Consortium to provide FTES-generating instructional services and expansion of community education programs. It is projected that resident FTES will be 1,715 in 2013/14, up 250 FTES from 1,465 FTES earned in 2012/13, but still well below the 1,884 FTES earned in 2011/12.
- Unrestricted reserves have been maintained at 10% of unrestricted expenditures since 2012/13. The District used \$400,000 in reserves in the FY 13/14 budget and is holding a declining enrollment reserve in the amount of \$300,000 for use in FY 14/15 to stabilize the budget as efforts are made to restore enrollment.
- The State of California adopted its 2013/14 budget as per statutory law on-time for the third consecutive year. With the passage of Proposition 30 and a moderate overall recovering economy in California, education budgets saw increases for the first time in many years. The following State budget enhancements will benefit LTCCD in 2013/14:
 - 1.565% cost of living adjustment (COLA) to computational revenue (\$187,000)
 - Partial restoration of certain categorical programs that were severely reduced in 2009/10 (DSPS, EOPS, CalWORKs and Student Success)
 - Funding for scheduled maintenance and instructional equipment for the first time in four years (\$219,418); acceptance of these funds will require the District to provide matching funds of \$146,276
- Health and welfare benefit costs have continued to increase each year. The district is pursuing alternative options to control the employer cost of the health plans, including having employees share the cost 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 14/15. In subsequent years, operating funds will need to be transferred to Fund 69 to fund pay-as-you-go premiums for retiree benefits. The estimated pay-as-you-go for FY 13/14 is approximately \$131,000.
- The Districted has benefitted from external funding sources, such as Title III and TRiO, for several years. As these grants wind down, certain expenditures will need to be institutionalized utilizing unrestricted operating funds. For example, the Title III grant funded the implementation of Datatel; on-going expenditures after the grant is depleted in 2013/14 are estimated to be approximately \$250,000.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013**

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,888,909
Investments	57,198
Accounts receivable, net	3,177,560
Due from fiduciary funds	3,441
Prepaid expenses - current portion	40,751
Deferred issuance costs - current portion	5,719
Total Current Assets	<u>6,173,578</u>

Noncurrent Assets

Deferred issuance costs - noncurrent portion	55,893
Nondepreciable capital assets	3,635,191
Depreciable capital assets, net of depreciation	25,667,731
Total Noncurrent Assets	<u>29,358,815</u>
TOTAL ASSETS	<u>35,532,393</u>

Accounts payable	113,706
Accrued payroll and related liabilities	271,320
Current loans	2,500,000
Due to fiduciary funds	2,354
Deferred revenue	321,966
Bonds payable - current portion	85,000
Lease obligations - current portion	10,590
Other long-term liabilities - current portion	190,331
Total Current Liabilities	<u>3,495,267</u>

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	323,029
Bonds payable - noncurrent portion	1,310,000
Lease obligations - noncurrent portion	882
Other long-term liabilities - noncurrent portion	438,892
Total Noncurrent Liabilities	<u>2,072,803</u>
TOTAL LIABILITIES	<u>5,568,070</u>

NET POSITION

Net investment in capital assets	27,328,839
Restricted for:	
Debt service	1,609
Capital projects	327,708
Educational programs	80,848
Other activities	24,675
Unrestricted	2,200,644
TOTAL NET POSITION	<u>\$ 29,964,323</u>

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Student Tuition and Fees	\$ 2,813,317
Less: Scholarship discount and allowance	(1,150,555)
TOTAL OPERATING REVENUES	<u>1,662,762</u>
OPERATING EXPENSES	
Salaries	9,381,553
Employee benefits	3,990,299
Supplies, materials, and other operating expenses and services	2,796,457
Student financial aid	2,355,640
Depreciation	829,489
TOTAL OPERATING EXPENSES	<u>19,353,438</u>
OPERATING LOSS	<u>(17,690,676)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	8,097,230
Local property taxes, levied for general purposes	3,452,632
Federal grants	3,471,892
State grants	1,659,326
Investment income	37,560
Interest expense on capital related debt	(65,194)
Investment income on capital asset-related debt, net	41
Transfer to fiduciary funds	(4,704)
Other nonoperating revenue	253,696
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>16,902,479</u>
CHANGE IN NET POSITION	<u>(788,197)</u>
NET POSITION, BEGINNING OF YEAR	<u>30,752,520</u>
NET POSITION, END OF YEAR	<u><u>\$ 29,964,323</u></u>

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, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 1,610,566
Payments to vendors for supplies and services	(2,790,515)
Payments to or on behalf of employees	(13,349,050)
Payments to students for scholarships and grants	(2,296,811)
Proceeds from loans	2,500,000
Net Cash Flows From Operating Activities	<u>(14,325,810)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	8,582,222
Property taxes - nondebt related	3,452,632
Federal grants and contracts	3,561,042
State grants and contracts	1,323,027
Other nonoperating	238,184
Net Cash Flows From Noncapital Financing Activities	<u>17,157,107</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(643,643)
Principal paid on capital debt	(90,590)
Interest paid on capital debt	(59,475)
Interest received on capital asset-related debt	41
Net Cash Flows From Capital Financing Activities	<u>(793,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	37,560
Net Cash Flows From Investing Activities	<u>37,560</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,075,190
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	813,719
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,888,909</u></u>

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2013**

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

Operating Loss	<u>\$ (17,690,676)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	829,489
Changes in Assets and Liabilities:	
Receivables	154,033
Accounts payable, current loans, and accrued liabilities	2,369,927
Deferred revenue	<u>11,417</u>
Total Adjustments	<u>3,364,866</u>
Net Cash Flows From Operating Activities	<u><u>\$ (14,325,810)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 218,816
Local Agency Investment Fund	123,281
Cash in county treasury	<u>2,546,812</u>
Total Cash and Cash Equivalents	<u><u>\$ 2,888,909</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 231,422</u></u>
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The accompanying notes are an integral part of these financial statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 5,231
Due from other funds	2,384
Total Assets	<u>7,615</u>
 LIABILITIES	
Due to other funds	3,441
Total Liabilities	<u>3,441</u>
 NET POSITION	
Unreserved	4,174
Total Net Position	<u>\$ 4,174</u>

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2013

	<u>Trust</u>
ADDITIONS	
Local revenues	\$ 4,681
Total Additions	<u>4,681</u>
DEDUCTIONS	
Books and supplies	616
Services and operating expenditures	23,047
Total Deductions	<u>23,663</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	2,354
Operating transfers out	(328)
Total Other Financing Sources (Uses)	<u>2,026</u>
Change in Net Position	(16,956)
Net Position - Beginning	<u>21,130</u>
Net Position - Ending	<u>\$ 4,174</u>

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT LAKE TAHOE COLLEGE FOUNDATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 224,429
Accounts receivable	60
Prepaid expenses	2,625
Total Current Assets	<u>227,114</u>

NONCURRENT ASSETS

Investments	1,173,697
TOTAL ASSETS	<u>\$ 1,400,811</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 20,515
Deferred revenue	14,075
TOTAL LIABILITIES	<u>34,590</u>

NET ASSETS

Unrestricted	345,447
Temporarily restricted	590,140
Permanently restricted	430,634
Total Net Assets	<u>1,366,221</u>
Total Liabilities and Net Assets	<u>\$ 1,400,811</u>

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Donations	\$ 112,871	\$ 78,659	\$ 6,000	\$ 197,530
In-kind contribution	91,767	-	-	91,767
Interest and dividends	46,961	17,064	-	64,025
Assets released from restrictions	56,180	(56,180)	-	-
Total Revenues	<u>307,779</u>	<u>39,543</u>	<u>6,000</u>	<u>353,322</u>
EXPENSES				
Operating expenses	91,358	-	-	91,358
Program expenses	134,634	-	-	134,634
Fundraising expenses	4,773	-	-	4,773
Total Expenses	<u>230,765</u>	<u>-</u>	<u>-</u>	<u>230,765</u>
CHANGE IN NET ASSETS	77,014	39,543	6,000	122,557
NET ASSETS, BEGINNING OF YEAR	<u>268,433</u>	<u>550,597</u>	<u>424,634</u>	<u>1,243,664</u>
NET ASSETS, END OF YEAR	<u>\$ 345,447</u>	<u>\$ 590,140</u>	<u>\$ 430,634</u>	<u>\$ 1,366,221</u>

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
LAKE TAHOE COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 122,557
Changes in Assets and Liabilities	
Decrease in accounts receivable	(60)
Decrease in prepaid expenses	(1,230)
Increase in accounts payable	18,650
Increase in deferred revenues	2,270
Net Cash Flows From Operating Activities	<u>142,187</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	<u>(318,168)</u>
Net Cash Flows From Investing Activities	<u>(318,168)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(175,981)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

400,410

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 224,429

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

- Lake Tahoe College Foundation

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

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

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

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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:

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

- 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, 2013, 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.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and 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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Deferred Revenue

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred 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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Current Loans

Current loans consist of amounts outstanding at June 30, 2013, for Tax and Revenue Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with 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.

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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, was \$231,422 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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

The District has implemented the provision of this Statement for the year ended June 30, 2013 and there was no significant effect on the District as a result of implementing this statement.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

In June 2011, the GASB issued Statement No. 63, *Financial Reporting Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standard do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assts.

The District has implemented the provision of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as a deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts statement No. 4, provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statements, only tow such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources of the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial of the financial statement elements deferred outflows or resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, consist of the following:

Primary Government	
Cash on hand and in banks	\$ 208,891
Cash in revolving	9,925
Investments	2,727,291
Total Deposits and Investments	<u>\$ 2,946,107</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2013, consist of the following:

Fiduciary Funds	
Cash on hand and in banks	\$ 3,693
Investments	1,538
Total Deposits and Investments	<u>\$ 5,231</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 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	2,546,812	0.99
State Investment Pool	123,281	0.76
Total	\$ 2,727,291	

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, 2013.

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, 2013, none of the District's bank balance of \$214,681 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 Bank of \$57,198.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 155,853
State Government	
Apportionment	2,699,940
Categorical aid	41,873
Lottery	138,247
Other State sources	52,962
Local Sources	
Student receivables	44,853
Other local sources	43,832
Total	<u><u>\$ 3,177,560</u></u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 779,241	\$ -	\$ -	\$ 779,241
Construction in progress	2,474,025	381,925	-	2,855,950
Total Capital Assets Not Being Depreciated	<u>3,253,266</u>	<u>381,925</u>	<u>-</u>	<u>3,635,191</u>
Capital Assets Being Depreciated				
Land improvements	1,148,287	-	-	1,148,287
Building improvements	373,986	211,148	-	585,134
Buildings	37,166,324	-	-	37,166,324
Equipment	1,240,081	74,915	30,600	1,284,396
Total Capital Assets Being Depreciated	<u>39,928,678</u>	<u>286,063</u>	<u>30,600</u>	<u>40,184,141</u>
Total Capital Assets	<u>43,181,944</u>	<u>667,988</u>	<u>30,600</u>	<u>43,819,332</u>
Less Accumulated Depreciation				
Land improvements	1,122,448	3,516	-	1,125,964
Building improvements	202,152	38,530	-	240,682
Buildings	11,387,181	700,024	-	12,087,205
Equipment	1,005,740	87,419	30,600	1,062,559
Total Accumulated Depreciation	<u>13,717,521</u>	<u>829,489</u>	<u>30,600</u>	<u>14,516,410</u>
Net Capital Assets	<u>\$ 29,464,423</u>	<u>\$ (161,501)</u>	<u>\$ -</u>	<u>\$ 29,302,922</u>

Depreciation expense for the year was \$829,489.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Pell disbursements	\$ 53,631
Construction	2,283
Other	57,792
Total	<u>\$ 113,706</u>

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 – CURRENT LOANS

The District issued \$2,500,000 of Tax and Revenue Anticipation Notes dated March 1, 2013. The notes mature on December 31, 2013, and yield 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. Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent in August 2013 (85%) and November 2013 (15%).

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

NOTE 8 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government
Federal financial assistance	\$ 114,604
State categorical aid	18,728
Enrollment fees	175,224
Other local	13,410
Total	<u>\$ 321,966</u>

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, 2013, the amount owed between the government and the fiduciary funds were \$3,441 and \$2,354, respectively.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 2013 fiscal year, The amount transferred to the fiduciary funds from the primary government amounted to \$4,704.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 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	\$ 1,475,000	\$ -	\$ 80,000	\$ 1,395,000	\$ 85,000
Capital leases	-	22,062	10,590	11,472	10,590
Compensated absences	319,764	-	30,911	288,853	-
Banked faculty load	34,875	-	699	34,176	-
Other Post Employment Benefits	374,197	184,238	119,543	438,892	-
Early retirement incentive	174,619	200,650	184,938	190,331	190,331
Total Long-Term Debt	<u>\$ 2,378,455</u>	<u>\$ 406,950</u>	<u>\$ 426,681</u>	<u>\$ 2,358,724</u>	<u>\$ 285,921</u>

Description of Debt

Payments on the lease revenue bonds are paid by the Debt Service Fund. The capital leases are paid by the general fund. The compensated absences, banked faculty load, other post employment benefits, 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, 2013, \$1,395,000 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 \$11,472 will be paid through July 2014.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Debt Maturity

Lease Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ 85,000	\$ 56,275	\$ 141,275
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
2019-2023	550,000	144,706	694,706
2024-2026	390,000	26,031	416,031
Total	<u>\$ 1,395,000</u>	<u>\$ 416,713</u>	<u>\$ 1,811,713</u>

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

Capital Leases

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

	<u>Copiers</u>
Balance, July 1, 2012	\$ -
Additions	22,062
Payments	10,590
Balance, June 30, 2013	<u>\$ 11,472</u>

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

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2014	\$ 11,516
2015	959
Total	12,475
Less: Amount Representing Interest	1,003
Present Value of Minimum Lease Payments	<u>\$ 11,472</u>

Compensated absences and Banked Faculty Load

The District calculated the total long term portion of compensated absences as of June 30, 2013 at \$288,853. Unfunded faculty banked leave was \$34,176. The compensated absences and the unfunded faculty banked leave are included in the entity-wide statements.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$184,238, and contributions made by the District during the year were \$119,543, which resulted in an increase to the net OPEB obligation of \$64,695. As of June 30, 2013, the net OPEB obligation was \$438,892. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Early Retirement Incentive

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 equivalents 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) are pending invoices from the retirement agencies. Payment in full is expected to occur in 2013/14.

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 and dental 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. For fiscal year 2012-2013, the District contributed \$119,543 to the Plan, all of which was used for current premiums (approximately 65 percent of total premiums).

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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
Annual OPEB cost (expense)	119,543
Increase in net OPEB obligation	<u>64,695</u>
Net OPEB obligation, July 1, 2012	<u>374,197</u>
Net OPEB obligation, June 30, 2013	<u><u>\$ 438,892</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 198,101	\$ 175,452	89%	\$ 348,350
2012	\$ 201,299	\$ 175,452	87%	\$ 374,197
2013	\$ 184,238	\$ 119,543	65%	\$ 438,892

Funding Status and Funding Progress

The plan is not funded. 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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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
2014	\$ 81,911
2015	83,140
2016	84,387
2017	85,653
2018	86,938
Thereafter	3,732,497
Total	<u>\$ 4,154,526</u>

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, 2013, 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.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Workers' Compensation

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

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

Employee Medical Benefits

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

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 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. 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 95606.

Funding Policy

Active members are required to contribute 8.0 percent of their salary, and 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 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, 2013, 2012, and 2011, were \$350,770, \$359,614, and \$362,222, respectively, and equal 100 percent of the required contributions for each year.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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. 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, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, and 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 2012-2013 was 11.417 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, 2013, 2012, and 2011, were \$387,184, \$367,760 and \$360,956, respectively, and equal 100 percent of the required contributions for each year.

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has obligations to CalSTRS totaling \$66,883 for early retirement incentives granted to terminated employees.

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 year ended June 30, 2013, which amounted to \$231,422, (5.176 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act CalPERS. No contributions were made for CalPERS for the year ended June 30, 2013. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amount have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 15 - CalSTRS EARLY RETIREMENT INCENTIVE PROGRAM

The District approved an early retirement incentive program pursuant to *Education Code* Sections 22714 and 87488, whereby service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the California State Teachers’ Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of formal action taken by the District. Per action taken by the Board of Trustees, the retirement window was determined to be September 3, 2012 to December 31, 2012. One academic administrator selected this incentive; the comparison of the annual cost of the retiree versus the replacement cost is as follows:

Retiree Information

Position Vacated	Age	Service Credit	Retired Employee		Replacement Employee	
			Salary	Benefits	Salary	Benefits
Dean	63	17.33	\$ 110,254	\$ 35,702	\$ 63,617	\$ 13,143

Additional Costs to Employer

As a result of this early retirement incentive program, the District has incurred (or expects to incur) \$116,446 in additional costs. The breakdown in additional costs is presented below:

Retirement Costs (including admin, one time payout with no interest)	\$ 66,883
Postretirement Health and Benefit Costs	49,563
Total Additional Costs	\$ 116,446

NOTE 16 - 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, 2013, the District made payments of \$81,958 and \$1,946,705 to Community Colleges and the Tri-County School Insurance Group, respectively.

LAKE TAHOE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013.

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, 2013.

Construction Commitments

As of June 30, 2013, 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, 2013**

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

LAKE TAHOE COMMUNITY COLLEGE

DISTRICT ORGANIZATION JUNE 30, 2013

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Karen Borges	President	December 2016
Roberta L. Mason	Clerk	December 2014
Molly Blann	Trustee	December 2014
Kerry S. David	Trustee	December 2014
Frederick Wenck, Jr., D.D.S.	Trustee	December 2016
Nicholas Behney	Student Trustee	June 2013

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

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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]	\$ 2,138,381
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	57,679
Federal College Work Study (FWS)	84.033	[1]	33,725
Total Student Financial Aid Cluster			<u>2,229,785</u>
Title III Higher Educational Institutional Aid	84.031A	[1]	381,925
PASS THROUGH FUNDS			
Career Technical Education Act - Title IC	84.048	03303	108,846
Career Technical Education Act - Basic Grants To States (Perkins IV)	84.049	[2]	49,389
Career Technical Education Act - Trio Student Support Services	84.042	[2]	224,945
Career Technical Education Act - Talent Search	84.044	[2]	229,946
Career Technical Education Act - Upward Bound	84.047	[2]	138,080
Total U.S. Department of Education			<u>3,362,916</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	14,088
Total Corporation for National and Community Service			<u>14,088</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASS THROUGH FUNDS			
EMERGENCY CONTINGENCIES FUNDS FOR TEMPORARY ASSISTANCE TO NEEDY FAMILIES CLUSTER			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	25,683
Total U.S. Department of Health and Human Services			<u>25,683</u>
U.S. DEPARTMENT OF LABOR			
PASS THROUGH FUNDS			
WORKFORCE INVESTMENT ACT CLUSTER			
Veterans' Administrative Reporting Fee	17.802	[2]	2,333
Total U.S. Department of Labor			<u>2,333</u>
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	14,515
Forest Reserve	10.665	[2]	52,357
Total U.S. Department of Agriculture			<u>66,872</u>
Total Expenditures of Federal Awards			<u>\$ 3,471,892</u>

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

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
GENERAL FUND								
AB 1725 Staff Diversity	\$ 3,702	\$ -	\$ 3,702	\$ 3,702	\$ -	\$ -	\$ 3,702	\$ 3,702
Basic Skills	90,000	21,942	111,942	111,943	-	12,990	98,953	98,953
BFAP Administration	143,192	-	143,192	123,056	-	-	123,056	123,056
California State Pre-school Program	22,821	-	22,821	12,744	-	-	12,744	12,744
CalGrant B & C	70,000	-	70,000	60,504	-	2,200	58,304	58,304
Calworks	114,554	-	114,554	114,554	-	3,499	111,055	111,055
Child Care Food Program	55	-	55	491	-	-	491	491
Child Development Training	3,694	-	3,694	2,450	-	-	2,450	2,450
Cooperative Agencies Resources for Education	18,216	-	18,216	18,216	-	-	18,216	18,216
Disabled Student Programs & Services	215,437	-	215,437	215,437	-	-	215,437	215,437
Enrollment Fee Waiver Admin	22,381	-	22,381	22,381	-	-	22,381	-
Extended Opportunity Programs & Services	103,049	-	103,049	103,049	-	-	103,049	103,049
Foster and Kinship Care	114,727	-	114,727	73,854	40,873	-	114,727	114,727
Matriculation	88,048	-	88,048	88,048	-	-	88,048	88,048
Matriculation Non-Credit	11,655	-	11,655	11,655	-	-	11,655	11,655
North/Far North Training	8,000	-	8,000	1,264	-	-	1,264	1,264
Part-Time Faculty Compensation	36,550	-	36,550	36,550	-	-	36,550	-
Part-Time Faculty Office Hours	1,745	-	1,745	1,745	-	-	1,745	-
SB 70 Folsom Lake	53,000	42,064	95,064	77,237	1,000	-	78,237	78,237
State Block Grant - CCTR	40,341	-	40,341	47,075	-	-	47,075	47,075
Summit to Sand	13,000	-	13,000	13,000	-	39	12,961	12,961
Subtotal	<u>\$ 1,174,167</u>	<u>\$ 64,006</u>	<u>\$ 1,238,173</u>	<u>\$ 1,138,955</u>	<u>\$ 41,873</u>	<u>\$ 18,728</u>	<u>\$ 1,162,100</u>	<u>\$ 1,101,424</u>

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2013**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit**	3.34	-	3.34
2. Credit	66.02	-	66.02
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit**	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	814.23	-	814.23
(b) Daily Census Contact Hours	66.28	-	66.28
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	75.91	-	75.91
(b) Credit	145.78	-	145.78
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	280.28	-	280.28
(b) Daily Census Contact Hours	5.69	-	5.69
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>1,457.53</u>	<u>-</u>	<u>1,457.53</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	15.19	-	15.19
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	60.77	-	60.77
2. Credit	31.25	-	31.25
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	31.35	-	31.35

** 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, 2013

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 2,223,848	\$ -	\$ 2,223,848	\$ 2,223,848	\$ -	\$ 2,223,848
Other	1300	1,570,709	-	1,570,709	1,570,709	-	1,570,709
Total Instructional Salaries		3,794,557	-	3,794,557	3,794,557	-	3,794,557
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	656,034	-	656,034
Other	1400	-	-	-	187,008	-	187,008
Total Noninstructional Salaries		-	-	-	843,042	-	843,042
Total Academic Salaries		3,794,557	-	3,794,557	4,637,599	-	4,637,599
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	1,608,072	-	1,608,072
Other	2300	-	-	-	230,462	-	230,462
Total Noninstructional Salaries		-	-	-	1,838,534	-	1,838,534
Instructional Aides							
Regular Status	2200	148,186	-	148,186	148,186	-	148,186
Other	2400	180,971	-	180,971	193,145	-	193,145
Total Instructional Aides		329,157	-	329,157	341,331	-	341,331
Total Classified Salaries		329,157	-	329,157	2,179,865	-	2,179,865
Employee Benefits	3000	1,082,473	-	1,082,473	2,277,081	-	2,277,081
Supplies and Material	4000	-	-	-	201,543	-	201,543
Other Operating Expenses	5000	45,269	-	45,269	1,381,601	-	1,381,601
Equipment Replacement	6420	-	-	-	3,681	-	3,681
Total Expenditures Prior to Exclusions		5,251,456	-	5,251,456	10,681,370	-	10,681,370

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, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	31,468	-	31,468
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	21,215	-	21,215
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, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 248,522	\$ -	\$ 248,522
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	301,205	-	301,205
Total for ECS 84362, 50 Percent Law		\$ 5,251,456	\$ -	\$ 5,251,456	\$ 10,380,165	\$ -	\$ 10,380,165
Percent of CEE (Instructional Salary Cost/Total CEE)		50.59%		50.59%	100.00%		100.00%
50% of Current Expense of Education					\$ 5,190,083		\$ 5,190,083

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 2,020,765
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 2,020,765			\$ 2,020,765
Total Expenditures for EPA		\$ 2,020,765	-	-	\$ 2,020,765
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, 2013**

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

	<u>General Restricted</u>
FUND BALANCE	
Balance, June 30, 2013, (CCFS-311)	\$ 80,848
Post closing adjustments	
Decrease in:	
Accounts receivable	<u>(27,716)</u>
Balance, June 30, 2013, Audited	<u><u>\$ 53,132</u></u>

See accompanying note to supplementary information.

LAKE TAHOE COMMUNITY COLLEGE

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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.

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, 2013**

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Bond Interest and Redemption</u>	<u>Capital Outlay Projects</u>	<u>Total Governmental Fund (Memorandum Only)</u>
ASSETS						
Cash and cash equivalents	\$ 1,925,758	\$ 123,038	\$ 30,244	\$ 1,609	\$ 321,740	\$ 2,402,389
Investments	57,198	-	-	-	-	57,198
Accounts receivable	2,934,773	171,954	1,884	-	7,962	3,116,573
Due from other funds	83,196	19,796	-	-	291	103,283
Prepaid expenses	40,751	-	-	-	-	40,751
Total Assets	<u>\$ 5,041,676</u>	<u>\$ 314,788</u>	<u>\$ 32,128</u>	<u>\$ 1,609</u>	<u>\$ 329,993</u>	<u>\$ 5,720,194</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 36,654	\$ 17,022	\$ 28	\$ -	\$ 2,286	\$ 55,990
Accrued payroll and related liabilities	253,180	10,715	7,425	-	-	271,320
Due to other funds	22,733	95,696	-	-	-	118,429
Other current liabilities	2,500,000	-	-	-	-	2,500,000
Deferred revenue	175,224	138,223	-	-	-	313,447
Total Liabilities	<u>2,987,791</u>	<u>261,656</u>	<u>7,453</u>	<u>-</u>	<u>2,286</u>	<u>3,259,186</u>
FUND BALANCES						
Nonspendable	231,154	-	-	-	-	231,154
Restricted	-	80,848	-	1,609	327,707	410,164
Assigned	300,000	-	-	-	-	300,000
Uncommitted	1,522,731	(27,716)	24,675	-	-	1,519,690
Total Fund Balances	<u>2,053,885</u>	<u>53,132</u>	<u>24,675</u>	<u>1,609</u>	<u>327,707</u>	<u>2,461,008</u>
Total Liabilities and Fund Balances	<u>\$ 5,041,676</u>	<u>\$ 314,788</u>	<u>\$ 32,128</u>	<u>\$ 1,609</u>	<u>\$ 329,993</u>	<u>\$ 5,720,194</u>

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Total Governmental Fund (Memorandum Only)
REVENUES						
Federal revenues	\$ 56,675	\$ 1,191,272	\$ 12,983	\$ -	\$ -	\$ 1,260,930
State revenues	8,622,293	969,440	60,310	-	-	9,652,043
Local revenues	4,925,192	17,614	305,345	41	155,698	5,403,890
Total Revenues	13,604,160	2,178,326	378,638	41	155,698	16,316,863
EXPENDITURES						
Current Expenditures						
Academic salaries	5,064,560	624,794	-	-	-	5,689,354
Classified salaries	2,926,763	551,130	298,137	-	-	3,776,030
Employee benefits	2,919,753	426,150	93,343	-	-	3,439,246
Books and supplies	232,156	76,723	19,933	-	-	328,812
Services and operating expenditures	1,802,572	328,609	28,231	-	110,649	2,270,061
Student financial aid	119	30,547	-	-	-	30,666
Capital outlay	170,487	152,880	2,064	-	259,422	584,853
Debt service - principal	10,590	-	-	80,000	-	90,590
Debt service - interest and other	-	-	-	59,475	-	59,475
Total Expenditures	13,127,000	2,190,833	441,708	139,475	370,071	16,269,087
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	477,160	(12,507)	(63,070)	(139,434)	(214,373)	47,776
OTHER FINANCING SOURCES (USES)						
Operating transfers in	328	13,000	44,814	139,475	287,021	484,638
Operating transfers out	(1,209,690)	(301,194)	-	-	(124,475)	(1,635,359)
Other sources	22,062	-	-	-	-	22,062
Total Other Financing Sources (Uses)	(1,187,300)	(288,194)	44,814	139,475	162,546	(1,128,659)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(710,140)	(300,701)	(18,256)	41	(51,827)	(1,080,883)
FUND BALANCES, BEGINNING OF YEAR	2,764,025	353,833	42,931	1,568	379,534	3,541,891
FUND BALANCES, END OF YEAR	\$ 2,053,885	\$ 53,132	\$ 24,675	\$ 1,609	\$ 327,707	\$ 2,461,008

LAKE TAHOE COMMUNITY COLLEGE

**BALANCE SHEET- PROPRIETARY FUNDS
JUNE 30, 2013**

	Internal Service Funds
ASSETS	
Cash and cash equivalents	\$ 483,895
Accounts receivable	8,760
Total Assets	<u>492,655</u>
 LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	473
Total Liabilities	<u>473</u>
 FUND EQUITY	
Retained earnings	492,182
Total Liabilities and Fund Equity	<u>\$ 492,655</u>

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Internal Service Funds
	<u> </u>
OPERATING REVENUES	
Sales revenues	\$ <u> -</u>
OPERATING EXPENSES	
Employee benefits	496,192
Services and other operating expenditures	<u>197,584</u>
Total Operating Expenses	<u>693,776</u>
Operating Income (Loss)	<u>(693,776)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,144
Operating transfers in	<u>1,140,534</u>
Total Nonoperating Revenues (Expenses)	<u>1,141,678</u>
NET INCOME (LOSS)	447,902
RETAINED EARNINGS, BEGINNING OF YEAR	<u>44,280</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 492,182</u></u>

LAKE TAHOE COMMUNITY COLLEGE

**CASH FLOW STATEMENT - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to employees for services	\$ (508,653)
Cash payments to suppliers for goods and services	(197,111)
Net Cash Provided (Used) for Operating Activities	<u>(705,764)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from assessments made to other funds	1,140,534
Net Cash Provided (Used) from Noncapital Financing Activities	<u>1,140,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,144
Net Cash Provided (Used) from Investing Activities	<u>1,144</u>
Net increase in cash and cash equivalents	435,914
Cash and cash equivalents - Beginning	47,981
Cash and cash equivalents - Ending	<u>\$ 483,895</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	(693,776)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Receivables	(8,760)
Accrued liabilities	(3,228)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (705,764)</u>

LAKE TAHOE COMMUNITY COLLEGE

BALANCE SHEET – FIDUCIARY FUNDS

JUNE 30, 2013

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Scholarship and Loan	Total
ASSETS					
Cash and cash equivalents	\$ 1,959	\$ 1,538	\$ 2,625	\$ 1,734	\$ 7,856
Accounts receivable	-	-	52,227	-	52,227
Due from other funds	30	2,354	37,956	-	40,340
Total Assets	<u>\$ 1,989</u>	<u>\$ 3,892</u>	<u>\$ 92,808</u>	<u>\$ 1,734</u>	<u>\$ 100,423</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 57,243	\$ -	\$ 57,243
Due to other funds	-	3,441	21,723	-	25,164
Deferred revenue	-	-	8,519	-	8,519
Total Liabilities	<u>-</u>	<u>3,441</u>	<u>87,485</u>	<u>-</u>	<u>90,926</u>
FUND BALANCES					
Restricted	-	-	5,323	-	5,323
Assigned	1,989	451	-	1,734	4,174
Total Fund Balances	<u>1,989</u>	<u>451</u>	<u>5,323</u>	<u>1,734</u>	<u>9,497</u>
Total Liabilities and Fund Balances	<u>\$ 1,989</u>	<u>\$ 3,892</u>	<u>\$ 92,808</u>	<u>\$ 1,734</u>	<u>\$ 100,423</u>

LAKE TAHOE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE –
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Scholarship and Loan	Total
REVENUES					
Federal revenues	\$ -	\$ -	\$ 2,210,962	\$ -	\$ 2,210,962
State revenues	-	-	104,513	-	104,513
Local revenues	-	4,681	1,657	-	6,338
Total Revenues	<u>-</u>	<u>4,681</u>	<u>2,317,132</u>	<u>-</u>	<u>2,321,813</u>
EXPENDITURES					
Current Expenditures					
Services and operating expenditures	16,791	6,256	-	-	23,047
Total Expenditures	<u>16,791</u>	<u>6,256</u>	<u>-</u>	<u>-</u>	<u>23,047</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>(16,791)</u>	<u>(1,575)</u>	<u>2,317,132</u>	<u>-</u>	<u>2,298,766</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	2,354	8,161	-	10,515
Operating transfers out	-	(328)	-	-	(328)
Other uses	-	-	(2,325,302)	(616)	(2,325,918)
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,026</u>	<u>(2,317,141)</u>	<u>(616)</u>	<u>(2,315,731)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	(16,791)	451	(9)	(616)	(16,965)
FUND BALANCES, BEGINNING OF YEAR	18,780	-	5,332	2,350	26,462
FUND BALANCES, END OF YEAR	<u>\$ 1,989</u>	<u>\$ 451</u>	<u>\$ 5,323</u>	<u>\$ 1,734</u>	<u>\$ 9,497</u>

LAKE TAHOE COMMUNITY COLLEGE

**RECONCILIATION OF STATEMENT OF NET POSITION TO BALANCE SHEET
JUNE 30, 2013**

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

Total Fund Balance:

General Funds	\$ 2,107,017	
Special Revenue Funds	24,675	
Capital Project Funds	327,707	
Debt Service Funds	1,609	
Internal Service Funds	492,182	
	<hr/>	
Total Fund Balance - All District Funds		\$ 2,953,190

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	43,819,332	
Accumulated depreciation is	<u>(14,516,410)</u>	29,302,922

In governmental funds, bond issuance costs on long-term debt is recognized in over the term of the bonds. On the government-wide statements, bond issuance costs are expensed in the year incurred.

66,935

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	(1,395,000)	
Capital leases payable	(11,472)	
Load banking	(34,176)	
Compensated absences	(288,853)	
Early retirement incentive	(190,331)	
Other post employment benefits	<u>(438,892)</u>	<u>(2,358,724)</u>
Total Net Position		<u><u>\$ 29,964,323</u></u>

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *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, 2013, 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, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 of 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, 2013.

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, 2013



**INDEPENDENT AUDITORS' 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, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

VaurineK, Trine, Day & Co LLP

Pleasanton, California
December 4, 2013



INDEPENDENT AUDITORS' 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 April 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, 2013.

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 April 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 474, Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Modified 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, 2013.

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, 2013, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

We noted certain matters that we reported to management of the District in a separate letter dated December 4, 2013.

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 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
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 reports no Proposition 1D State Bond Funded Projects, therefore, the compliance tests within this section were not applicable.

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

Vaurinek, Ture, Day & Co LLP

Pleasanton, California
December 4, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAKE TAHOE COMMUNITY COLLEGE

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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

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

STATE AWARDS

Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following	
	<u>Name of Program</u>
	<u>Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources</u>

LAKE TAHOE COMMUNITY COLLEGE

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

None noted.

LAKE TAHOE COMMUNITY COLLEGE

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None noted.

LAKE TAHOE COMMUNITY COLLEGE

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

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.

LAKE TAHOE COMMUNITY COLLEGE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2012-1 FINDING - INTERNAL CONTROLS- CHILD DEVELOPMENT FEES

Criteria

Internal Controls – Safeguarding of Assets

Condition

There exists a lack of segregation of duties over the Child Development Center. One individual is responsible for invoicing, collecting cash and preparing deposits.

Effect

Child Development revenues may be misstated and the misappropriation of assets could go undetected.

Cause

Internal controls over the Child Development Center are not effectively designed and implemented.

Fiscal Impact

Unknown.

Recommendation

Procedures should be implemented to ensure there is segregation of duties over the collection of cash and recording of revenue at the Child Development Center.

Corrective Action Plan

A secured cash collection box will be placed in the CDC and the contents of the box will be collected by Fiscal Services personnel on a scheduled basis. Fiscal Services will make the deposit of the cash to the bank. The cash will not be handled by any CDC personnel during this process.

Current Status

Implemented.

LAKE TAHOE COMMUNITY COLLEGE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2012-2 FINDING - STATE COMPLIANCE – SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)

Criteria

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the district's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors".

Condition

The District completed a calculation of instructional salary cost as a percent of the total current expense of education and determined that it was less than 50 percent.

Effect

The District did not meet the Fifty Percent Law as defined in Education Code 84362 and has filed an application for exemption from the Fifty Percent Law as allowed under Education Code 84362.

Cause

The District's cost for the salary of classroom instructors was less than 50 percent of the current expense of education.

Fiscal Impact

Not determinable.

Recommendation

The District should continuously monitor its current expense of education and ensure that the District will meet the requirements of Education Code 84362.

Corrective Action Plan

The District was aware of their non-compliance with the 50 Percent Law and on September 13, 2012, submitted a Board approved Application for Exemption from the Fifty Percent Law (CCFS-350A) to the California State Chancellor's Office.

Current Status

Implemented.

LAKE TAHOE COMMUNITY COLLEGE

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

2012-3 FINDING - STATE COMPLIANCE – DISABLED STUDENTS PROGRAM AND SERVICES (DSPS)

Criteria

Title 5 Section 56022 states: “An up-to-date SEC (Student Education Contract) for the current year, signed by the student and the DSPS professional staff person, should be available in the file of each student receiving services paid through the DSPS office. Also, student in non-credit classes should have included in their SEC a detailed description of the criteria used to evaluate the student’s measurable progress.”

Condition

The DSPS program did not formally document updated Student Education Contracts for nine students served by DSPS.

Effect

The extrapolated error resulted in the District being out of compliance for 90 of the 120 students served by DSPS.

Cause

The District used an electronic system for a majority of the students and did not obtain physical student signatures or other evidence that the SEC contract was updated and reviewed with the student.

Fiscal Impact

Not determinable.

Recommendation

We recommend the District implement procedures to ensure SEC contracts are signed by the student and counselor.

Corrective Action Plan

The current SEC form will be reviewed and revised as needed. The DRC will schedule regular appointments with all active DRC students to review and sign SECs annually, with full compliance expected by the end of Fall 2013.

Current Status

Implemented.

LAKE TAHOE COMMUNITY COLLEGE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2012-4 FINDING - STATE COMPLIANCE – TO BE ARRANGED HOURS (TBA)

Criteria

Districts are required to list TBA hours in the schedule of classes, and describe them in the course outline.

Condition

The District's annual catalog did not specifically disclose required TBA hours for its one census based course with TBA hours.

Effect

The District is not in compliance with State requirements for TBA.

Cause

Proper procedures are not in place to ensure compliance with State requirements.

Fiscal Impact

Not determinable.

Recommendation

We recommend the District implement procedures to ensure all census based courses with TBA hours list the TBA hours in the schedule of classes and describe them in the annual catalog.

Corrective Action Plan

The District will ensure that TBA hours will be listed in both the Schedule of Classes and General Course Catalog in the future.

Current Status

Implemented.