

**LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Notes to Basic Financial Statements

June 30, 2014 and 2013

2014, the District has not yet determined the impact of GASB No. 70 on its financial statements or financial positions.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date --An Amendment of GASB Statement No. 68*. The statement requires that, at transition to the new accounting standards in accordance with GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. The provisions of this statement are effective for basic financial statements for periods beginning after June 15, 2014, which requires the District to implement this statement in fiscal year 2015. As of June 30, 2014, the District has not yet determined the impact of GASB No. 71 on its financial statements or financial position.

**(3) Cash and Investments**

Cash and investments at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents in County Treasury	\$ 103,520,366	154,287,085
Cash in banks	41,512,011	27,681,464
Total cash and cash equivalents	<u>145,032,377</u>	<u>181,968,549</u>
Investments:		
Investments in County Treasury	260,319,901	533,199,549
Other	1,142,624	101,912
Total investments	<u>261,462,525</u>	<u>533,301,461</u>
Deposit with trustee:		
Investments in County Treasury	316,649,956	276,260,726
Other	11,159,485	11,876,209
	<u>327,809,441</u>	<u>288,136,935</u>
Total cash, and investments and deposit with trustee	<u>\$ 734,304,343</u>	<u>1,003,406,945</u>

The California Government Code requires California banks and savings and loan associations to collateralize the District's deposits by pledging government securities as collateral. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. At no time during the year did the value of the collateralized property fall below 110% of uninsured deposits.

As provided for by the State of California Education Code, amounts are also deposited by the District in the Los Angeles County Treasurer's Pool (the County Pool) for the purpose of increasing interest earnings through the County's investment activities. At June 30, 2014 and 2013, the District's cash and investments consist primarily of deposits and investments in the County Pool. The District reports amounts

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June 30, 2014 and 2013

involuntarily invested in the County Pool as cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from the pool without notice or penalty. The District reports amounts voluntarily invested in the County Pool (such as unspent bond proceeds and local property tax collected to pay bond principal and interest) as investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments. Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, negotiable certificates of deposit, corporate and depository notes, floating rate notes, commercial paper, shares of beneficial interest, repurchase agreements, reverse repurchase agreements, forwards, futures and options, interest rate swaps, securities lending agreement, investment of bond proceeds.

The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the County Supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor Controller, Superintendent of Schools, Chief Administrative Officer, and a nonCounty representative. Investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. At June 30, 2014 and 2013, the District had \$680,490,223 and \$963,747,360 invested in the County Pool, respectively.

To manage the liquidity in the Treasury Pool while still capturing the higher yield offered by longer maturities, the County's investment guidelines target a portfolio weighted average maturity range between 1.0 and 2.0 years. The weighted average maturity of cash and investments in the Los Angeles Treasurer's Pool was 2.03 years and 1.73 years at June 30, 2014 and 2013, respectively. To mitigate the risk of securities with longer-term maturities in the investment pool, the Treasurer has limited maturities that exceed one year to 75% of the last three years' average minimum total cash and investment and requires that no more than 50% of the new issuer limits may be used for periods greater than 180 days. The investments in the Los Angeles Treasurer's Pool with maturities that exceeded one year represented 50.7% and 35.8% of the total pool at June 30, 2014 and 2013, respectively.