

**SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
COUNTY OF LOS ANGELES
TORRANCE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2014

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave
El Cajon, CA 92020**

Introductory Section

Southern California Regional Occupational Center
 Audit Report
 For The Year Ended June 30, 2014

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Financial Section

Independent Auditor's Report

To the Board of Trustees
Southern California Regional Occupational Center
Torrance, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern California Regional Occupational Center ("the Center") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center'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 misstatement, 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 of 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 Center'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 Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southern California Regional Occupational Center as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2014, Southern California Regional Occupational Center adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress for OPEB benefits identified as Required Supplementary Information 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 Southern California Regional Occupational Center's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information are the responsibility of management and were derived from and relate 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 combining financial statements and other supplementary information are 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 November 10, 2014 on our consideration of Southern California Regional Occupational Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Southern California Regional Occupational Center's internal control over financial reporting and compliance.

El Cajon, California
November 10, 2014

**SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(UNAUDITED)**

The discussion and analysis of the Southern California Regional Occupational Center financial statements provides an overall review of the Center's financial activities for the fiscal year ending June 30, 2014. The intent of this discussion and analysis is to review the Center's financial performance as a whole; readers should also review the financial statements, supplementary information, and the auditor's findings and recommendations to enhance their understanding of the Center's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The Statement of Revenues, Expenditures, and Changes in Fund Balance (Governmental Funds Statement) reflects revenues and expenditures for all Center Funds before making adjustments in accordance with GASB Statement No. 34. The Statement of Activities is based on the Governmental Funds Statements, but includes GASB Statement No. 34 adjustments for the recognition of capital outlay as expenditures over the life of the assets instead of recognizing the entire cost of the assets as expenditures in the year the assets are acquired. Other adjustments include the recognition of indirect expenses, such as interest expense, on an accrual basis instead of recognizing the expenditures when paid.

The Statement of Activities shows that revenues exceeded expenditures, resulting in an increase in net assets of \$321,883 for the fiscal year ending June 30, 2014, compared to last fiscal year with an increase of \$947,003.

SOLVENCY

The Center maintains sufficient unrestricted reserves for a Center its size. It exceeds the state-recommended minimum Reserve of 3% of General Fund expenditures, transfers out, and other financing uses. In 2013-14, expenditures, transfers out, and other financing uses totaled \$12,518,488 compared to 2012-13 total of \$8,779,661. This increase in expenditure was due to paying off long-term debt (Prop 1D and QZAB loan) and the transfer out of funds to Fund 20 and Fund 40. In 2013-14, revenues and other financing sources totaled \$9,699,592 compared to 2012-13 total of \$9,538,334. The unreserved General Fund balance for 2013-14 was \$5,244,436. In addition, the Deferred Maintenance Fund unreserved balance for 2013-14 was \$49,934. The County School Facilities Fund unreserved balance for 2013-14 was \$0. The unreserved and undesignated Special Reserve Fund balance for 2013-14 was \$490,349.

DESCRIPTION

The Southern California Regional Occupation Center (SoCal ROC) was established in 1967 as one of the state's first Vocational (Career Technical) Education Center. It was the first of what would later be referred to as Regional Occupational Centers/Programs (72), providing career technical education to high school students and adults. The Joint Powers Authority (JPA) is comprised of six participating school districts in the South Bay: El Segundo Unified School District, Inglewood Unified School District, Manhattan Beach Unified School District, Palos Verdes Peninsula Unified School District, Redondo Beach Unified School District, and Torrance Unified School District. Because of its unique structure as a Center, SoCal ROC may also serve students outside the participating school districts (Education Code Section 52300). SoCal ROC currently serves close to 9,000 high school students and adults both at the Center and on JPA campuses.

High School students participating in programs do so at no charge. SoCal ROC provides transportation to JPA high school students to and from their home school. Adults who participate in classes at the Center pay a fee for each class and for books.

All course outlines are approved by the SoCal ROC Board of Education as well as the California Department of Education. Course outlines are aligned to the Career and Technical Education Standards and to specific mathematics and language arts academic standards to ensure rigor and relevance. Additionally, all instructors are appropriately credentialed for the program that is taught. SoCal ROC is accredited by the Western Association of Schools and Colleges (WASC). The last six year term of accreditation was received in June, 2010.

SoCal ROC is governed by a separate functioning Board of Education. A superintendent and administrative team provide oversight and supervision of all programs and operations.

CAPITAL ASSETS

The Center was required to report capital assets and depreciation in the financial statements starting in 2003-04. An outside appraisal company inventoried all Center land, buildings, and equipment and assigned historical costs. Capital assets were recorded with a historical cost of \$20,051,671 as of June 30, 2014, prior to depreciation. After reporting accumulated depreciation, the Center's capital assets are valued at \$13,947,389 as of June 30, 2014.

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE The Statement of Net Assets and the Statement of Activities

"Is SoCal ROC, as a whole, better off or worse off financially as a result of the fiscal year's activities?" The Statement of Net Assets and the Statement of activities, which appear first in the SoCal ROC's financial statements, report information about SoCal ROC as a whole and its activities in a way that answers this question.

These statements were prepared to include all assets and liabilities using the accrual basis of accounting that are similar to the accounting used by most private sector companies. This basis of accounting reports all of the current year's revenues and expenses regardless of when cash is received or paid. Equipment and capital outlay expenditures are removed from the current year expenditure totals and are reported as assets. The annual depreciation for these items is reported as expenses throughout the life of the assets.

The difference between assets and liabilities (net position), as reported in the Statement of Net Position is one way to measure the SoCal ROC's financial health, or financial position. Over time, the increase or decrease in the SoCal ROC's net assets are an indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the SoCal ROC's operating results. However, SoCal ROC's goal is to provide the best service possible to its students, not to generate profits as expected by commercial entities. Therefore, other non-financial factors must be considered to assess whether SoCal ROC is obtaining its goals.

SoCal ROC's total net position at June 30, 2014 was \$19,682,670. Over 66% of SoCal ROC's assets are invested in capital assets, net of related debt, such as land and the buildings net of accumulated depreciation. SoCal ROC also maintains a healthy percentage of liquid assets (unrestricted cash and investments) over 34%.

The results of this year's operation as a whole are reported in the Statement of Activities. Expenses are reported by function and revenues are separated into program revenues and general revenues. Over 50% of the expenses in all of the SoCal ROC's Funds combined are for direct classroom instruction and instruction-related services.

THE CENTER FUNDS

General Fund Budget

During the fiscal year, the Board of Education authorizes revisions to the original budget to accommodate differences from the original budget to the actual SoCal ROC expenditures.

DEBT ADMINISTRATION

As of July 1, 2013, SoCal ROC had total outstanding long-term debt of \$1,994,735. During the year long-term debt reflected a net decrease of \$1,945,297 which reduced total outstanding long-term debt to \$49,438 as of June 30, 2014. Long-term debt included debt for capital projects through a Qualified Zone Academy Bond Program, Prop 1D Loan from the State, net OPEB obligation, and accrued vacation for active employees. More detailed information about SoCal ROC's long-term liabilities is included in Note H to the basic financial statements.

ECONOMIC FACTORS

EXPECTATIONS FOR FUTURE YEARS

The Center, as all ROC/P JPAs in California, is currently operating under a two-year maintenance of effort funding model. That is, the total amount of state monies received by the Center in 2012-13, are the same amounts for 2013-14 and 2014-15. Unless there is legislative action taken prior to June 30, 2015, the state funding for the ROC/P structure including the Center will end.

Under the current maintenance of effort model, the Center received no cost of living adjustment and is anticipating no growth adjustment for 2014-15. The Center is continuing to experience rate increases in all areas of benefits, including the unemployment and workers' compensation rates.

The Center administration and Board of Education continue to work with legislators on legislation to include a dedicated funding stream for the Center as part of the state budget. Without a dedicated funding stream, a long-term funding solution for the Center remains a serious challenge in keeping the doors open for students.

CONTACTING THE CENTER FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investor, and creditors with a general overview of the Center's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, please contact:

Deputy Superintendent
Laurie St. Gean, Ed.D.
2300 Crenshaw Blvd.
Torrance, CA 90501

Basic Financial Statements

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
ASSETS:	
Cash	\$ 5,344,236
Accounts Receivable	1,751,002
Other Current Assets	48,395
Capital Assets:	
Land	653,400
Land Improvements	48,609
Buildings	19,103,957
Equipment	899,105
Work in Progress	11,815
Less Accumulated Depreciation	(6,769,499)
Total Assets	<u>21,091,020</u>
LIABILITIES:	
Accounts Payable	1,358,912
Long-term Liabilities:	
Due within one year	46,410
Due in more than one year	3,028
Total Liabilities	<u>1,408,350</u>
NET POSITION:	
Investment in Capital Assets	13,947,388
Unrestricted	5,735,282
Total Net Position	<u>\$ 19,682,670</u>

The accompanying notes are an integral part of this statement.

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SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
PRIMARY GOVERNMENT:					
Government Activities:					
Instruction	\$ 4,299,335	\$ 699	\$ 161,194	\$ -	\$ (4,137,442)
Instruction-Related Services:					
Instructional Supervision and Administration	647,658	-	-	-	(647,658)
Pupil Services:					
All Other Pupil Services	550,786	-	-	-	(550,786)
General Administration:					
Centralized Data Processing	622,204	-	-	-	(622,204)
All Other General Administration	1,237,847	2,320	-	-	(1,235,527)
Plant Services	1,377,386	-	-	-	(1,377,386)
Interest on Long-Term Debt	53,393	-	-	-	(53,393)
Depreciation (unallocated)	444,691	-	-	-	(444,691)
Other Outgo	2,420	67,467	-	-	65,047
Total Governmental Activities	9,235,720	70,486	161,194	-	(9,004,040)
Total Primary Government	\$ 9,235,720	\$ 70,486	\$ 161,194	\$ -	(9,004,040)
General Revenues:					
Federal and State Revenues, not restricted					7,810,495
Interest and Investment Earnings					34,470
Interagency Revenues					324,150
Miscellaneous					1,156,808
Total General Revenues					9,325,923
Change in Net Position					321,883
Net Position - Beginning					19,360,787
Net Position - Ending					\$ 19,682,670

The accompanying notes are an integral part of this statement.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 4,790,140	\$ 539,095	\$ 5,329,235
Cash on Hand and in Banks	5,000	-	5,000
Cash in Revolving Fund	10,000	-	10,000
Accounts Receivable	1,749,813	1,188	1,751,001
Other Current Assets	48,395	-	48,395
Total Assets	<u>6,603,348</u>	<u>540,283</u>	<u>7,143,631</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 168,853	\$ -	\$ 168,853
Due to Grantor Governments	1,190,059	-	1,190,059
Total Liabilities	<u>1,358,912</u>	<u>-</u>	<u>1,358,912</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	10,000	-	10,000
Restricted Fund Balances	634,800	46,205	681,005
Assigned Fund Balances	1,490,166	494,078	1,984,244
Unassigned:			
Reserve for Economic Uncertainty	571,328	-	571,328
Other Unassigned	2,538,142	-	2,538,142
Total Fund Balance	<u>5,244,436</u>	<u>540,283</u>	<u>5,784,719</u>
Total Liabilities and Fund Balances	<u>\$ 6,603,348</u>	<u>\$ 540,283</u>	<u>\$ 7,143,631</u>

The accompanying notes are an integral part of this statement.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

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

Total fund balances - governmental funds \$ 5,784,719

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	20,716,888	
Accumulated depreciation	<u>(6,769,499)</u>	
Net:		13,947,389

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	46,410	
Net OPEB obligation	<u>3,028</u>	
Total:		<u>(49,438)</u>

Net assets of governmental activities - statement of net assets \$ 19,682,670

The accompanying notes are an integral part of this statement.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Federal Revenue	\$ 70,253	\$ -	\$ 70,253
Other State Revenue	7,947,395	-	7,947,395
Other Local Revenue	1,376,876	305,068	1,681,944
Total Revenues	<u>9,394,524</u>	<u>305,068</u>	<u>9,699,592</u>
Expenditures:			
Instruction	4,468,706	-	4,468,706
Instruction - Related Services	647,658	-	647,658
Pupil Services	550,786	-	550,786
General Administration	1,866,895	-	1,866,895
Plant Services	1,161,371	827,707	1,989,078
Debt Service:			
Principal	1,811,464	140,024	1,951,488
Interest	6,644	46,245	52,889
Total Expenditures	<u>10,513,524</u>	<u>1,013,976</u>	<u>11,527,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,119,000)</u>	<u>(708,908)</u>	<u>(1,827,908)</u>
Other Financing Sources (Uses):			
Transfers In	740,988	250,000	990,988
Transfers Out	(990,988)	-	(990,988)
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>250,000</u>	<u>-</u>
Net Change in Fund Balance	(1,369,000)	(458,908)	(1,827,908)
Fund Balance, July 1	6,613,436	999,191	7,612,627
Fund Balance, June 30	<u>\$ 5,244,436</u>	<u>\$ 540,283</u>	<u>\$ 5,784,719</u>

The accompanying notes are an integral part of this statement.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total change in fund balances - governmental funds \$ (1,827,908)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	649,687	
Depreciation expense:	(444,691)	
Net:		204,996

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, payments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,951,489

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when the employer contributions are made. In the statement of activities, costs are measured and recognized in relation to the annual required contribution. The annual required contribution is the normal costs related to the current period plus a calculated amount necessary to systematically amortize any unfunded liability in accordance with generally accepted accounting principles. This year, the difference between the annual required contribution and amounts actually funded was:

(1)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:

(505)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(6,188)

Change in net position of governmental activities - statement of activities \$ 321,883

The accompanying notes are an integral part of this statement.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Agency Fund</u>
	<u>Warrant/ Pass-through Fund</u>
ASSETS:	
Cash in County Treasury	
Accounts Receivable	\$ (34,775)
Total Assets	<u>34,775</u>
	<u>-</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies

Southern California Regional Occupational Center (Center) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the Center conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The Center's combined financial statements include the accounts of all its operations. The Center evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Center's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the Center holds the corporate powers of the organization
- the Center appoints a voting majority of the organization's board
- the Center is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Center
- there is fiscal dependency by the organization on the Center

The Center also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the Center to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the Center, its component units or its constituents; and 2) The Center or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the Center.

Based on these criteria, the Center has no component units. Additionally, the Center is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Center's governmental activities. Center expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Center does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Center's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
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The Center reports the following major governmental funds:

General Fund. This is the Center's primary operating fund. It accounts for all financial resources of the Center except those required to be accounted for in another fund.

In addition, the District reports the following funds:

Special Reserve for Capital Outlay Projects Fund. This fund accounts for the acquisition and/or construction of all major governmental general fixed assets.

Deferred Maintenance Fund. This fund is used for the purpose of major repair and replacement of equipment.

County School Facilities Fund. This fund was established to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support the Center's programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Center gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Center does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the Center incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Center's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

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4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the Center's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Center's governing board satisfied these requirements.

These budgets are revised by the Center's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The Center employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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In accordance with Education Code Section 41001, the Center maintains substantially all its cash in the Los Angeles County Treasury. The county pools these funds with those of other entities in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Los Angeles County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

The Center has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The Center has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Center. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the Center. The Center's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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e. Unearned Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the Center's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the Center intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Center itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Center considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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h. Minimum Fund Balance

The Center maintains a minimum reserve of an amount not less than five percent or the amount required by state law. The minimum reserve shall apply towards the established five percent minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn which causes revenues to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated shortfalls. The Center believes a reserve at this level is prudent to maintain a high bond rating and to protect the Center from the effects of fluctuations in property tax revenues to which basic aid districts, such as this Center are, vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2014 the Center did not have any Deferred Inflows or Deferred Outflows of Resources to report.

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 20 (Special Reserve Fund for Postemployment Benefits) is merged with the General Fund for purposes of presentation in the audit report.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

10. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as 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.

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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 Statement, only two 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 for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred 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 statement elements deferred outflows of 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 Center has implemented the provisions of this Statement for the year ended June 30, 2014.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the Center maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$5,294,461 as of June 30, 2014). The fair value of the Center's portion of this pool as of that date, as provided by the pool sponsor, was \$5,271,232. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The Center is considered to be an involuntary participant in an external investment pool as the Center is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the Center's investments in the pool is reported in the accounting financial statements as amounts based upon the Center's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the 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.

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2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$5,000 as of June 30, 2014) and in the revolving fund (\$10,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The Center's investments at June 30, 2014 are shown below.

Investment or Investment Type	Average Days to Maturity	Amount Reported	Fair Value
Los Angeles County Pooled Investment Funds	366	\$ 5,294,461	\$ 5,271,232

4. 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	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

5. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Center was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Los Angeles County Investment Pool is rated AAAf/S1 by Standard & Poors.

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b. Custodial Credit Risk - Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Center's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Center's name.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2014, the Center's bank balances (including revolving cash) of \$10,000 was not exposed to any custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the Center was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in 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 Center manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Center was not exposed to foreign currency risk.

6. Investment Accounting Policy

The Center is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Center's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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The Center's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

Accounts receivable at June 30, 2014 consisted of:

	Major Governmental Fund <u>General Fund</u>	Nonmajor Governmental Funds	Total Governmental Funds	Agency Fund
Federal Government:				
Federal programs	\$ 25,848	\$ -	\$ 25,848	\$ -
State Sources:				
State programs	1,705,632	-	1,705,632	-
Local Sources:				
Interest	18,333	1,188	19,521	-
Other local	-	-	-	34,775
Totals	<u>\$ 1,749,813</u>	<u>\$ 1,188</u>	<u>\$ 1,751,001</u>	<u>\$ 34,775</u>

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

E. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 653,400	\$ -	\$ -	\$ 653,400
Work in progress	5,890,570	11,815	5,890,570	11,815
Total capital assets not being depreciated	<u>6,543,970</u>	<u>11,815</u>	<u>5,890,570</u>	<u>665,215</u>
Capital assets being depreciated:				
Buildings	12,635,805	6,468,152	-	19,103,957
Land improvements	28,734	19,875	-	48,609
Equipment	853,602	45,503	-	899,105
Total capital assets being depreciated	<u>13,518,141</u>	<u>6,533,530</u>	<u>-</u>	<u>20,051,671</u>
Less accumulated depreciation for:				
Buildings	(5,663,542)	(416,616)	-	(6,080,158)
Land improvements	(4,274)	(1,969)	-	(6,243)
Equipment	(656,992)	(26,106)	-	(683,098)
Total accumulated depreciation	<u>(6,324,808)</u>	<u>(444,691)</u>	<u>-</u>	<u>(6,769,499)</u>
Total capital assets being depreciated, net	<u>7,193,333</u>	<u>6,088,839</u>	<u>-</u>	<u>13,282,172</u>
Governmental activities capital assets, net	<u>\$ 13,737,303</u>	<u>\$ 6,100,654</u>	<u>\$ 5,890,570</u>	<u>\$ 13,947,387</u>

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Depreciation was charged to functions as follows:

Unallocated	\$ 444,691
	<u>\$ 444,691</u>

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

G. Accounts Payable

Accounts payable at June 30, 2014 consisted of:

	Major Governmental Fund
	<u>General Fund</u>
Vendor payables	\$ 26,491
Payroll and related benefits	138,858
Other	3,504
Due to grantor governments	1,190,059
Totals	<u>\$ 1,358,912</u>

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of participation	\$ 840,113	\$ -	840,113	\$ -	\$ -
State Allocation Board Loan	1,111,373	-	1,111,373	-	-
Compensated absences *	40,222	6,188	-	46,410	46,410
Net OPEB obligation	3,027	51,411	51,410	3,028	-
Total governmental activities	<u>\$ 1,994,735</u>	<u>\$ 57,599</u>	<u>\$ 2,002,896</u>	<u>\$ 49,438</u>	<u>\$ 46,410</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

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2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation, at June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 46,410	\$ -	\$ 46,410
Totals	\$ 46,410	\$ -	\$ 46,410

3. State Allocation Board Loan

During the fiscal year 2013-14 the District paid the State Allocation Board loan in full.

4. Certificates of Participation

In December 2002, the Center issued \$6,000,000 2002 Qualified Zone Academy Bond Program (QZAB) Certificates of Participation to provide funds to finance the renovation of existing facilities to make them capable of supporting new series technology which the Center must meet. The certificates do not bear interest. Payment of principal on the certificates are to be made annually by the Center on December 19 of each year through 2016 into a sinking fund under a lease agreement. The trustee has been authorized to invest the lease payments. At the end of the lease agreement the amount in the sinking fund in addition to the interest earned, will repay the principal of the bonds.

During the fiscal year 2013-14 the Center paid the Certificates of Participation loan in full.

I. Components of Ending Fund Balance

As of June 30, 2014 ending fund balance consisted of the following:

	Major Governmental		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances			
Revolving Cash	\$ 10,000	\$ -	\$ 10,000
Restricted Fund Balances			
Capital Projects	-	46,205	46,205
Educational Programs	634,800	-	634,800
Assigned Fund Balances			
Capital Projects	-	444,144	444,144
Deferred Maintenance	-	49,934	49,934
OPEB Payments	745,083	-	745,083
Unassigned Fund Balances			
For Economic Uncertainty	571,328	-	571,328
Unappropriated	3,283,225	-	3,283,225
Total Fund Balance	\$ 5,244,436	\$ 540,283	\$ 5,784,719

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J. Joint Ventures (Joint Powers Agreements)

The Center participates in one joint powers agreement (JPA) entity, the Alliance for Cooperative Insurance Programs (ASCIP). The relationship between the Center and the JPA is such that the JPA is not a component unit of the Center.

The JPA arranges for and provides for various types of insurances for its member entities as requested. The JPA is governed by a board consisting of a representative from each member entity and two board members-at-large. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member entity pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed unaudited financial information of the JPA for the year ended June 30, 2014 is not available.

K. Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The Center contributes to the School Employer Pool under the California Public Employees' Retirement System (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 death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Center is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The Center's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$164,995, \$178,499 and \$163,747, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The Center contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Funding Policy

Active plan members are required to contribute 8% of their salary and the Center is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Center's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$212,839, \$227,615 and \$233,140, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$136,900 (5.201002% of salaries subject to STRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

L. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Southern California Regional Occupational Center (Center) administers a single-employer healthcare plan (Plan). The plan provides post-employment benefits, other than pensions, (OPEB) to employees who meet certain criteria. The Center provides medical and dental benefits to retirees and their covered eligible dependents. The Center pays a portion of the cost for eligible retirees, spouses and dependents. All active employees who retire directly from the Center and meet the eligibility criteria may participate. The benefits offered are medical and dental. At July 1, 2012 there were 63 active participants and 8 retiree participants.

Benefits shall be available to Center employees who have held a full-time position which entitled them to health and welfare benefits for a continuous and uninterrupted period of 10 years immediately prior to the date of retirement. Board approval leaves of absence do not constitute a break in service.

The employee must have reached age 58 for full benefits. Partial payment by the Center for benefits on retirement shall be available for employees at age 55.

Benefits shall cease on the earlier: (1) the retiree reaching age 65, or (2) death of retiree.

Contribution Information

The Center shall contribute toward the monthly premium charges for the employee and spouse during the period the retired employee is receiving benefits under the plan. The maximum contribution (base premium) by the Center shall be the actual cost of the benefit plan selected by the employee and in effect on the date of retirement. Any subsequent increase in premium costs after the date of retirement shall be borne by the retiree.

Retirement age of 58

The Center shall contribute toward the monthly premium charges for the employee and spouse during the period the retired employee is receiving benefits under this plan. The maximum contribution (base premium) by the Center shall be the actual cost of the benefit plan selected by the employee and in effect on the date of retirement. Any subsequent increase in premium costs after the date of retirement shall be borne by the retiree.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

Retirement prior to age 58

The Center shall contribute toward the monthly premium charge for the employee and spouse if the employee has attained a minimum age of 55 at the time of retirement. The contribution shall be based on the employee's age at the date of retirement. The monthly contributions by the Center as follows:

Age 57	\$150
Age 56	\$125
Age 55	\$100

Annual OPEB Cost and Net OPEB Obligation

The Center's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters 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 excess) over a period not to exceed thirty years. The following table shows the components of the Center's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the Center's net obligation to the Plan:

Annual required contribution	\$	52,073
Interest on net OPEB obligation		2,455
Adjustment to annual required contribution		(3,117)
Annual OPEB cost (expense)		<u>51,411</u>
Contribution made		<u>(51,410)</u>
Decrease in net OPEB obligation		1
Net OPEB obligation, beginning of year		3,027
Net OPEB obligation, end of year	\$	<u><u>3,028</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 51,411	100%	\$ 3,028

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve 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 contributions 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 funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 benefit costs between the employer and 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 value of assets, consistent with the long-term perspective of the calculations.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

In the July 1, 2012 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 10.0% reduced to a rate of 5.0% after five years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2014 of 56 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

M. Construction Commitments

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

N. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The Center has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

O. Subsequent Events

New Accounting Pronouncement

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

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 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 earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for the 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 by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

This Statement is effective for the 2014-15 fiscal year.

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

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

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

GASB Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 fiscal year.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 58,363	\$ 70,253	\$ 70,253	\$ -
Other State Revenue	5,022,691	7,744,909	7,810,495	65,586
Other Local Revenue	1,370,994	1,297,994	1,372,781	74,787
Total Revenues	<u>6,452,048</u>	<u>9,113,156</u>	<u>9,253,529</u>	<u>140,373</u>
Expenditures:				
Current:				
Certificated Salaries	1,807,642	2,630,684	2,630,684	-
Classified Salaries	1,694,282	1,689,132	1,689,132	-
Employee Benefits	1,045,747	1,036,557	1,036,556	1
Books And Supplies	280,486	578,768	545,958	32,810
Services And Other Operating Expenditures	1,292,652	2,631,128	2,610,683	20,445
Capital Outlay	51,200	51,200	45,503	5,697
Debt Service:				
Principal	1,811,465	1,811,465	1,811,464	1
Interest	40,418	6,644	6,644	-
Total Expenditures	<u>8,023,892</u>	<u>10,435,578</u>	<u>10,376,624</u>	<u>58,954</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,571,844)</u>	<u>(1,322,422)</u>	<u>(1,123,095)</u>	<u>199,327</u>
Other Financing Sources (Uses):				
Transfers Out	-	(990,988)	(990,988)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(990,988)</u>	<u>(990,988)</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,571,844)</u>	<u>(2,313,410)</u>	<u>(2,114,083)</u>	<u>199,327</u>
Fund Balance, July 1	6,613,436	6,613,436	6,613,436	-
Fund Balance, June 30	<u>\$ 5,041,592</u>	<u>\$ 4,300,026</u>	<u>\$ 4,499,353</u>	<u>\$ 199,327</u>

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/10	\$ -	\$ 511,034	\$ 511,034	-	\$ 4,066,673	12.6%
7/1/10	-	511,034	511,034	-	3,559,263	14.4%
7/1/10	-	511,034	511,034	-	3,422,462	14.9%
7/1/12	-	340,988	340,988	-	3,075,000	11.1%

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Postemployment Benefits (Fund 20) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$	5,244,436
Less Fund 20 Fund Balance		<u>(745,083)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u><u>4,499,353</u></u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	(1,369,000)
Change in Fund Balance attributed to Fund 20		<u>(745,083)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u><u>(2,114,083)</u></u>

In addition, the budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources (Excluding Fund 20)	\$	9,390,429
Less On Behalf Payments for year ended June 30, 2014		<u>(136,900)</u>
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources	\$	<u><u>9,253,529</u></u>
General Fund - Fund Financial Statements Expenditures and Other Financing Uses (Excluding Fund 20)	\$	11,504,512
Less On Behalf Payments for year ended June 30, 2014		<u>(136,900)</u>
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses	\$	<u><u>11,367,612</u></u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue Fund <u>Deferred Maintenance Fund</u>	<u>Capital Projects Funds</u>	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 49,761	\$ 489,334	\$ 539,095
Accounts Receivable	173	1,015	1,188
Total Assets	<u>49,934</u>	<u>490,349</u>	<u>540,283</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ -	\$ 46,205	\$ 46,205
Assigned Fund Balances	49,934	444,144	494,078
Total Fund Balance	<u>49,934</u>	<u>490,349</u>	<u>540,283</u>
Total Liabilities and Fund Balances	<u>\$ 49,934</u>	<u>\$ 490,349</u>	<u>\$ 540,283</u>

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Fund <u>Deferred Maintenance Fund</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Other Local Revenue	\$ 451	\$ 304,617	\$ 305,068
Total Revenues	<u>451</u>	<u>304,617</u>	<u>305,068</u>
Expenditures:			
Plant Services	109,667	718,040	827,707
Debt Service:			
Principal	-	140,024	140,024
Interest	-	46,245	46,245
Total Expenditures	<u>109,667</u>	<u>904,309</u>	<u>1,013,976</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(109,216)</u>	<u>(599,692)</u>	<u>(708,908)</u>
Other Financing Sources (Uses):			
Transfers In	-	250,000	250,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Net Change in Fund Balance	(109,216)	(349,692)	(458,908)
Fund Balance, July 1	159,150	840,041	999,191
Fund Balance, June 30	<u>\$ 49,934</u>	<u>\$ 490,349</u>	<u>\$ 540,283</u>

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014

	Special Reserve For Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:		
Cash in County Treasury	\$ 489,334	\$ 489,334
Accounts Receivable	1,015	1,015
Total Assets	<u>490,349</u>	<u>490,349</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Restricted Fund Balances	\$ 46,205	\$ 46,205
Assigned Fund Balances	444,144	444,144
Total Fund Balance	<u>490,349</u>	<u>490,349</u>
Total Liabilities and Fund Balances	<u>\$ 490,349</u>	<u>\$ 490,349</u>

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	County School Facilities Fund	Special Reserve For Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 182	\$ 304,435	\$ 304,617
Total Revenues	<u>182</u>	<u>304,435</u>	<u>304,617</u>
Expenditures:			
Plant Services	281,176	436,864	718,040
Debt Service:			
Principal	-	140,024	140,024
Interest	-	46,245	46,245
Total Expenditures	<u>281,176</u>	<u>623,133</u>	<u>904,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(280,994)</u>	<u>(318,698)</u>	<u>(599,692)</u>
Other Financing Sources (Uses):			
Transfers In	-	250,000	250,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Net Change in Fund Balance	(280,994)	(68,698)	(349,692)
Fund Balance, July 1	280,994	559,047	840,041
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 490,349</u>	<u>\$ 490,349</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2014

The Southern California Regional Occupation Center (SoCal ROC) was established in 1967 and was the first of what would become 72 Regional Occupational Centers/Programs (ROCPs) in California. The purpose of ROCPs is to provide Career Technical Education primarily to high school students although adults may also participate. SoCal ROC is part of a joint powers agreement with six school districts participating: El Segundo Unified School District, Inglewood Unified School District, Manhattan Beach Unified School District, Palos Verdes Peninsula Unified School District, Redondo Beach Unified School District, and Torrance Unified School District. SoCal ROC is governed by its own Board of Education comprised of a member from each of the participating JPA districts and two Members-at-large. The Superintendent is appointed by the Board of Education.

Governing Board

Name	Office	School District
William Watkins, Ed.D.	President	El Segundo Unified
Alice Grigsby	Vice-President	Board Member-at-Large
Brad Waller	Clerk	Redondo Beach Unified
Ida VanderPoorte	Member	Board Member-at-Large
Terry Ragins	Member	Torrance Unified
Barbara Lucky, Esq.	Member	Palos Verdes Peninsula Unified
Carol Raines-Brown	Member	Inglewood Unified
Bill Fournell	Member	Manhattan Beach Unified

Administration

Christine A. Hoffman, Ed.D.
Superintendent

Laurie St. Gean, Ed.D.
Deputy Superintendent

Atlas Helaire, Ed.D.
Director Programs
Student Support Services

Steve Rabas
Director of Fiscal Services

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2014

TABLE D-1

This schedule is not applicable for the Southern California Regional Occupational Center.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2014

TABLE D-2

This schedule is not applicable for the Southern California Regional Occupational Center.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2014

TABLE D-3

<u>General Fund</u>	<u>Budget 2015 (Note 1)</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues and other financial sources	\$ 9,143,157	\$ 9,390,429	\$ 9,122,060	\$ 9,178,978
Expenditures, other uses and transfers out	10,143,156	11,504,512	8,334,353	8,969,936
Change in fund balance (deficit)	(999,999)	(2,114,083)	787,707	209,042
Ending fund balance	\$ 3,499,354	\$ 4,499,353	\$ 6,613,436	\$ 5,825,729
Available reserves	\$ 3,031,567	\$ 3,857,553	\$ 5,896,351	\$ 5,071,623
Available reserves as a percentage of total outgo	29.9%	33.9%	70.7%	57.0%
Total long-term debt	\$ 3,028	\$ 49,438	\$ 1,994,735	\$ 2,466,877

This schedule discloses the Center's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the Center's ability to continue as a going concern for a reasonable period of time.

The general fund balance had decreased by \$1,117,333 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$999,999. For an ROP this size, the state recommends available reserves of at least 1% of general fund expenditures, other uses and transfers out.

Long-term debt has decreased by \$2,836,153 over the past three years.

Notes:

- 1 Budget 2015 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$136,900, \$145,707, and \$137,663, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2014, 2013 and 2012.
- 4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Postemployment Benefits (Fund 20) was included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET

REPORT WITH AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Reserve Fund</u>
June 30, 2014 annual financial and budget report fund balances	\$ 4,499,353	\$ 745,083
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB # 54 required funds combined with general fund	<u>745,083</u>	<u>(745,083)</u>
June 30, 2014 audited financial statement fund balances	<u>\$ 5,244,436</u>	<u>\$ -</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER

SCHEDULE OF CHARTER SCHOOLS

YEAR ENDED JUNE 30, 2014

TABLE D-5

No charter schools are chartered by Southern California Regional Occupational Center.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Southern California Regional Occupational Center
Torrance, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern California Regional Occupational Center, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Southern California Regional Occupational Center's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern California Regional Occupational Center'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 Southern California Regional Occupational Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern California Regional Occupational Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Southern California Regional Occupational Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
November 10, 2014

Independent Auditor's Report on State Compliance

Board of Trustees
Southern California Regional Occupational Center
Torrance, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2014.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	N/A
Teacher Certification and Misassignments	3	N/A
Kindergarten Continuance	3	N/A
Independent Study	23	N/A
Continuation Education	10	N/A
Instructional Time for School Districts	10	N/A
Instructional Materials, General Requirements	8	N/A
Ratios of Administrative Employees to Teachers	1	N/A

Classroom Teacher Salaries	1	N/A
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	N/A
School Accountability Report Card	3	N/A
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	N/A
California Clean Energy Jobs Act	3	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Education Protection Account Funds	1	N/A
Common Core Implementation Funds	3	N/A
Unduplicated Local Control Funding Formula Pupil Counts	3	N/A
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	

The term "N/A" is used above to mean either the Center did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Southern California Regional Occupational Center complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2014.

El Cajon, California
November 10, 2014

Findings and Recommendations Section

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X Not Applicable

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X Not Applicable

Type of auditor's report issued on compliance for major programs: Not Applicable

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X Not Applicable

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

Not Applicable

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X Not Applicable

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? Yes X No

Type of auditor's report issued on compliance for state programs: Unmodified

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

SOUTHERN CALIFORNIA REGIONAL OCCUPATIONAL CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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There were no findings reported in the 2013 audit report.