



Financial Statements
June 30, 2019

El Camino Community College District

EL CAMINO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements - Primary Government	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds	
Statement of Net Position	20
Statement of Changes in Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Liability and Related Ratios	64
Schedule of OPEB Investment Returns	65
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program	66
Schedule of the District's Proportionate Share of the Net Pension Liability	67
Schedule of District Contributions for Pensions	68
Note to Required Supplementary Information	69

SUPPLEMENTARY INFORMATION

District Organization	71
Schedule of Expenditures of Federal Awards	72
Schedule of Expenditures of State Awards	74
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	75
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	76
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	79
Proposition 30 Education Protection Account (EPA) Expenditure Report	80
Reconciliation of Governmental Funds to the Statement of Net Position	81
Note to Supplementary Information	83

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	86
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	88
Report on State Compliance	90

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	93
Financial Statement Findings and Recommendations	94
Federal Awards Findings and Questioned Costs	95
State Awards Findings and Questioned Costs	96
Summary Schedule of Prior Audit Findings	97



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
El Camino Community College District
Torrance, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of El Camino Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15 and other required supplementary schedules on pages 64 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature of Eide Bailly LLP in cursive script.

Rancho Cucamonga, California
December 18, 2019



EL CAMINO COMMUNITY COLLEGE DISTRICT

16007 Crenshaw Boulevard, Torrance, California 90506-0001

Telephone (310) 532-3670 or 1-866-ELCAMINO

www.elcamino.edu

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the El Camino Community College District (the District) for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

Officially established as of July 1, 1946, and located centrally in the South Bay, the District encompasses five unified and one high school districts, twelve elementary school districts, and nine cities, a population of almost one million. The District's primary service area includes the residents of Inglewood, Lennox, El Segundo, Hawthorne, Lawndale, Hermosa Beach, Manhattan Beach, Redondo Beach, and Torrance. We offer programs of the highest quality for El Camino students who continue on with their higher education studies; programs of remediation and re-entry; a leading community provider of programs for seniors; offer cultural and arts programs of national distinction; programs of exceptional depth in professional training, job training, and workforce development; and community service programs of personal interest.

FINANCIAL HIGHLIGHTS

This section provides an overview of the District's financial activities. The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 during fiscal year 2002-2003 using the Business-Type Activity (BTA) model. The California Community Colleges Chancellor's Office, through its Fiscal and Accountability Standards Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for these financial statements. Two years of prior data is presented in the Management's Discussion and Analysis.

The El Camino Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the BTA model for financial statement reporting purposes.

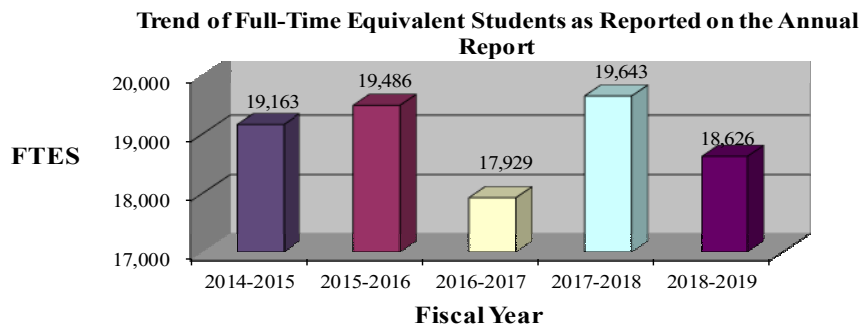
EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

SELECTED HIGHLIGHTS

- During 2018-2019, total full-time equivalent students (FTES) decreased by 1,017 from prior year. The increase in FTES reported for fiscal year 2017-2018 was a result of the College applying FTES earned in Summer 2018 to the 2017-2018 academic year. The decrease for 2018-2019 reflects the shifting out of Summer 2018 FTES to prior year as well as an additional decrease of 191.91 FTES in 2018-2019. Credit and noncredit FTES, along with other workload measures, are the basis for the District's State apportionment.



- In November 2002, the residents of the District passed a General Obligation Bond for \$394.5 million to improve the existing facilities, construct new facilities, purchase equipment, and purchase property. The first series of bonds were issued for \$63.7 million and spending, in accordance with the master facilities plan, was fully implemented in 2003-2004. The second series of bonds was issued for \$150 million in September 2006. The third series of bonds was issued in August 2012 for \$180,812,882.
- In November 2012, the residents of the District passed a General Obligation Bond for \$350.0 million to improve the existing facilities, construct new facilities, and purchase equipment. The first series of bonds was issued in January 2016 for \$100.0 million. The second series was issued in August of 2018 for \$50.0 million.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, liabilities, and net position.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the District.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The difference between total assets and deferred outflows of resources, and total liabilities and deferred inflow of resources, is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net position; this net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

The Statement of Net Position is summarized below:

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 201,386,226	\$ 183,679,573
Accounts receivable, net	15,591,842	12,669,217
Other current assets	2,116,781	1,934,900
Total Current Assets	<u>219,094,849</u>	<u>198,283,690</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation	399,587,830	368,882,924
TOTAL ASSETS	<u>618,682,679</u>	<u>567,166,614</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>43,609,269</u>	<u>43,780,009</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued interest payable	21,517,606	22,535,770
Unearned revenue	16,218,760	16,002,796
Current portion of long-term obligations	17,844,945	17,839,945
Total Current Liabilities	<u>55,581,311</u>	<u>56,378,511</u>
NONCURRENT LIABILITIES		
Long-term obligations	647,294,616	594,338,278
TOTAL LIABILITIES	<u>702,875,927</u>	<u>650,716,789</u>
DEFERRED INFLOWS OF RESOURCES	<u>12,346,339</u>	<u>14,769,327</u>
NET POSITION		
Net investment in capital assets	35,680,526	37,282,150
Restricted for:		
Debt service	20,894,749	19,892,225
Educational programs	7,370,619	4,393,524
Capital projects	20,390,654	11,038,711
Unrestricted deficit	(137,266,866)	(127,146,103)
TOTAL NET POSITION	<u>\$ (52,930,318)</u>	<u>\$ (54,539,493)</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Approximately 85 percent of the cash balance is cash deposited in the Los Angeles County Treasury. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash during fiscal year 2018-2019.

- The majority of the accounts receivable balance is from Federal and State sources for grant entitlement programs. Also included is an account receivable for the lottery payment of \$1,036,269. Student receivables are \$3,524,930 (gross) or \$1,486,291 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$30,704,906. Depreciation expense of \$15,376,916 was recognized during 2018-2019. The capital asset section of this discussion and analysis provides greater detail.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2019. Total accounts payable are \$16,449,209; \$9,068,915 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$7,204,232 are for amounts due to or on behalf of employees for wages and benefits.
- Long-term obligations include 2006 General Obligation Bonds, Series C, that have been issued in the amount of \$180,812,882, 2012 General Obligation Refunding Bonds that have been issued in the amount of \$41,755,000, 2016 General Obligation Bonds, Series A, that have been issued in the amount of \$100,000,000, 2016 General Obligation Refunding Bonds that have been issued in the amount of \$85,825,000, and 2018 General Obligation Bonds, Series B that have been issued in the amount of \$50,000,000. The long-term obligations section of this discussion and analysis provides greater detail.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not, by the District, the operating and nonoperating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are nonoperating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The Statement of Revenues, Expenses, and Changes in Net Position is summarized below:

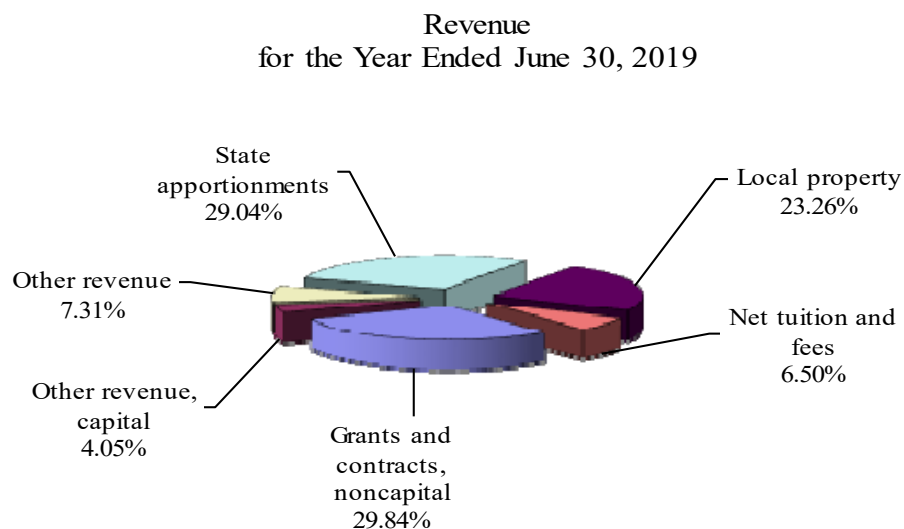
	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Net tuition and fees	\$ 16,785,852	\$ 16,967,587
Grants and Contracts, noncapital:		
Federal	2,787,290	2,883,270
State	28,228,997	25,400,393
Local	1,395,976	1,011,879
Total grants and contracts, noncapital	<u>32,412,263</u>	<u>29,295,542</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	4,943,877	5,636,013
Other Operating Revenue	-	195,610
TOTAL OPERATING REVENUES	<u>54,141,992</u>	<u>52,094,752</u>
OPERATING EXPENSES		
Salaries	100,630,762	98,128,632
Employee benefits	45,812,034	34,013,261
Supplies, materials, and other operating expenses and services	75,976,846	77,826,379
Depreciation	15,376,916	20,742,162
TOTAL OPERATING EXPENSES	<u>237,796,558</u>	<u>230,710,434</u>
OPERATING LOSS	<u>(183,654,566)</u>	<u>(178,615,682)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	75,096,905	72,385,114
Local property taxes	60,146,763	55,567,031
Federal financial aid grants, noncapital	37,129,757	39,384,364
State financial aid grants, noncapital	7,613,181	6,784,928
State taxes and other revenues	5,772,481	3,902,077
Investment income	3,689,935	2,624,299
Interest expense on capital related debt	(19,158,201)	(17,895,874)
Interest income on capital asset-related debt	315,053	240,711
Transfer to fiduciary funds	(25,000)	(25,000)
Other nonoperating revenue	4,211,012	2,464,684
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>174,791,886</u>	<u>165,432,334</u>
LOSS BEFORE OTHER REVENUES AND (LOSSES)	<u>(8,862,680)</u>	<u>(13,183,348)</u>
OTHER REVENUES AND (LOSSES)		
State revenues, capital	10,248,455	1,165,099
Local revenues, capital	223,400	-
Loss on disposal of capital assets	-	(64,000)
TOTAL OTHER REVENUES AND (LOSSES)	<u>10,471,855</u>	<u>1,101,099</u>
CHANGE IN NET POSITION	<u>\$ 1,609,175</u>	<u>\$ (12,082,249)</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- The decrease in net revenue from fiscal year 2018 to 2019 includes additional salary expense of \$2.5 million for movement on the salary schedule, additional adjunct faculty positions, and filling of vacant classified positions in the combined General Funds. Employee benefits increased as a result of lowered expenses during the 2017-2018 year associated with clearing of excess balances collected in benefit liability accounts, the first full year of payment for the Supplemental Early Retirement Plan (SERP), increased percentage rates for required employer contributions to the STRS and PERS retirement systems, and increased OPEB expenses in the 2018-2019 year.
- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Salaries and benefits make up 57 percent of total expenses as compared to other operating expenses (supplies, student financial aid, other services, capital outlay below the capitalization threshold, insurance, and utilities) which make up 30 percent of total expenses.
- Local property taxes for general purposes are received through the Auditor-Controller's Office for Los Angeles County. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.
- State apportionments, capital, are the amount of capital outlay, deferred maintenance, architectural barrier removal, and hazardous substance funding received from the State through the Department of Finance. Approved State capital outlay projects are typically funded 50 percent by the State.

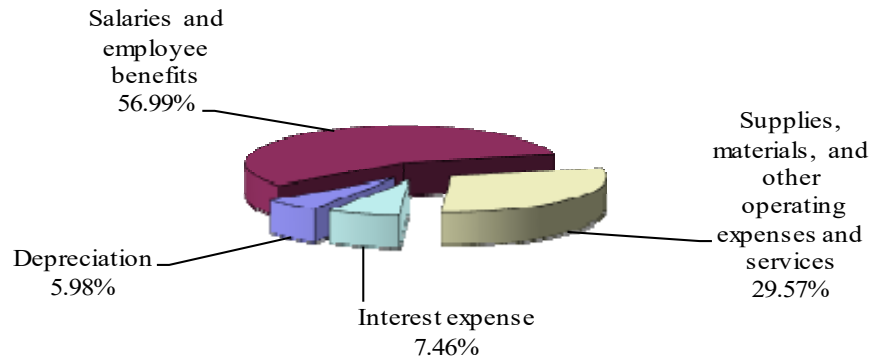


EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Expense
for the Year Ended June 30, 2019



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Cash Flows for the years ended June 30, 2019, and 2018, is summarized below:

	<u>2019</u>	<u>2018</u>
Cash Flows From		
Operating activities	\$ (166,724,419)	\$ (157,084,741)
Noncapital financing activities	167,384,030	163,705,346
Capital financing activities	13,667,435	(41,087,511)
Investing activities	3,379,607	2,755,176
Net Change in Cash	<u>17,706,653</u>	<u>(31,711,730)</u>
Cash - Beginning of Year	<u>183,679,573</u>	<u>215,391,303</u>
Cash - End of Year	<u><u>\$ 201,386,226</u></u>	<u><u>\$ 183,679,573</u></u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- Cash receipts from operating activities are from student tuition and auxiliary sales. Use of cash is payments to employees, vendors, and students related to the instructional program.
- State apportionment received based on the workload measures generated by the District accounts for 45 percent of noncapital financing. Cash received from property taxes accounts for 22 percent of the cash generated in this section.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment).
- Cash from investing activities is interest earned on cash in bank and cash invested through the Los Angeles County pool and on investments with fiduciaries. Approximately \$3.7 million was received from the Los Angeles County pool.

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instructional activities	\$ 50,070,239	\$ 21,035,531	\$ 1,643,340	\$ -	\$ 72,749,110
Academic support	6,627,383	2,928,309	308,532	-	9,864,224
Student services	21,478,415	8,947,695	1,425,449	-	31,851,559
Plant operations and maintenance	5,578,304	3,194,609	1,692,648	-	10,465,561
Instructional support services	11,033,055	7,475,164	3,598,592	-	22,106,811
Community services and economic development	2,482,163	961,654	991,482	-	4,435,299
Ancillary services and auxiliary operations	3,361,203	1,269,072	2,006,174	-	6,636,449
Student aid	-	-	45,227,669	-	45,227,669
Physical property and related acquisitions	-	-	19,082,960	-	19,082,960
Unallocated depreciation	-	-	-	15,376,916	15,376,916
Total	\$ 100,630,762	\$ 45,812,034	\$ 75,976,846	\$ 15,376,916	\$ 237,796,558

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the District had \$399,587,830 invested in capital assets net of accumulated depreciation. Total capital assets of \$566,084,118 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$166,496,288. Capital asset additions of \$46,081,822 occurred during 2018-2019, and depreciation expense of \$15,376,916 was recorded for the fiscal year.

Capital additions primarily comprise replacement and renovation of facilities, as well as investments in equipment, including information technology. Current year additions were funded by general obligation bond funds and State scheduled maintenance grant funding which were designated for capital purposes.

Construction in progress of \$99,977,740 at June 30, 2019, includes the construction of the Public Safety Training Center, Construction Technology Building, Paving Replacement and Walkways and Driveways, Student Activity Center, Athletic Fitness Complex, the Music Building, the Arts and Dance Building, the Pool structure, the Art and Behavioral and Social Sciences building, the Student Services Center, and the Administration Building.

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,050,000	\$ 1,050,000
Construction in progress	99,977,740	57,325,956
Site improvements, net	1,275,480	6,021,284
Buildings and improvements, net	291,377,010	299,192,869
Vehicles and equipment, net	5,907,600	5,292,815
Net Capital Assets	<u><u>\$ 399,587,830</u></u>	<u><u>\$ 368,882,924</u></u>

Long-term Obligations

At June 30, 2019, the District had \$502,276,539 in debt outstanding due to issuance of general obligation bonds. The general obligation bonds were issued to finance the acquisition, construction, and modernization of certain District property and facilities. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District received a bond rating of "AA+/Stable" from Standard and Poor's and a rating of "Aa1" from Moody's. The District passed an additional \$350 million bond measure in November 2012.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Note 10 and Note 12 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

	<u>2019</u>	<u>2018</u>
2012 General Obligation Bond, Series C	\$ 227,651,121	\$ 220,971,176
2012 General Obligation Refunding Bonds	30,935,000	36,320,000
2016 General Obligation Bond, Series A	90,750,000	95,500,000
2016 General Obligation Refunding Bonds	71,165,000	75,585,000
2018 General Obligation Bond, Series B	50,000,000	-
Unamortized premium	31,775,418	29,424,706
Compensated absences	3,172,735	2,986,423
Supplemental early retirement plan	3,014,835	4,019,780
Aggregate net OPEB liability	5,963,381	2,749,057
Aggregate net pension obligation	150,712,071	144,622,081
Total	<u>\$ 665,139,561</u>	<u>\$ 612,178,223</u>

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In August 2006, El Camino Community College District entered into a partnership with Compton Community College District (CCCD) beginning with the 2006-2007 fiscal year, creating the El Camino College Compton Education Center. El Camino Community College District has operated the Compton Education Center for the past 11 years. On June 7, 2017 Compton College was granted initial accreditation and a schedule for separation was established. The partnership ended effective June 7, 2019.

Revenue generated from the partnership agreement during 2018-2019 (basic allocation of \$3.9 million and additional miscellaneous revenue of \$1.2 million) is the final payment to the District for its partnership with Compton College.

Enrollment for fiscal year 2018-2019 was recorded at 18,626 FTES.

During the 2016-2017 fiscal year, the District settled contract and salary negotiations with the faculty bargaining unit. The District settled with the Classified Bargaining Unit, unrepresented employee groups, and the Police Officers' Association in 2017-2018. The Collective Bargaining Agreements for both the faculty and classified staff are scheduled to expire December 31, 2019.

The District's continuing policy of fiscal prudence has positioned the District to withstand economic uncertainty. The District has withstood the past recession without incurring layoffs of any full-time permanent staff or any salary reductions. In September 2014, the District celebrated the achievement of fully funding its Other Postemployment Benefits (OPEB) actuarially established accrued liability. Although the most current actuarial study reports the fund as 81 percent funded as a result of the actuarial reports re-assessment of our projected future rate of returns. The District is exploring options to increase the funded percent of this liability.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The 2018-2019 California Public Employees' Retirement System (CalPERS) employer contribution rate was 18.062 percent of classified payroll for a total unrestricted General Fund cost of \$4,896,198. The District is budgeting \$5,189,372 for the 2019-2020 estimated contribution at a rate of 19.721 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the upcoming years.

The 2018-2019 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 16.280 percent of the certificated payroll for a total unrestricted General Fund cost of \$7,319,542. The District is budgeting \$8,314,745 for the 2019-2020 fiscal year. The CalSTRS employer contribution rate increased from 16.280 percent in the 2018-2019 fiscal year to 17.100 percent for the 2019-2020 fiscal year, and is expected to increase significantly in upcoming years reaching a rate of 19.10 percent in fiscal year 2021-2022.

The State enrollment fee for credit classes remains at \$46 per unit for the 2018-2019 fiscal year. It is unknown at this time if the enrollment fee will be raised by the State legislature in future years.

The District experienced fewer reductions and delays in General Apportionment payments from the State of California since the 2017-2018 fiscal year. The 2018-2019 State Advance Apportionment schedule continues to show stability in the timing and amount of monthly General Apportionment and quarterly Education Protection Account payments. This cash flow stability allowed the District to operate without the need to participate in any cash borrowing programs in the 2018-2019 fiscal year.

The District will maintain a close watch over resources and expenditures to maintain our ability to react to internal and external issues if and when they arise.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: El Camino Community College District, 16007 Crenshaw Boulevard, Torrance, California 90506.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2019**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 1,582,378
Cash and cash equivalents - restricted	297,266
Investments - unrestricted	44,312,463
Investments - restricted	155,194,119
Accounts receivable	14,105,551
Student receivable, net	1,486,291
Inventories	1,019,320
Prepaid expenses	1,097,461
Total Current Assets	<u>219,094,849</u>

NONCURRENT ASSETS

Nondepreciable capital assets	101,027,740
Depreciable capital assets, net of accumulated depreciation	298,560,090
Total Noncurrent Assets	<u>399,587,830</u>
TOTAL ASSETS	<u>618,682,679</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on refunding	1,451,288
Deferred outflows of resources related to other postemployment benefits (OPEB)	3,272,947
Deferred outflows of resources related to pensions	38,885,034
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>43,609,269</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	16,449,209
Accrued interest payable	5,068,397
Unearned revenue	16,218,760
Current portion of long-term obligations other than pensions	17,844,945
Total Current Liabilities	<u>55,581,311</u>

NONCURRENT LIABILITIES

Noncurrent portion of long-term obligations other than pensions	496,582,545
Aggregate net pension obligation	150,712,071
Total Noncurrent Liabilities	<u>647,294,616</u>
TOTAL LIABILITIES	<u>702,875,927</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	12,346,339
---	------------

NET POSITION

Net investment in capital assets	35,680,526
Restricted for:	
Debt service	20,894,749
Educational programs	7,370,619
Capital projects	20,390,654
Unrestricted deficit	(137,266,866)
TOTAL NET POSITION	<u>\$ (52,930,318)</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES

Student Tuition and Fees	\$ 29,067,344
Less: Scholarship discounts and allowances	(12,281,492)
Net tuition and fees	<u>16,785,852</u>
Grants and Contracts, noncapital:	
Federal	2,787,290
State	28,228,997
Local	1,395,976
Total grants and contracts, noncapital	<u>32,412,263</u>
Auxiliary Enterprise Sales and Charges:	
Bookstore	4,943,877
TOTAL OPERATING REVENUES	<u>54,141,992</u>

OPERATING EXPENSES

Salaries	100,630,762
Employee benefits	45,812,034
Supplies, materials, and other operating expenses and services	30,749,177
Student financial aid	45,227,669
Depreciation	15,376,916
TOTAL OPERATING EXPENSES	<u>237,796,558</u>

OPERATING LOSS

(183,654,566)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	75,096,905
Local property taxes, levied for general purposes	37,090,446
Taxes levied for other specific purposes	23,056,317
Federal financial aid grants, noncapital	37,129,757
State financial aid grants, noncapital	7,613,181
State taxes and other revenues	5,772,481
Investment income	3,689,935
Interest expense on capital related debt	(19,158,201)
Interest income on capital asset-related debt	315,053
Transfer to fiduciary funds	(25,000)
Other nonoperating expenses	4,211,012
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>174,791,886</u>

LOSS BEFORE OTHER REVENUES

(8,862,680)

OTHER REVENUES

State revenues, capital	10,248,455
Local revenues, capital	223,400
TOTAL OTHER REVENUES	<u>10,471,855</u>

CHANGE IN NET POSITION

1,609,175

NET POSITION, BEGINNING OF YEAR

(54,539,493)

NET POSITION, END OF YEAR

\$ (52,930,318)

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 14,755,832
Federal, State, and local grants and contracts, noncapital	31,802,760
Payments to vendors for supplies and services	(30,206,966)
Payments to or on behalf of employees	(142,850,344)
Payments to students for scholarships and grants	(45,227,669)
Auxiliary enterprise sales and charges	5,001,968
Net Cash Flows From Operating Activities	<u>(166,724,419)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	74,699,137
Property taxes - nondebt related	37,090,446
Federal and State financial aid grants	44,742,938
State taxes and other revenues	5,772,481
Other nonoperating revenues	5,079,028
Net Cash Flows From Noncapital Financing Activities	<u>167,384,030</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(46,909,428)
Proceeds from capital debt	63,656,790
State revenue, capital projects	10,248,455
Local revenue, capital projects	223,400
Property taxes - related to capital debt	23,056,317
Principal paid on capital debt	(19,181,133)
Interest paid on capital debt	(17,742,019)
Interest received on capital asset-related debt	315,053
Net Cash Flows From Capital Financing Activities	<u>13,667,435</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>3,379,607</u>
------------------------------------	------------------

NET CHANGE IN CASH AND CASH EQUIVALENTS

17,706,653

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

183,679,573

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 201,386,226

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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

Operating Loss	<u>\$ (183,654,566)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	15,376,916
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Accounts receivable	(4,542,917)
Student receivable, net	3,050,080
Inventories	317,432
Prepaid expenses	(499,313)
Accounts payable	(1,220,270)
Unearned revenue	(1,088,595)
Deferred outflows of resources related to pensions	1,946,613
Deferred outflows of resources related to OPEB	(2,472,492)
Compensated absences	186,312
Supplemental early retirement plan	(1,004,945)
Aggregate net OPEB liability	3,214,324
Aggregate net pension obligation	6,089,990
Deferred inflows of resources related to pensions	(2,422,988)
Total Adjustments	<u>16,930,147</u>
Net Cash Flows From Operating Activities	<u><u>\$ (166,724,419)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,879,644
Cash in county treasury	199,506,582
Total Cash and Cash Equivalents	<u><u>\$ 201,386,226</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 9,770,853</u></u>
---------------------------------	----------------------------

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,088,542
Investments	23,559,895	529,749
Accounts receivable	-	1,465
Prepaid expenses	-	12,654
Total Assets	<u>23,559,895</u>	<u>1,632,410</u>
LIABILITIES		
Accounts payable	-	18,021
Unearned revenue	-	105,867
Due to student groups	-	132,984
Total Liabilities	<u>-</u>	<u>256,872</u>
NET POSITION		
Restricted for postemployment benefits other than pensions	23,559,895	-
Unrestricted	-	1,375,538
Total Net Position	<u>\$ 23,559,895</u>	<u>\$ 1,375,538</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
JUNE 30, 2019**

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Federal revenues	\$ -	\$ 14,229
Local revenues	-	901,949
District contributions	957,261	-
Interest and investment income	849,201	-
Total Additions	<u>1,806,462</u>	<u>916,178</u>
DEDUCTIONS		
Services and operating expenditures	-	900,676
Benefit payments	957,261	-
Administrative expenses	133,523	-
Total Deductions	<u>1,090,784</u>	<u>900,676</u>
OTHER FINANCING SOURCES		
Transfer from primary government	-	25,000
Change in Net Position	715,678	40,502
Net Position - Beginning of Year	<u>22,844,217</u>	<u>1,335,036</u>
Net Position - End of Year	<u>\$ 23,559,895</u>	<u>\$ 1,375,538</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - ORGANIZATION

The El Camino Community College District (the District) was established in 1946 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college located within Torrance, California. In August 2006, the District entered into a partnership agreement with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and noncredit offerings, as well as financial aid and related student support services. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Financial Reporting Entity

The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activity model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand and demand deposits. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$2,038,639 for the year ended June 30, 2019.

Inventories

Inventories consist primarily of bookstore merchandise and supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is sold.

Prepaid Expenses

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

Capital Assets and Depreciation

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; modular buildings, 20 years; land improvements, 10 years; equipment, five to 20 years; vehicles, five to 10 years.

Accrued Liabilities and Long-Term Obligations

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

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Charges on Refunding

Deferred charges on refunding are amortized using the straight-line method over the remaining life of the new or old debt, whichever is shorter.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the District's Plan and the CalSTRS Medicare Premium Payment (MPP) plan fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District's Plan and MPP. For this purpose, the District's Plan and MPP recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Payments for the aggregate net OPEB liability will be paid by the General Fund.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported within the fund financial statements.

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

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include general obligation bonds, compensated absences, supplemental early retirement plan, aggregate net OPEB liability, and the aggregate net pension obligation with maturities greater than one year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Net Position

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

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

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

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$48,656,022 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

State Apportionments

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

Property Taxes

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

The voters of the District passed a General Obligation Bond in November 2002 and in November 2012 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG) Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Interfund Activity

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the *California Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

Primary government	\$ 201,386,226
Fiduciary funds	25,178,186
Total Deposits and Investments	<u>\$ 226,564,412</u>
Cash on hand and in banks	\$ 2,757,442
Cash in revolving fund	138,750
Cash with fiscal agent	71,994
Investments	223,596,226
Total Deposits and Investments	<u>\$ 226,564,412</u>

Interest Rate Risk

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

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Book Value	Fair Value	Weighted Average Days to Maturity
Certificate of Deposit	\$ 3,817	\$ 3,817	180
Mutual Funds	23,559,895	23,559,895	N/A
Los Angeles County Investment Pool	200,032,514	199,840,642	547
Total	<u>\$ 223,596,226</u>	<u>\$ 223,404,354</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool, Certificate of Deposit, and the Mutual Funds are not required to be rated, nor have they been rated as of June 30, 2019.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District had a bank balance of \$600,651 which was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. In addition, the District's bank balance of \$4,179,820 was fully insured or collateralized with securities, held by the pledging financial institutions trust department in the District's name.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Certificate of Deposit	\$ 3,817	\$ 3,817	\$ -
Mutual Funds	23,559,895	23,559,895	-
Los Angeles County Investment Pool	199,840,642	-	199,840,642
Total	\$ 223,404,354	\$ 23,563,712	\$ 199,840,642

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

	Primary Government
Federal Government	
Categorical aid	\$ 1,323,652
State Government	
Apportionment	397,768
Categorical aid	5,493,010
Lottery	1,036,269
Local Sources	
Interest	1,024,361
Other local sources	4,830,491
Total	\$ 14,105,551
Student receivables	\$ 3,524,930
Less allowance for bad debt	(2,038,639)
Student receivables, net	\$ 1,486,291
	Fiduciary Funds
Other local sources	\$ 1,465

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
Construction in progress	57,325,956	42,651,784	-	99,977,740
Total Capital Assets Not Being Depreciated	<u>58,375,956</u>	<u>42,651,784</u>	<u>-</u>	<u>101,027,740</u>
Capital Assets Being Depreciated				
Site improvements	54,473,720	370,012	-	54,843,732
Buildings and improvements	381,533,140	963,965	-	382,497,105
Vehicles and equipment	25,619,480	2,096,061	-	27,715,541
Total Capital Assets Being Depreciated	<u>461,626,340</u>	<u>3,430,038</u>	<u>-</u>	<u>465,056,378</u>
Total Capital Assets	<u>520,002,296</u>	<u>46,081,822</u>	<u>-</u>	<u>566,084,118</u>
Less Accumulated Depreciation	<u>151,119,372</u>	<u>15,376,916</u>	<u>-</u>	<u>166,496,288</u>
Net Capital Assets	<u>\$ 368,882,924</u>	<u>\$ 30,704,906</u>	<u>\$ -</u>	<u>\$ 399,587,830</u>

Depreciation expense for the year was \$15,376,916.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government
Accrued payroll and benefits	\$ 7,204,232
Apportionment	1,490,460
Construction	6,106,697
Student health insurance	349,772
Vendor payables	1,298,048
Total	<u>\$ 16,449,209</u>
	Fiduciary Funds
Vendor payables	<u>\$ 18,021</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 86,560
State categorical aid	12,100,785
Enrollment fees	1,134,447
Other local	2,896,968
Total	<u>\$ 16,218,760</u>
	<u>Fiduciary Funds</u>
Federal categorical	<u>\$ 105,867</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2019, there were no amounts owed between from the primary government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2019 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$25,000.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General Obligation Bonds					
2012 General Obligation Bonds, Series C	\$ 220,971,176	\$ 8,959,945	\$ 2,280,000	\$ 227,651,121	\$ 3,110,000
2012 General Obligation Refunding Bonds	36,320,000	-	5,385,000	30,935,000	5,600,000
2016 General Obligation Bonds, Series A	95,500,000	-	4,750,000	90,750,000	2,200,000
2016 General Obligation Refunding Bonds	75,585,000	-	4,420,000	71,165,000	4,540,000
2018 General Obligation Bonds, Series B	-	50,000,000	-	50,000,000	1,390,000
Unamortized premium	29,424,706	4,696,845	2,346,133	31,775,418	-
Total General Obligation Bonds	<u>457,800,882</u>	<u>63,656,790</u>	<u>19,181,133</u>	<u>502,276,539</u>	<u>16,840,000</u>
Other Liabilities					
Compensated absences	2,986,423	186,312	-	3,172,735	-
Supplemental early retirement plan	4,019,780	-	1,004,945	3,014,835	1,004,945
Aggregate net OPEB liability	2,749,057	5,027,039	1,812,715	5,963,381	-
Aggregate net pension obligation	144,622,081	7,998,356	1,908,366	150,712,071	-
Total Other Liabilities	<u>154,377,341</u>	<u>13,211,707</u>	<u>4,726,026</u>	<u>162,863,022</u>	<u>1,004,945</u>
Total Long-Term Obligations	<u>\$ 612,178,223</u>	<u>\$ 76,868,497</u>	<u>\$ 23,907,159</u>	<u>\$ 665,139,561</u>	<u>\$ 17,844,945</u>

Description of Long-term Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The compensated absences, supplemental early retirement plan, and aggregate net pension obligation will be paid by the fund for which the employee worked. The aggregate net OPEB liability will be paid by the General Fund.

Bonded Debt

2012 General Obligation Bonds, Series C

In August 2012, the District issued the \$180,812,882 General Obligation Bonds, Election of 2002, Series 2012C. The bonds issued included \$30,000,000 of current interest serial bonds, \$118,499,651 of Capital Appreciation Serial bonds, and \$32,313,231 of Capital Appreciation Term bonds. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization, and equipping of certain District property and facilities. The bonds mature beginning on August 1, 2014 through August 1, 2038, with interest rates from 4.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding (including accreted interest to date) was \$227,651,121. Unamortized premium received on issuance of the bonds amounted to \$2,337,823 as of June 30, 2019.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2012 General Obligation Refunding Bonds

In August 2012, the District issued the \$41,755,000 2013 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2023, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$50,729,726 (representing the principal amount of \$41,755,000 plus premium on issuance of \$8,974,726) from the issuance were used to advance refund a portion of the District's outstanding 2006 General Obligation Bonds, Series B and to pay the cost of the issuance associated with the refunding bonds, with prepayment occurring on August 1, 2016. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of \$1,635,689 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 4.407 percent. At June 30, 2019, the principal balance outstanding was \$30,935,000. Unamortized premium received on issuance of the bonds amounted to \$3,399,519 as of June 30, 2019.

2016 General Obligation Bonds, Series A

In January 2016, the District issued the \$100,000,000 General Obligation Bonds, Election of 2012, Series 2016A. The bonds issued included \$100,000,000 of current interest serial bonds. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization, and equipping of certain District property and facilities. The bonds mature beginning on August 1, 2017 through August 1, 2045, with interest rates from 2.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$90,750,000. Unamortized premium received on issuance of the bonds amounted to \$10,850,996 as of June 30, 2019.

2016 General Obligation Refunding Bonds

In January 2016, the District issued \$85,825,000 of the 2016 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2031, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$99,409,180 (representing the principal amount of \$85,825,000 plus premium on issuance of \$13,584,180) from the issuance were used to advance refund all of the District's outstanding 2005 General Obligation Refunding Bonds and a portion of the District's outstanding 2006 General Obligation Bonds, Series B, and to pay the cost of the issuance associated with the refunding bonds. Prepayment of the 2005 General Obligation Refunding Bonds occurred on February 26, 2016, while the prepayment on the 2006 General Obligation Bonds, Series B occurred on August 1, 2016. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of \$18,790,615 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.490 percent. At June 30, 2019, the principal balance outstanding was \$71,165,000. Unamortized premium received on issuance of the bonds amounted to \$10,646,797 as of June 30, 2019.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2018 General Obligation Bonds, Series B

In August 2018, the District issued the \$50,000,000 General Obligation Bonds, Election of 2012, Series 2018A. The bonds issued included \$5,590,000 of current interest serial bonds and \$44,410,000 of current interest term bonds. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization, and equipping of certain District property and facilities. The bonds mature beginning on August 1, 2019 through August 1, 2048, with interest rates from 3.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$50,000,000. Unamortized premium received on issuance of the bonds amounted to \$4,540,283 as of June 30, 2019.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2019
				Outstanding July 1, 2018	Issued	Additions	Redeemed	
8/2012	8/2038	4.00 - 5.00%	\$ 180,812,882	\$ 220,971,176	\$ -	\$ 8,959,945	\$ 2,280,000	\$ 227,651,121
8/2012	8/2023	2.00 - 5.00%	41,755,000	36,320,000	-	-	5,385,000	30,935,000
1/2016	8/2045	2.00 - 5.00%	100,000,000	95,500,000	-	-	4,750,000	90,750,000
1/2016	8/2031	2.00 - 5.00%	85,825,000	75,585,000	-	-	4,420,000	71,165,000
8/2018	8/2048	3.00 - 5.00%	50,000,000	-	50,000,000	-	-	50,000,000
				<u>\$ 428,376,176</u>	<u>\$ 50,000,000</u>	<u>\$ 8,959,945</u>	<u>\$ 16,835,000</u>	<u>\$ 470,501,121</u>

The bonds mature through 2049 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Unmatured Accreted Interest	Current Interest to Maturity	Total
2020	\$ 16,756,745	\$ 83,255	\$ 11,868,500	\$ 28,708,500
2021	16,538,646	166,354	11,288,850	27,993,850
2022	15,895,218	369,782	10,726,475	26,991,475
2023	15,883,950	656,050	10,180,350	26,720,350
2024	16,329,725	1,680,275	9,735,850	27,745,850
2025-2029	87,256,641	19,608,359	43,526,750	150,391,750
2030-2034	95,253,858	52,466,142	34,875,013	182,595,013
2035-2039	110,341,338	85,766,308	27,769,000	223,876,646
2040-2044	50,165,000	-	15,870,725	66,035,725
2045-2049	46,080,000	-	4,639,200	50,719,200
Total	<u>\$ 470,501,121</u>	<u>\$ 160,796,525</u>	<u>\$ 180,480,713</u>	<u>\$ 811,778,359</u>

Compensated Absences

At June 30, 2019, the liability for compensated absences was \$3,172,735.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Supplemental Early Retirement Plan

The District adopted a one-time SERP for full-time faculty who were employed by the District as of May 22, 2017. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, be eligible to retire from CalSTRS or CalPERS, and be resigned from District employment between June 30, 2017 and December 31, 2017. In exchange for early retirement, the District will contribute 70 percent of the 2016-2017 base salary, or the highest salary over 12 months. The District had 77 employees that enrolled in the SERP. The remaining obligation as of June 30, 2019 is \$3,014,835.

<u>Fiscal Year</u>	<u>Principal</u>
2020	\$ 1,004,945
2021	1,004,945
2022	1,004,945
Total	<u>\$ 3,014,835</u>

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported an aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 5,393,441	\$ 3,272,947	\$ 816,966
Medicare Premium Payment (MPP) Program	569,940	-	(75,134)
Total	<u>\$ 5,963,381</u>	<u>\$ 3,272,947</u>	<u>\$ 741,832</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the El Camino College District Retirement Board of Authority, which consists of Plan members.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	328
Active employees	814
	<u>1,142</u>

El Camino Community College District Futuris Trust

The El Camino Community College District Futuris Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the El Camino Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the El Camino College Federation of Teachers (ECCFT), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by Management and the District's governing board. For fiscal year 2017-2018, the District contributed \$800,455 to the Plan, all of which was used for current premiums.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 2.64 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$5,393,441 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 28,237,658
Plan fiduciary net position	22,844,217
District's net OPEB liability	<u>\$ 5,393,441</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>81%</u>

Actuarial Assumptions

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	4.20 percent
Healthcare cost trend rates	4.00 percent

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The discount rate was based on the long-term return on plan assets assuming 100 percent funding.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study as of September 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.7%
Fixed income	3.7%
International equity	7.1%
Real estate	6.9%
Cash	1.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.2 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$ 24,484,783	\$ 22,380,800	\$ 2,103,983
Service cost	1,174,679	-	1,174,679
Interest	1,036,220	-	1,036,220
Contributions - employer	-	800,455	(800,455)
Expected investment income	-	937,126	(937,126)
Differences between projected and actual earnings on OPEB plan investments	-	(337,208)	337,208
Changes of assumptions	2,342,431	-	2,342,431
Benefit payments	(800,455)	(800,455)	-
Administrative expense	-	(136,501)	136,501
Net change in total OPEB liability	<u>3,752,875</u>	<u>463,417</u>	<u>3,289,458</u>
Balance at June 30, 2018	<u>\$ 28,237,658</u>	<u>\$ 22,844,217</u>	<u>\$ 5,393,441</u>

There were no changes in benefit terms since the previous valuation. Changes of assumptions and other inputs reflect a change in the discount rate from 4.90 percent to 4.20 percent since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (3.2%)	\$ 9,307,384
Current discount rate (4.2%)	5,393,441
1% increase (5.2%)	2,346,632

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	\$ 2,088,766
Current healthcare cost trend rates (4.0%)	5,393,441
1% increase (5.0%)	9,361,703

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Deferred Outflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources related to OPEB for the following:

	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	\$ 957,261
Changes of assumptions	2,045,920
Net difference between projected and actual earnings on OPEB plan investments	269,766
Total	<u>\$ 3,272,947</u>

Amounts reported as deferred outflows of resources for OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Amounts reported as deferred outflows of resources for the net difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 67,442
2021	67,442
2022	67,442
2023	67,440
	<u>\$ 269,766</u>

Amounts reported as deferred outflows of resources related to changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7.9 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 296,511
2021	296,511
2022	296,511
2023	296,511
2024	296,511
Thereafter	563,365
	<u>\$ 2,045,920</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$569,940 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1489 percent and 0.1533, respectively, resulting in a net decrease in the proportionate share of 0.0044 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(75,134).

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 2017.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 630,383
Current discount rate (3.87%)	569,940
1% increase (4.87%)	515,366

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 519,728
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	569,940
1% increase (4.7% Part A and 5.1% Part B)	623,943

Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to \$150,712,071. See Note 12 for additional information.

NOTE 11 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of \$250,000,000, subject to various policy limits. The District also purchases commercial insurance for general liability claims with coverage up to \$25,000,000 per occurrence and \$60,000,000 aggregate, all subject to various deductibles. The District is self-insured with respect to general and property liability for losses up to \$50,000 for general liability and \$25,000 for property liability.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2019, the District contracted with Southern California Community College District Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018-2019, the District participated in the Southern California Community Colleges Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Obligation	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 81,236,698	\$ 20,048,557	\$ 11,084,301	\$ 7,388,801
CalPERS	69,475,373	18,836,477	1,262,038	11,742,627
Total	\$ 150,712,071	\$ 38,885,034	\$ 12,346,339	\$ 19,131,428

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the District's total contributions were \$7,176,305.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 81,236,698
State's proportionate share of net pension liability associated with the District	46,511,809
Total	<u>\$ 127,748,507</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0884 percent and 0.0899 percent, respectively, resulting in a net decrease in the proportionate share of 0.0015 percent.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$7,388,801. In addition, the District recognized pension expense and revenue of \$5,464,089 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 7,176,305	\$ -
Net change in proportionate share of net pension liability	-	6,776,167
Differences between projected and actual earnings on the pension plan investments	-	3,128,126
Differences between expected and actual experience in the measurement of the total pension liability	251,912	1,180,008
Changes of assumptions	12,620,340	-
Total	<u>\$ 20,048,557</u>	<u>\$ 11,084,301</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ 679,205
2021	(492,849)
2022	(2,624,377)
2023	(690,105)
Total	<u>\$ (3,128,126)</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 421,411
2021	421,411
2022	421,411
2023	1,551,385
2024	2,283,642
Thereafter	(183,183)
Total	\$ 4,916,077

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 119,002,256
Current discount rate (7.10%)	81,236,698
1% increase (8.10%)	49,925,385

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions were \$6,341,508.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$69,475,373. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2606 percent and 0.2575 percent, respectively, resulting in a net increase in the proportionate share of 0.0031 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$11,742,627. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,341,508	\$ -
Net change in proportionate share of net pension liability	433,755	1,262,038
Differences between projected and actual earnings on the pension plan investments	569,854	-
Differences between expected and actual experience in the measurement of the total pension liability	4,554,551	-
Changes of assumptions	6,936,809	-
Total	<u>\$ 18,836,477</u>	<u>\$ 1,262,038</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,072,684
2021	495,663
2022	(1,588,421)
2023	(410,072)
Total	<u>\$ 569,854</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 4,304,701
2021	4,713,600
2022	1,644,776
Total	<u>\$ 10,663,077</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 101,152,820
Current discount rate (7.15%)	69,475,373
1% increase (8.15%)	43,194,395

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to \$4,292,753 (9.738 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Southern California Community College District (SCCCD - JPA), the Statewide Association of Community Colleges (SWACC), and the Schools Association for Excess Risk (SAFER) joint powers authorities. The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The District is also a member of the California Statewide Delinquent Tax Finance Authority (CSDTFA). CSDTFA purchases delinquent ad valorem property taxes from school agencies in Los Angeles County to receive additional unrestricted revenues through the financing of property tax delinquencies. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

During the year ended June 30, 2019, the District made payments of \$1,890,133 and \$708,360 to SCCC - JPA and SWACC, respectively.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of District. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Memorandum of Understanding Between the El Camino Community College District and the Compton Community College District

In both 2006 and 2008, the District entered into memoranda of understanding with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and noncredit offerings, as well as financial aid and related student support services. Compton Community College District has separate fiduciary responsibilities for funding and for capital improvements. El Camino Community College District has a custodial relationship as it relates to the operations of Compton Community College District. Compton Community College District shall save, defend, hold harmless, and indemnify El Camino Community College District in connection with any and all claims, actions, or lawsuits that arise in any manner from acts or omissions of Compton, its officers, employees, or agents in the performance of this agreement.

On June 7, 2019, Compton College became an independent college under the authority of the Compton Community College District Board of Trustees, and the partnership with El Camino Community College District ended.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Expenditures for rent under leases for the year ended June 30, 2019, amounted to approximately \$632,215.

Construction Commitments

As of June 30, 2019, the District had committed under various capital expenditure purchase agreements for various projects totaling approximately \$45.5 million to be through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.



REQUIRED SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 1,174,679	\$ 1,242,133
Interest	1,036,220	1,162,707
Changes of assumptions	2,342,431	-
Benefit payments	(800,455)	(763,687)
Net changes in total OPEB liability	<u>3,752,875</u>	<u>1,641,153</u>
Total OPEB Liability - beginning	24,484,783	22,843,630
Total OPEB Liability - ending (a)	<u><u>\$ 28,237,658</u></u>	<u><u>\$ 24,484,783</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 800,455	\$ 763,687
Net investment income	937,126	1,380,019
Differences between projected and actual earnings on OPEB plan investments	(337,208)	-
Benefit payments	(800,455)	(763,687)
Administrative expense	(136,501)	(137,668)
Reimbursement of benefits previously paid	-	(2,089,577)
Net change in plan fiduciary net position	<u>463,417</u>	<u>(847,226)</u>
Plan fiduciary net position - beginning	22,380,800	23,228,026
Plan fiduciary net position - ending (b)	<u><u>\$ 22,844,217</u></u>	<u><u>\$ 22,380,800</u></u>
District's net OPEB liability - ending (a) - (b)	<u><u>\$ 5,393,441</u></u>	<u><u>\$ 2,103,983</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>80.90%</u>	<u>91.41%</u>
Covered-employee payroll	<u>\$ 79,215,683</u>	<u>\$ 73,427,594</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u><u>6.81%</u></u>	<u><u>2.87%</u></u>

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

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Annual money-weighted rate of return, net of investment expense	2.64%	5.72%

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

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.1489%	0.1533%
District's proportionate share of the net OPEB liability	\$ 569,940	\$ 645,074
District's covered-employee payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0884%</u>	<u>0.0899%</u>
District's proportionate share of the net pension liability	\$ 81,236,698	\$ 83,145,064
State's proportionate share of the net pension liability associated with the District	46,511,809	49,187,917
Total	<u>\$ 127,748,507</u>	<u>\$ 132,332,981</u>
District's covered-employee payroll	<u>\$ 44,618,600</u>	<u>\$ 41,043,219</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>182%</u>	<u>203%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.2606%</u>	<u>0.2575%</u>
District's proportionate share of the net pension liability	<u>\$ 69,475,373</u>	<u>\$ 61,477,017</u>
District's covered-employee payroll	<u>\$ 34,597,083</u>	<u>\$ 32,384,375</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>201%</u>	<u>190%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0909%</u>	<u>0.0964%</u>	<u>0.1056%</u>
\$ 73,514,277	\$ 64,887,512	\$ 61,735,680
<u>41,850,366</u>	<u>34,318,341</u>	<u>37,278,669</u>
<u>\$ 115,364,643</u>	<u>\$ 99,205,853</u>	<u>\$ 99,014,349</u>
<u>\$ 43,692,992</u>	<u>\$ 41,459,020</u>	<u>\$ 39,884,567</u>
<u>168%</u>	<u>157%</u>	<u>155%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.2650%</u>	<u>0.2834%</u>	<u>0.2937%</u>
\$ 52,345,935	\$ 41,777,449	\$ 33,340,795
\$ 31,454,427	\$ 31,729,301	\$ 30,362,895
<u>166%</u>	<u>132%</u>	<u>110%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
CalSTRS		
Contractually required contribution	\$ 7,176,305	\$ 6,438,464
Contributions in relation to the contractually required contribution	7,176,305	6,438,464
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 44,080,498</u>	<u>\$ 44,618,600</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 6,341,508	\$ 5,373,273
Contributions in relation to the contractually required contribution	6,341,508	5,373,273
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 35,109,667</u>	<u>\$ 34,597,083</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to supplementary information.

2017	2016	2015
\$ 5,163,237	\$ 4,688,258	\$ 3,681,561
5,163,237	4,688,258	3,681,561
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 41,043,219	\$ 43,692,992	\$ 41,459,020
12.58%	10.73%	8.88%
\$ 4,497,542	\$ 3,726,406	\$ 3,734,856
4,497,542	3,726,406	3,734,856
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,384,375	\$ 31,454,427	\$ 31,729,301
13.888%	11.847%	11.771%

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 4.90 percent to 4.20 percent since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2019

The El Camino Community College District was established in July 1946 and is comprised of an area of approximately 50 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Cliff Numark	President	November 2022
Mr. William J. Beverly	Vice President	November 2020
Mrs. Mary E. Combs	Secretary	November 2020
Mr. Kenneth A. Brown	Member	November 2020
Mr. Nilo Michelin	Member	November 2022
Lindsey Lee	Student Member	June 2020

ADMINISTRATION

Dr. Dena P. Maloney	Superintendent and President of the College
Dr. Jean Shankweiler	Vice President of Academic Affairs
Iris Ingram	Vice President of Administrative Services
Ross Miyashiro	Vice President of Student Services
Jane Miyashiro	Vice President of Human Resources

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 784,785
Federal Work-Study Program (FWS)	84.033		961,296
Federal Pell Grant Program (PELL)	84.063		36,344,972
PELL Administrative Allowance	84.063		232,729
Total Student Financial Assistance Cluster			38,323,782
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act, Perkins Title I, Part C	84.048A	18-C01-014	847,092
CTE Transitions	84.048A	18-C01-014	41,377
Total U.S. Department of Education			39,212,251
U.S. DEPARTMENT OF COMMERCE			
Passed through California Manufacturing Technology Consulting (CMTC)			
Manufacturing Extension Partnership (MEP) Program	11.611	70NANB1-6H208	55,559
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Passed through Howard University			
LSAMP - Washington Baltimore Hampton Roads Alliance	47.076	HRD-10001503192	10,000
Passed through University Corporation at Monterey Bay			
Replication of Cohort-Based Computer Science Bachelor's Degree Model	47.079	5052101A-10192018-A	66,301
Total Research and Development Cluster			76,301
SMALL BUSINESS ADMINISTRATION			
Passed through Long Beach Community College District			
Small Business Development Center	59.037	CN 99753.4	351,451
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	64.117		4,337

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019, (CONTINUED)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Los Angeles County Office of Education			
Medicaid Cluster			
Medi-Cal Administrative Activities	93.778	[1]	\$ 3,072
Total Medicaid Cluster			<u>3,072</u>
Passed through California Community Colleges Chancellor's Office			
Foster and Kinship Care Education Program	93.658	[1]	44,697
Temporary Assistance for Needy Families (TANF) Cluster			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	89,760
Passed through Los Angeles County Department of Public Social Services			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	100,750
Total TANF Cluster			<u>190,510</u>
Total U.S. Department of Health and Human Services			<u>238,279</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps - National Service Awards	94.006		14,229
Total Expenditures of Federal Awards			<u>\$ 39,952,407</u>

[1] Pass-Through Identifying Number not available

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Access Print and Electronic Information	\$ 375,003	\$ -	\$ -	\$ 375,003	\$ 375,003
Adult Ed Block Grant Data and Accountability	819,833	-	348,608	471,225	471,225
Assessment, Remediation and Retention for Associate Degree Nursing Program	176,075	-	41,953	134,122	134,122
Basic Skills Student Outcome Transformation Program	-	849,287	-	849,287	849,287
BFAP	1,018,046	-	99,784	918,262	918,262
Cal Grants	3,483,907	15,368	-	3,499,275	3,499,275
CalWORKs and Regional Effort	523,272	-	-	523,272	523,272
Campus Safety	31,735	-	31,735	-	-
Career Advancement Academy	292,731	-	-	292,731	292,731
Career Technical Education 06-07	69,214	-	69,214	-	-
Community College Completion Grant	294,424	-	-	294,424	294,424
Cooperative Agencies Resources for Education (CARE)	283,870	-	-	283,870	283,870
Deputy Sector Navigator	50,802	-	-	50,802	50,802
Disabled Students Program and Services (DSPS)	1,580,399	-	-	1,580,399	1,580,399
Education Plan Initiative	63,820	-	57,287	6,533	6,533
Extended Opportunity Program and Services (EOPS)	1,894,655	-	-	1,894,655	1,894,655
Faculty and Staff Diversity	106,564	-	72,554	34,010	34,010
Foster Care Education	55,748	-	-	55,748	55,748
FTSSG Full Time Student Success	2,507,736	-	-	2,507,736	2,507,736
GO-Bix Capital Infusion Grant	40,689	24,968	-	65,657	65,657
Guided Pathways	1,005,010	-	628,419	376,591	376,591
Historically Black Colleges and Universities	-	491,912	-	491,912	491,912
Hunger Free Campus	202,694	-	149,708	52,986	52,986
Instructional Equipment	2,229,297	-	1,904,631	324,666	324,666
MESA Program	-	89,572	-	89,572	89,572
Open Online Library	2,285	35,700	33,221	4,764	4,764
Prop 39 Program Improvement Funds	10,898	-	4,636	6,262	6,262
Puente Reporting	13,593	-	12,648	945	945
Resource Family Approval Training Services	29,267	-	8,801	20,466	20,466
RSCCD - Retail, Hospitality and Tourism	49,338	-	20,358	28,980	28,980
Strong Workforce Program	4,698,074	95,690	2,895,282	1,898,482	1,898,482
Student Equity and Achievement Program	8,150,730	3,888,397	5,623,876	6,415,251	6,415,251
Student Success Completion Grant	600,000	-	-	600,000	600,000
Teacher Pipeline	163,131	2,116	36,099	129,148	129,148
Veterans Education Representative Fee	115,506	-	61,971	53,535	53,535
	<u>\$ 30,938,346</u>	<u>\$ 5,493,010</u>	<u>\$ 12,100,785</u>	<u>\$ 24,330,571</u>	<u>\$ 24,330,571</u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit**	-	-	-
2. Credit	1,371.45	-	1,371.45
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit**	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,326.35	-	13,326.35
(b) Daily Census Contact Hours	1,452.47	-	1,452.47
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	37.65	-	37.65
(b) Credit	624.97	-	624.97
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,223.91	-	1,223.91
(b) Daily Census Procedure Courses	589.43	-	589.43
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	18,626.23	-	18,626.23
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	285.05	-	285.05
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	1.06	-	1.06
2. Credit	620.09	-	620.09
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	14.06	-	14.06

* Annual report revised as of September 30, 2019.

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

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 27,222,262	\$ -	\$ 27,222,262	\$ 27,222,262	\$ -	\$ 27,222,262
Other	1300	18,064,458	-	18,064,458	18,064,458	-	18,064,458
Total Instructional Salaries		45,286,720	-	45,286,720	45,286,720	-	45,286,720
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	8,030,385	-	8,030,385
Other	1400	-	-	-	1,928,806	-	1,928,806
Total Noninstructional Salaries		-	-	-	9,959,191	-	9,959,191
Total Academic Salaries		45,286,720	-	45,286,720	55,245,911	-	55,245,911
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	23,070,653	-	23,070,653
Other	2300	-	-	-	2,685,899	-	2,685,899
Total Noninstructional Salaries		-	-	-	25,756,552	-	25,756,552
Instructional Aides							
Regular Status	2200	1,484,381	-	1,484,381	1,509,542	-	1,509,542
Other	2400	-	-	-	-	-	-
Total Instructional Aides		1,484,381	-	1,484,381	1,509,542	-	1,509,542
Total Classified Salaries		1,484,381	-	1,484,381	27,266,094	-	27,266,094
Employee Benefits	3000	16,476,880	-	16,476,880	31,829,030	-	31,829,030
Supplies and Material	4000	-	-	-	1,659,870	-	1,659,870
Other Operating Expenses	5000	-	-	-	10,472,537	-	10,472,537
Equipment Replacement	6420	-	-	-	328	-	328
Total Expenditures Prior to Exclusions		63,247,981	-	63,247,981	126,473,770	-	126,473,770

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 572,389	\$ -	\$ 572,389	\$ 572,389	\$ -	\$ 572,389
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,205,621	-	1,205,621
Objects to Exclude							
Rents and Leases	5060	-	-	-	462,280	-	462,280
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	3,996,832	-	3,996,832
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		572,389	-	572,389	6,237,122	-	6,237,122
Total for ECS 84362, 50 Percent Law		\$ 62,675,592	\$ -	\$ 62,675,592	\$ 120,236,648	\$ -	\$ 120,236,648
Percent of CEE (Instructional Salary Cost/Total CEE)		52.13%		52.13%	100.00%		100.00%
50% of Current Expense of Education					\$ 60,118,324		\$ 60,118,324

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 17,741,995
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 17,741,995	\$ -	\$ -	\$ 17,741,995
Total Expenditures for EPA		\$ 17,741,995	\$ -	\$ -	\$ 17,741,995
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Total Fund Balances, Retained Earnings, and Due to Student Groups:

General Fund - unrestricted	\$ 43,317,470
General Fund - restricted	6,839,633
Debt Service Funds	25,963,146
Capital Project Funds	107,007,583
Enterprise Funds	2,372,814
Internal Service Funds	395,248
Fiduciary Funds	<u>25,466,419</u>

**Total Fund Balances, Retained Earnings and
Due to Student Groups - All District Funds**

\$ 211,362,313

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	566,084,118
Accumulated depreciation is	<u>(166,496,288)</u>

Total Capital Assets

399,587,830

Amounts held in trust on behalf of others (Trust and Agency Funds)

(24,935,433)

Deferred gains or losses on refunding of debt (the difference between the reacquisition price and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities expense.

1,451,288

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(5,068,397)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to OPEB at year-end consist of:

OPEB contributions made subsequent to the measurement date	957,261
Differences between projected and actual earnings on OPEB plan investments	269,766
Changes of assumption	<u>2,045,920</u>

Total Deferred Outflows of Resources related to OPEB

3,272,947

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2019**

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to the measurement date	\$ 13,517,813	
Net change in proportionate share of net pension liability	433,755	
Differences between projected and actual earnings on pension plan investments	569,854	
Differences between expected and actual experience in the measurement of the total net pension liability	4,806,463	
Changes of assumption	<u>19,557,149</u>	
Total Deferred Outflows of Resources related to Pensions		\$ 38,885,034

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	8,038,205	
Differences between projected and actual earnings on pension plan investments	3,128,126	
Differences between expected and actual experience in the measurement of the total net pension liability	<u>1,180,008</u>	
Total Deferred Inflows of Resources related to Pensions		(12,346,339)

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

Long-term obligations at year end consist of:

General obligation bonds	420,200,103	
Unamortized premium	31,775,418	
Compensated absences	3,172,735	
Supplemental early retirement plan	3,014,835	
Aggregate net OPEB liability	5,963,381	
Aggregate net pension obligation	150,712,071	
In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is the following:	<u>50,301,018</u>	<u>(665,139,561)</u>
Total Net Position		\$ (52,930,318)

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government, the Statement of Changes in Fiduciary Net Position, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and Statement of Changes in Fiduciary Net Position:		\$ 39,931,276
Federal Work-Study Program (FWS)	84.033	196,656
Manufacturing Extension Partnership (MEP) Program	11.611	(13,175)
Contract services with the Federal government	N/A	(140,625)
Programs indirect costs recorded in General Unrestricted Fund	N/A	(21,725)
Total Schedule of Expenditures of Federal Awards		<u>\$ 39,952,407</u>

Schedule of Expenditures of State Awards

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

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

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



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
El Camino Community College District
Torrance, California

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 business-type activities and the aggregate remaining fund information of El Camino Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 18, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
El Camino Community College District
Torrance, California

Report on Compliance for Each Major Federal Program

We have audited El Camino Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
El Camino Community College District
Torrance, California

Report on State Compliance

We have audited El Camino Community College District's (the District) compliance with the types of compliance requirements as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds programs for funding; therefore, the compliance requirements within this section were not applicable.

The District reports no To Be Arranged Hours (TBA) for Apportionment funding; therefore, the compliance tests within this section were not applicable.

The District did not have any expenditures under Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.



Rancho Cucamonga, California
December 18, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COST

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,198,572</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
---	-------------------

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

2018-001 Matching, Level of Effort, Earmarking

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007, 84.033, 84.063
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirement

The Federal share of awards made for Federal Supplemental Educational Opportunity Grants (FSEOG) and Federal Work-Study (FWS) may not exceed 75 percent, unless the District is granted matching requirement waiver from the ED (*34 CFR Section 676.21, 34 CFR Section 675.26(a)*)

Condition

The District did not meet the 25 percent matching requirements for the FSEOG and FWS programs for the 2017-2018 year.

Questioned Costs

The District provided \$774,300 in 2017-2018 FSEOG awards, which require a match of \$193,575. The District provided \$844,544 in FWS awards, which require a match of \$211,136. Total questioned costs for the Student Financial Assistance Cluster are \$404,711.

Context

Total Student Financial Assistance Cluster expenditures for the 2017-2018 year were \$40,283,794.

Effect

The District did not comply with matching requirements of the Student Financial Assistance Cluster.

Cause

The District has historically received a matching requirement waiver from ED because the District also received a Hispanic-Serving Institutions and Articulation Program grant. However, the grant award period ended in the 2016-2017 year, which made the District ineligible for the matching requirement waiver in the 2017-2018 year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Repeat Finding: No

Recommendation

The District should review Federal matching requirements on an annual basis prior to the start of the grant award year. The District should include matching requirements in the program and budgets to monitor matching contributions made. For FSEOG and FWS, the District should limit the Federal share of awards made to 75 percent.

Current Status

Implemented.

State Awards Findings

None reported.