

**EL CAMINO  
COMMUNITY COLLEGE DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**

# EL CAMINO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2018

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***FINANCIAL SECTION***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## 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, 2018, 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 2017-2018 *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, 2018, 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.

## **Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 5 through 15 and other required supplementary schedules on pages 66 through 70 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 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 14, 2018, 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.

A handwritten signature in black ink that reads "Valmore T. Day & Co. LLP". The signature is written in a cursive, professional style.

Rancho Cucamonga, California  
December 14, 2018



## **EL CAMINO COMMUNITY COLLEGE DISTRICT**

**16007 Crenshaw Boulevard, Torrance, California 90506-0001**

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

**[www.elcamino.edu](http://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, 2018. 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

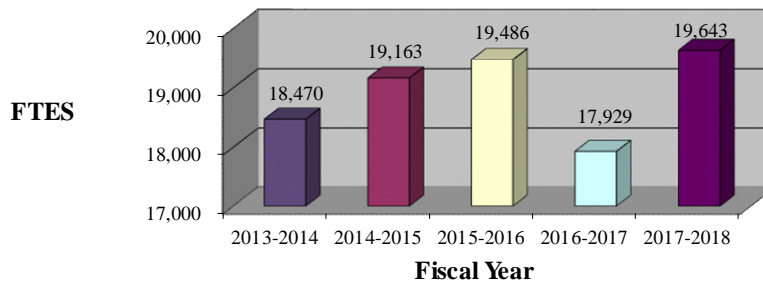
JUNE 30, 2018

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### SELECTED HIGHLIGHTS

- During 2017-2018, total full-time equivalent students (FTES) increased by 1,714 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 current academic year. Credit and noncredit FTES, along with other workload measures, are the basis for the District's State apportionment.

**Trend of Full-Time Equivalent Students as Reported on the Annual Report**



- 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 July of 2018 for \$50.0 million.

### STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, liabilities, 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.

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.



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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:

	<b>2018</b>	<b>(as restated)* 2017</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 183,679,573	\$ 215,391,303
Accounts receivable, net	12,669,217	14,561,512
Other current assets	1,934,900	2,281,585
<b>Total Current Assets</b>	<u>198,283,690</u>	<u>232,234,400</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net of depreciation	368,882,924	350,901,278
<b>TOTAL ASSETS</b>	<u>567,166,614</u>	<u>583,135,678</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>43,780,009</u>	 <u>28,094,681</u>
 <b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued interest payable	22,535,770	21,363,126
Unearned revenue	16,002,796	15,855,884
Current portion of long-term obligations	17,839,945	16,499,944
<b>Total Current Liabilities</b>	<u>56,378,511</u>	<u>53,718,954</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term obligations	594,338,278	584,753,159
<b>TOTAL LIABILITIES</b>	<u>650,716,789</u>	<u>638,472,113</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>14,769,327</u>	 <u>15,215,490</u>
 <b>NET POSITION</b>		
Net investment in capital assets	37,282,150	36,106,301
Restricted for:		
Debt service	19,892,225	22,685,124
Educational programs	4,393,524	3,450,678
Capital projects	11,038,711	10,805,457
Unrestricted	(127,146,103)	(115,504,804)
<b>TOTAL NET POSITION</b>	<u>\$ (54,539,493)</u>	<u>\$ (42,457,244)</u>

\* The 2017 balances were restated for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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Approximately 99 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 2017-2018.

- 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 \$398,369. Student receivables are \$9,958,198 (gross) or \$4,536,371 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$17,981,646. Depreciation expense of \$20,742,162 was recognized during 2017-2018. 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, 2018. Total accounts payable are \$18,170,030; \$7,039,930 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$9,148,594 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, and 2016 General Obligation Refunding Bonds that have been issued in the amount of \$85,825,000. Additional information regarding long-term obligations is included in the Debt Administration section of this discussion and analysis.

### ***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, 2018**

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

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Net tuition and fees	\$ 16,967,587	\$ 15,383,815
Grants and Contracts, noncapital:		
Federal	2,883,270	3,007,247
State	25,400,393	28,440,577
Local	1,011,879	521,463
Total grants and contracts, noncapital	<u>29,295,542</u>	<u>31,969,287</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	5,636,013	5,787,648
Other Operating Revenue	195,610	-
<b>TOTAL OPERATING REVENUES</b>	<u>52,094,752</u>	<u>53,140,750</u>
<b>OPERATING EXPENSES</b>		
Salaries	98,128,632	94,596,458
Employee benefits	34,013,261	35,486,699
Supplies, materials, and other operating expenses and services	77,826,379	72,949,655
Depreciation	20,742,162	12,769,488
<b>TOTAL OPERATING EXPENSES</b>	<u>230,710,434</u>	<u>215,802,300</u>
<b>OPERATING LOSS</b>	<u>(178,615,682)</u>	<u>(162,661,550)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	72,385,114	71,468,669
Local property taxes	55,567,031	51,573,269
Federal financial aid grants, noncapital	39,384,364	38,788,841
State financial aid grants, noncapital	6,784,928	4,863,266
State taxes and other revenues	3,902,077	4,129,218
Investment income	2,624,299	2,107,187
Interest expense on capital related debt	(17,895,874)	(17,859,646)
Interest income on capital asset-related debt	240,711	157,081
Transfer to fiduciary funds	(25,000)	(25,000)
Other nonoperating revenue	2,464,684	(666,863)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>165,432,334</u>	<u>154,536,022</u>
<b>LOSS BEFORE OTHER REVENUES AND (LOSSES)</b>	<u>(13,183,348)</u>	<u>(8,125,528)</u>
<b>OTHER REVENUES AND (LOSSES)</b>		
State revenues, capital	1,165,099	2,288,075
Loss on disposal of capital assets	(64,000)	-
<b>TOTAL OTHER REVENUES AND (LOSSES)</b>	<u>1,101,099</u>	<u>2,288,075</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (12,082,249)</u>	<u>\$ (5,837,453)</u>

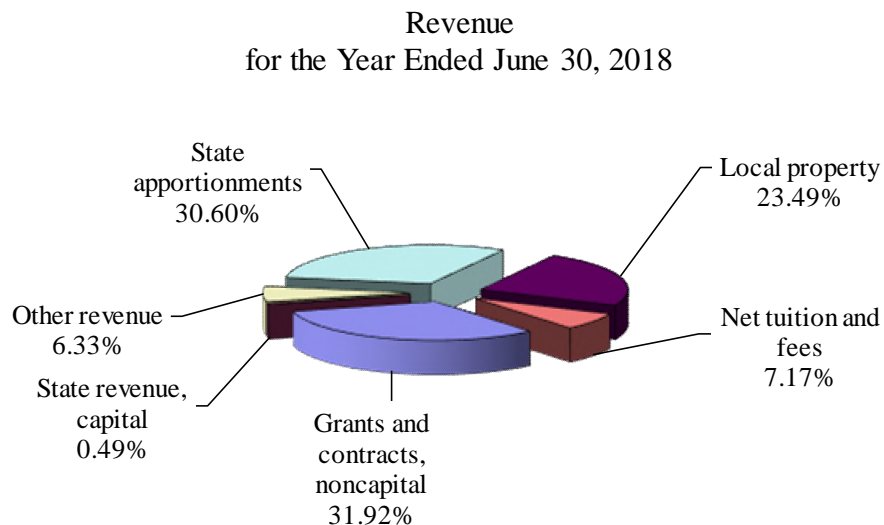
# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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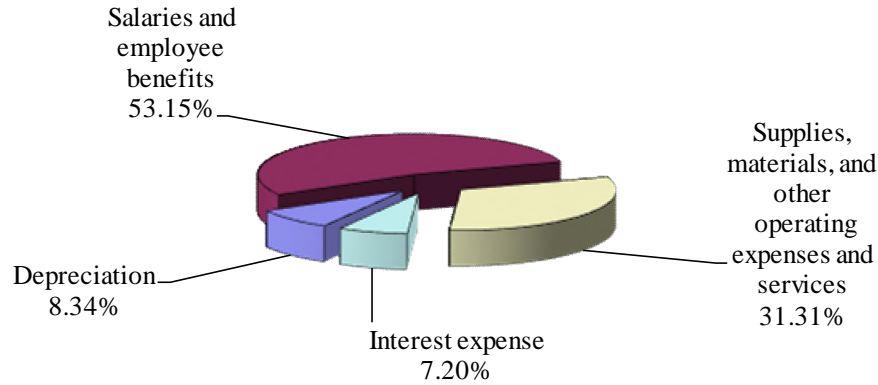
- The decrease in net revenue from fiscal year 2017 to 2018 includes additional salary expense of \$3.5 million for faculty salary increase, additional adjunct faculty positions, and filling of vacant classified positions in the combined General Funds. Employee benefits decreased as a result of higher expenses in the 2016-2017 year associated with the Supplemental Early Retirement Plan (SERP). This was offset partially by increased percentage rates for required employer contributions to the STRS and PERS retirement systems and increased OPEB expenses in the 2017-2018 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 53.15 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 31.31 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, 2018**

Expense  
for the Year Ended June 30, 2018



**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, 2018, and 2017, is summarized below:

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From</b>		
Operating activities	\$ (157,084,741)	\$ (181,463,456)
Noncapital financing activities	163,705,346	184,735,691
Capital financing activities	(41,087,511)	(37,425,446)
Investing activities	2,755,176	1,915,022
<b>Net Change in Cash</b>	<u>(31,711,730)</u>	<u>(32,238,189)</u>
<b>Cash - Beginning of Year</b>	215,391,303	247,629,492
<b>Cash - End of Year</b>	<u>\$ 183,679,573</u>	<u>\$ 215,391,303</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

- 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 44.62 percent of noncapital financing. Cash received from property taxes accounts for 21.41 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 \$2,590,754 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	\$ 48,387,956	\$ 17,233,077	\$ 3,016,729	\$ -	\$ 68,637,762
Academic support	6,515,825	2,555,359	718,577	-	9,789,761
Student services	20,992,250	7,597,254	2,993,224	-	31,582,728
Plant operations and maintenance	5,741,155	2,910,090	4,138,871	-	12,790,116
Institutional support services	10,844,459	1,788,373	8,507,072	-	21,139,904
Community services and economic development	2,471,060	831,862	2,917,146	-	6,220,068
Ancillary services and auxiliary operations	3,175,927	1,097,246	5,167,321	-	9,440,494
Student aid	-	-	46,573,696	-	46,573,696
Physical property and related acquisitions	-	-	3,793,743	-	3,793,743
Unallocated depreciation	-	-	-	20,742,162	20,742,162
<b>Total</b>	<b>\$ 98,128,632</b>	<b>\$ 34,013,261</b>	<b>\$ 77,826,379</b>	<b>\$ 20,742,162</b>	<b>\$ 230,710,434</b>

### ***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, 2018

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### **Capital Assets**

As of June 30, 2018, the District had \$368,882,924 invested in capital assets net of accumulated depreciation. Total capital assets of \$520,002,296 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$151,119,372. Capital asset additions of \$38,787,808 occurred during 2017-2018, and depreciation expense of \$20,742,162 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 \$57,325,956 at June 30, 2018, includes the construction of the Domestic Water System, the Security System, 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:

	<b>2018</b>	<b>2017</b>
Land	\$ 1,050,000	\$ 1,050,000
Construction in progress	57,325,956	56,305,563
Site improvements, net	6,021,284	18,756,598
Buildings and improvements, net	299,192,869	272,190,986
Vehicles and equipment, net	<u>5,292,815</u>	<u>2,598,131</u>
<b>Net Capital Assets</b>	<u>\$ 368,882,924</u>	<u>\$ 350,901,278</u>

#### **Obligations**

At June 30, 2018, the District had \$457,800,882 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, 2018**

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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:

	<b>2018</b>	<b>(as restated)* 2017</b>
2012 General Obligation Bond, Series C	\$ 220,971,176	\$ 213,812,586
Unamortized premium	2,459,797	2,581,771
2012 General Obligation Refunding Bonds	36,320,000	41,490,000
Unamortized premium	4,215,403	5,031,287
2016 General Obligation Bond, Series A	95,500,000	100,000,000
Unamortized premium	11,253,698	11,656,400
2016 General Obligation Refunding Bonds	75,585,000	79,920,000
Unamortized premium	11,495,808	12,344,819
Compensated absences	2,986,423	3,211,096
Supplemental early retirement plan	4,019,780	5,024,720
Aggregate net OPEB liability	2,749,057	320,212
Aggregate net pension obligation	144,622,081	125,860,212
<b>Total</b>	<u><u>\$ 612,178,223</u></u>	<u><u>\$ 601,253,103</u></u>

\* The 2017 balances were restated for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

### ***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 schedule calls for an ending of the partnership between El Camino Community College District and Compton College on or about June 7, 2019.

Revenue generated from the partnership agreement (basic allocation of \$3.6 million and additional miscellaneous revenue of \$1.2 million) is considered annual one-time funds. Historically, the District used the additional State appropriations to fund annual or one-time activities that would impact enrollment management and program enhancement related costs. During more recent fiscal years, the funds were also used to backfill State categorical programs. There is an accounting "fire wall" between the two districts. While El Camino Community College District is responsible for managing Compton College, the CCCD is held financially responsible for all fiscal actions and, therefore, will not be merged into El Camino Community College District's current or future financial statements.

Enrollment for fiscal year 2017-2018 was recorded at 19,642.85 FTES.

During the prior fiscal year (2016-2017), 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.



# **EL CAMINO COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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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 any layoffs of 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 a subsequent actuarial study reported a minor deficit, it is anticipated with a slightly more aggressive investment strategy implemented in fiscal year 2018-2019, the funding surplus will return.

The 2017-2018 California Public Employees' Retirement System (CalPERS) employer contribution rate was 15.531 percent of classified payroll for a total unrestricted General Fund cost of \$4,152,445. The District is budgeting \$5,074,407 for the 2018-2019 estimated contribution at a rate of 18.062 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the upcoming years. The 2017-2018 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 14.43 percent of the certificated payroll for a total unrestricted General Fund cost of \$6,295,416. The District is budgeting \$7,318,984 for the 2018-2019 fiscal year. The CalSTRS employer contribution rate increased from 14.43 percent in the 2017-2018 fiscal year to 16.28 percent for the 2018-2019 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 2017-2018 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 in the 2017-2018 fiscal year. The 2017-2018 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 2017-2018 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, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 1,447,250
Cash and cash equivalents - restricted	296,106
Investments - unrestricted	45,524,866
Investments - restricted	136,411,351
Accounts receivable	8,132,846
Student receivable, net	4,536,371
Inventories	1,336,752
Prepaid expenses	598,148
<b>Total Current Assets</b>	<u>198,283,690</u>

**NONCURRENT ASSETS**

Nondepreciable capital assets	58,375,956
Depreciable capital assets, net of accumulated depreciation	310,506,968
<b>Total Noncurrent Assets</b>	<u>368,882,924</u>

**TOTAL ASSETS**

567,166,614

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refunding	2,147,907
Deferred outflows of resources related to pensions	40,831,647
Deferred outflows of resources related to other postemployment benefits (OPEB)	800,455
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>43,780,009</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	18,170,030
Accrued interest payable	4,348,834
Due to fiduciary funds	16,906
Unearned revenue	16,002,796
Current portion of long-term obligations other than pensions	17,839,945
<b>Total Current Liabilities</b>	<u>56,378,511</u>

**NONCURRENT LIABILITIES**

Noncurrent portion of long-term obligations other than pensions	449,716,197
Aggregate net pension obligation	144,622,081
<b>Total Noncurrent Liabilities</b>	<u>594,338,278</u>
<b>TOTAL LIABILITIES</b>	<u>650,716,789</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	14,769,327
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**NET POSITION**

Net investment in capital assets	37,282,150
Restricted for:	
Debt service	19,892,225
Educational programs	4,393,524
Capital projects	11,038,711
Unrestricted	(127,146,103)
<b>TOTAL NET POSITION</b>	<u>\$ (54,539,493)</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, 2018**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 29,313,671
Less: Scholarship discounts and allowances	<u>(12,346,084)</u>
Net tuition and fees	<u>16,967,587</u>
Grants and Contracts, noncapital:	
Federal	2,883,270
State	25,400,393
Local	<u>1,011,879</u>
Total grants and contracts, noncapital	<u>29,295,542</u>
Auxiliary Enterprise Sales and Charges:	
Bookstore	5,636,013
Other Operating Revenues	<u>195,610</u>
<b>TOTAL OPERATING REVENUES</b>	<u><u>52,094,752</u></u>
<b>OPERATING EXPENSES</b>	
Salaries	98,128,632
Employee benefits	34,013,261
Supplies, materials, and other operating expenses and services	31,252,683
Student financial aid	46,573,696
Depreciation	<u>20,742,162</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>230,710,434</u></u>
<b>OPERATING LOSS</b>	<u><u>(178,615,682)</u></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	72,385,114
Local property taxes, levied for general purposes	35,046,324
Taxes levied for other specific purposes	20,520,707
Federal financial aid grants, noncapital	39,384,364
State financial aid grants, noncapital	6,784,928
State taxes and other revenues	3,902,077
Investment income	2,624,299
Interest expense on capital related debt	(17,895,874)
Interest income on capital asset-related debt	240,711
Transfer to fiduciary funds	(25,000)
Other nonoperating expenses	<u>2,464,684</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>165,432,334</u></u>
<b>LOSS BEFORE OTHER REVENUES AND (LOSSES)</b>	<u><u>(13,183,348)</u></u>
<b>OTHER REVENUES AND (LOSSES)</b>	
State revenues, capital	1,165,099
Loss on disposal of capital assets	<u>(64,000)</u>
<b>TOTAL OTHER REVENUES AND (LOSSES)</b>	<u><u>1,101,099</u></u>
<b>CHANGE IN NET POSITION</b>	(12,082,249)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>(42,457,244)</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ (54,539,493)</u></u>

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, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 16,928,720
Federal, State, and local grants and contracts, noncapital	28,446,016
Payments to vendors for supplies and services	(33,994,507)
Payments to or on behalf of employees	(127,892,331)
Payments to students for scholarships and grants	(46,573,696)
Auxiliary enterprise sales and charges	6,001,057
<b>Net Cash Flows From Operating Activities</b>	<b><u>(157,084,741)</u></b>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	73,048,486
Property taxes - nondebt related	35,046,324
Federal and State financial aid grants	46,169,292
State taxes and other revenues	3,902,077
Other nonoperating revenues	5,539,167
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b><u>163,705,346</u></b>

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(36,619,000)
Proceeds from capital debt	8,648,590
State revenue, capital projects	1,165,099
Property taxes - related to capital debt	20,520,707
Principal paid on capital debt	(17,684,571)
Interest paid on capital debt	(17,359,047)
Interest received on capital asset-related debt	240,711
<b>Net Cash Flows From Capital Financing Activities</b>	<b><u>(41,087,511)</u></b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>2,755,176</u>
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<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(31,711,730)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>215,391,303</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 183,679,573</u></b>

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, 2018**

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

Operating Loss	<u>\$(178,615,682)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	20,742,162
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Receivables	(419,017)
Student receivables, net	(459,974)
Inventories	204,226
Prepaid expenses	142,459
Accounts payable	(1,971,938)
Unearned revenue	160,032
Deferred outflows of resources related to pensions	(15,581,492)
Deferred outflows of resources related to OPEB	(800,455)
Compensated absences	(224,673)
Supplemental early retirement plan	(1,004,940)
Aggregate net OPEB liability	2,428,845
Aggregate net pension obligation	18,761,869
Deferred inflows of resources related to pensions	<u>(446,163)</u>
Total Adjustments	<u>21,530,941</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$(157,084,741)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:**

Cash in banks	\$ 1,743,356
Cash in county treasury	181,936,217
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 183,679,573</u></u>

**NONCASH TRANSACTIONS**

On behalf payments for benefits	<u><u>\$ 2,958,418</u></u>
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The accompanying notes are an integral part of these financial statements.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Retiree OPEB Trust</b>	<b>Other Trust Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 1,048,665
Investments	22,844,217	519,740
Accounts receivable	-	1,722
Due from primary government	-	16,906
Prepaid expenses	-	8,738
<b>Total Assets</b>	<u>22,844,217</u>	<u>1,595,771</u>
<b>LIABILITIES</b>		
Accounts payable	-	43,861
Unearned revenue	-	104,697
Due to student groups	-	112,177
<b>Total Liabilities</b>	<u>-</u>	<u>260,735</u>
<b>NET POSITION</b>		
Restricted for postemployment benefits other than pensions	22,844,217	-
Unrestricted	-	1,335,036
<b>Total Net Position</b>	<u>\$ 22,844,217</u>	<u>\$ 1,335,036</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, 2018**

	<b>Retiree OPEB Trust</b>	<b>Other Trust Funds</b>
<b>ADDITIONS</b>		
Federal revenues	\$ -	\$ 11,488
Local revenues	-	504,835
District contributions	800,455	-
Interest and investment income	780,842	-
Net realized and unrealized loss	(180,924)	-
<b>Total Additions</b>	<u>1,400,373</u>	<u>516,323</u>
<b>DEDUCTIONS</b>		
Services and operating expenditures	-	756,599
Benefit payments	800,455	-
Administrative expenses	136,501	-
<b>Total Deductions</b>	<u>936,956</u>	<u>756,599</u>
<b>OTHER FINANCING SOURCES</b>		
Transfer from primary government	-	25,000
<b>Change in Net Position</b>	463,417	(215,276)
<b>Net Position - Beginning of Year</b>	<u>22,380,800</u>	<u>1,550,312</u>
<b>Net Position - End of Year</b>	<u>\$ 22,844,217</u>	<u>\$ 1,335,036</u>

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **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, 2018**

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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, 2018**

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### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, 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 \$5,421,827 for the year ended June 30, 2018.

### **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 estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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, for pension related items, and for OPEB 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **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.

### **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, 2018

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### 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 \$35,324,460 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, 2018

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### 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, Supplemental Educational Opportunity Grants (SEOG) Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. 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, 2018

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### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

### **New Accounting Pronouncements**

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.



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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.

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 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 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

### ***NOTE 3 - DEPOSITS AND INVESTMENTS***

#### **Policies and Practices**

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

#### **Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### General Authorizations

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

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

### 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.

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

Primary government	\$ 183,679,573
Fiduciary funds	24,412,622
Total Deposits and Investments	<u>\$ 208,092,195</u>
Cash on hand and in banks	\$ 2,581,277
Cash in revolving fund	138,750
Cash with fiscal agent	71,994
Investments	205,300,174
Total Deposits and Investments	<u>\$ 208,092,195</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Certificate of Deposit	\$ 5,019	\$ 5,019	228
Mutual Funds	22,844,217	22,844,217	N/A
Los Angeles County Investment Pool	182,450,938	180,006,903	609
Total	<u>\$ 205,300,174</u>	<u>\$ 202,856,139</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, 2018.

### 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, 2018, the District had a bank balance of \$403,768 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 \$3,831,324 was fully insured or collateralized with securities, held by the pledging financial institutions trust department in the District's name.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *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.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Certificate of Deposit	\$ 5,019	\$ 5,019	\$ -
Mutual Funds	22,844,217	22,844,217	-
Los Angeles County Investment Pool	180,006,903	-	180,006,903
Total	\$ 202,856,139	\$ 22,849,236	\$ 180,006,903

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *NOTE 5 - ACCOUNTS RECEIVABLE*

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 822,478
State Government	
Categorical aid	2,129,773
Lottery	796,738
Local Sources	
Interest	714,033
Other local sources	<u>3,669,824</u>
Total	<u>\$ 8,132,846</u>
Student receivables	\$ 9,958,198
Less allowance for bad debt	<u>(5,421,827)</u>
Student receivables, net	<u>\$ 4,536,371</u>
	<u>Fiduciary Funds</u>
Other local sources	<u>\$ 1,722</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
Construction in progress	56,305,563	32,460,892	31,440,499	57,325,956
Total Capital Assets Not Being Depreciated	57,355,563	32,460,892	31,440,499	58,375,956
Capital Assets Being Depreciated				
Site improvements	53,518,010	955,710	-	54,473,720
Buildings and improvements	349,035,232	33,489,873	991,965	381,533,140
Vehicles and equipment	22,297,648	3,321,832	-	25,619,480
Total Capital Assets Being Depreciated	424,850,890	37,767,415	991,965	461,626,340
Total Capital Assets	482,206,453	70,228,307	32,432,464	520,002,296
Less Accumulated Depreciation	131,305,175	20,742,162	927,965	151,119,372
Net Capital Assets	\$ 350,901,278	\$ 49,486,145	\$ 31,504,499	\$ 368,882,924

Depreciation expense for the year was \$20,742,162.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

Accrued payroll and benefits	\$ 9,148,594
Apportionment	758,694
Construction	6,934,303
Student health insurance	425,916
Amounts due to the U.S. Department of Education	404,711
Vendor payables	497,812
Total	<u>\$ 18,170,030</u>
Vendor payables	<u>\$ 43,861</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *NOTE 8 - UNEARNED REVENUE*

Unearned revenue at June 30, 2018, consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 119,735
State categorical aid	8,172,835
Enrollment fees	6,117,817
Other local	1,592,409
Total	<u>\$ 16,002,796</u>
	<u>Fiduciary Funds</u>
Federal categorical	\$ 103,220
Other local	1,477
Total	<u>\$ 104,697</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, 2018, the amount owed from the primary government to the fiduciary funds was \$16,906.

#### **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 2018 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, 2018**

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated)				
	Balance			Balance	Due in
	July 1, 2017	Additions	Deductions	June 30, 2018	One Year
<b>General Obligation Bonds</b>					
2012 General Obligation Bonds, Series C	\$ 213,812,586	\$ 8,648,590	\$ 1,490,000	\$ 220,971,176	\$ 2,280,000
Unamortized premium	2,581,771	-	121,974	2,459,797	-
2012 General Obligation Refunding Bonds	41,490,000	-	5,170,000	36,320,000	5,385,000
Unamortized premium	5,031,287	-	815,884	4,215,403	-
2016 General Obligation Bonds, Series A	100,000,000	-	4,500,000	95,500,000	4,750,000
Unamortized premium	11,656,400	-	402,702	11,253,698	-
2016 General Obligation Refunding Bonds	79,920,000	-	4,335,000	75,585,000	4,420,000
Unamortized premium	12,344,819	-	849,011	11,495,808	-
<b>Total General Obligation Bonds</b>	<b>466,836,863</b>	<b>8,648,590</b>	<b>17,684,571</b>	<b>457,800,882</b>	<b>16,835,000</b>
<b>Other Liabilities</b>					
Compensated absences	3,211,096	-	224,673	2,986,423	-
Supplemental early retirement plan	5,024,720	-	1,004,940	4,019,780	1,004,945
Aggregate net OPEB liability	320,212	4,632,085	2,203,240	2,749,057	-
Aggregate net pension obligation	125,860,212	18,761,869	-	144,622,081	-
<b>Total Other Liabilities</b>	<b>134,416,240</b>	<b>23,393,954</b>	<b>3,432,853</b>	<b>154,377,341</b>	<b>1,004,945</b>
<b>Total Long-Term Obligations</b>	<b>\$ 601,253,103</b>	<b>\$ 32,042,544</b>	<b>\$ 21,117,424</b>	<b>\$ 612,178,223</b>	<b>\$ 17,839,945</b>

**Description of Debt**

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, 2018, the principal balance outstanding (including accreted interest to date) was \$220,971,176. Unamortized premium received on issuance of the bonds amounted to \$2,459,797 as of June 30, 2018.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **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, 2018, the principal balance outstanding was \$36,320,000. Unamortized premium received on issuance of the bonds amounted to \$4,215,403 as of June 30, 2018.

### **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, 2018, the principal balance outstanding was \$95,500,000. Unamortized premium received on issuance of the bonds amounted to \$11,253,698 as of June 30, 2018.

### **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, 2018, the principal balance outstanding was \$75,585,000. Unamortized premium received on issuance of the bonds amounted to \$11,495,808 as of June 30, 2018.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds	Accreted	Redeemed	Bonds
				Outstanding July 1, 2017	Interest Additions		Outstanding June 30, 2018
8/2012	8/2038	4.00 - 5.00%	\$ 180,812,882	\$ 213,812,586	\$ 8,648,590	\$ 1,490,000	\$ 220,971,176
8/2012	8/2023	2.00 - 5.00%	41,755,000	41,490,000	-	5,170,000	36,320,000
1/2016	8/2045	2.00 - 5.00%	100,000,000	100,000,000	-	4,500,000	95,500,000
1/2016	8/2031	2.00 - 5.00%	85,825,000	79,920,000	-	4,335,000	75,585,000
				<u>\$ 435,222,586</u>	<u>\$ 8,648,590</u>	<u>\$ 15,495,000</u>	<u>\$ 428,376,176</u>

The 2012 General Obligation Bonds, Series C, mature through 2039 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2019	\$ 2,218,964	\$ 61,036	\$ 1,360,000	\$ 3,640,000
2020	2,866,891	243,109	1,360,000	4,470,000
2021	3,701,639	273,361	1,360,000	5,335,000
2022	4,380,266	509,734	1,360,000	6,250,000
2023	5,000,449	829,551	1,360,000	7,190,000
2024-2028	47,512,419	17,467,581	6,800,000	71,780,000
2029-2033	54,714,633	45,400,367	6,800,000	106,915,000
2034-2038	86,932,636	79,219,980	6,120,000	172,272,616
2039	13,643,279	25,751,751	-	39,395,030
Total	<u>\$ 220,971,176</u>	<u>\$ 169,756,470</u>	<u>\$ 26,520,000</u>	<u>\$ 417,247,646</u>

The 2012 General Obligation Refunding Bonds mature through 2024 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 5,385,000	\$ 1,654,450	\$ 7,039,450
2020	5,600,000	1,406,750	7,006,750
2021	5,880,000	1,119,750	6,999,750
2022	6,170,000	818,500	6,988,500
2023	6,480,000	502,250	6,982,250
2024	6,805,000	170,125	6,975,125
Total	<u>\$ 36,320,000</u>	<u>\$ 5,671,825</u>	<u>\$ 41,991,825</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

The 2016 General Obligation Bonds, Series A, mature through 2046 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 4,750,000	\$ 4,016,400	\$ 8,766,400
2020	2,200,000	3,901,150	6,101,150
2021	75,000	3,855,650	3,930,650
2022	80,000	3,852,150	3,932,150
2024	105,000	3,847,525	3,952,525
2024-2028	3,270,000	18,916,750	22,186,750
2029-2033	9,490,000	17,370,500	26,860,500
2034-2038	18,570,000	13,929,250	32,499,250
2039-2043	30,970,000	8,515,400	39,485,400
2044-2046	25,990,000	1,615,400	27,605,400
Total	\$ 95,500,000	\$ 79,820,175	\$ 175,320,175

The 2016 General Obligation Refunding Bonds mature through 2032 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 4,420,000	\$ 3,161,100	\$ 7,581,100
2020	4,540,000	3,004,000	7,544,000
2021	3,775,000	2,837,700	6,612,700
2022	3,925,000	2,664,075	6,589,075
2023	4,125,000	2,462,825	6,587,825
2024-2028	24,920,000	9,382,750	34,302,750
2029-2032	29,880,000	2,117,338	31,997,338
Total	\$ 75,585,000	\$ 25,629,788	\$ 101,214,788

**Compensated Absences**

At June 30, 2018, the liability for compensated absences was \$2,986,423.

**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, 2018 is \$4,019,780.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

<u>Fiscal Year</u>	<u>Principal</u>
2019	\$ 1,004,945
2020	1,004,945
2021	1,004,945
2022	1,004,945
Total	<u>\$ 4,019,780</u>

**Aggregate Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2018, 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	\$ 2,103,983	\$ 800,455	\$ 2,488,379
Medicare Premium Payment (MPP) Program	645,074	-	(59,534)
Total	<u>\$ 2,749,057</u>	<u>\$ 800,455</u>	<u>\$ 2,428,845</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.

*Plan Membership*

At June 30, 2017, 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

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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 2016-2017, the District contributed \$763,687 to the Plan, all of which was used for current premiums.

### 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, 2017:

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Rate of Return*

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 5.72 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 \$2,103,983 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	\$ 24,484,783
Plan fiduciary net position	<u>22,380,800</u>
District's net OPEB liability	<u>\$ 2,103,983</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>91%</u>

### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 actuarial valuation 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	4.90 percent
Healthcare cost trend rates	4.00 percent

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2017, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	9.1%
Fixed income	4.8%
International equity	8.7%
Real estate	7.5%
Cash	1.0%

### Discount Rate

The discount rate used to measure the total OPEB liability was 4.9 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.

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2016	\$ 22,843,630	\$ 23,228,026	\$ (384,396)
Service cost	1,242,133	-	1,242,133
Interest	1,162,707	-	1,162,707
Contributions - employer	-	763,687	(763,687)
Net investment income	-	1,380,019	(1,380,019)
Benefit payments	(763,687)	(763,687)	-
Administrative expense	-	(137,668)	137,668
Reimbursement of benefits previously paid	-	(2,089,577)	2,089,577
Net change in total OPEB liability	1,641,153	(847,226)	2,488,379
Balance at June 30, 2017	<u>\$ 24,484,783</u>	<u>\$ 22,380,800</u>	<u>\$ 2,103,983</u>



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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 5.5 percent to 4.9 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:

<u>Discount Rate</u>	<u>Net OPEB Liability/(Asset)</u>
1% decrease (3.9%)	\$ 5,237,420
Current discount rate (4.9%)	2,103,983
1% increase (5.9%)	(494,042)

### *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:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability/(Asset)</u>
1% decrease (3.0%)	\$ (414,210)
Current healthcare cost trend rate (4.0%)	2,103,983
1% increase (5.0%)	4,994,303

### **Deferred Outflows of Resources Related to OPEB**

At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$800,455.

### **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).

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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, 2016 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.

### **OPEB Liabilities and OPEB Expense**

At June 30, 2018, the District reported a liability of \$645,074 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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 community college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.1533 percent and 0.1506, respectively, resulting in a net increase in the proportionate share of 0.0027 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(59,534).

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
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, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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 the 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 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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, 2017 and 2016, 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. 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 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

### *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 pension 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 (2.58%)	\$ 714,142
Current discount rate (3.58%)	645,074
1% increase (4.58%)	577,891

### *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 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 582,923
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	645,074
1% increase (4.7% Part A and 5.1% Part B)	706,604

### Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to \$144,622,081. See Note 12 for additional information.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### *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.

#### **Joint Powers Authority Risk Pools**

During fiscal year ended June 30, 2018, 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 2017-2018, 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.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Obligation</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 83,145,064	\$ 22,149,537	\$ 11,064,419	\$ 5,900,745
CalPERS	61,477,017	18,682,110	3,704,908	8,645,206
Total	<u>\$ 144,622,081</u>	<u>\$ 40,831,647</u>	<u>\$ 14,769,327</u>	<u>\$ 14,545,951</u>

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, 2016, 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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.

The STRP provisions and benefits in effect at June 30, 2018, 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%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

### 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, 2018, are presented above, and the District's total contributions were \$6,438,464.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

At June 30, 2018, 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	\$	83,145,064
State's proportionate share of net pension liability associated with the District		49,187,917
Total	\$	<u>132,332,981</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0899 percent and 0.0909 percent, respectively, resulting in a net decrease in the proportionate share of 0.0010 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$5,900,745. In addition, the District recognized pension expense and revenue of \$4,951,236 for support provided by the State. At June 30, 2018, 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	\$ 6,438,464	\$ -
Net change in proportionate share of net pension liability	-	7,399,850
Differences between projected and actual earnings on the pension plan investments	-	2,214,385
Differences between expected and actual experience in the measurement of the total pension liability	307,479	1,450,184
Changes of assumptions	15,403,594	-
Total	<u>\$ 22,149,537</u>	<u>\$ 11,064,419</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, 2018**

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
2019	\$ (1,840,900)
2020	1,393,018
2021	200,865
2022	(1,967,368)
Total	<u>\$ (2,214,385)</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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 643,555
2020	643,555
2021	643,555
2022	643,555
2023	1,775,931
Thereafter	2,510,888
Total	<u>\$ 6,861,039</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
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%

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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.

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, 2017, 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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%)	\$ 122,083,350
Current discount rate (7.10%)	83,145,064
1% increase (8.10%)	51,544,006

### **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, 2016, 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	6.50%
Required employer contribution rate	15.531%	15.531%

### 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, 2018, are presented above, and the total District contributions were \$5,373,273.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$61,477,017. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.2575 percent and 0.2650 percent, respectively, resulting in a net decrease in the proportionate share of 0.0075 percent.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$8,645,206. At June 30, 2018, 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	\$ 5,373,273	\$ -
Net change in proportionate share of net pension liability	-	2,981,092
Differences between projected and actual earnings on the pension plan investments	2,126,684	-
Differences between expected and actual experience in the measurement of the total pension liability	2,202,468	-
Changes of assumptions	8,979,685	723,816
Total	<u>\$ 18,682,110</u>	<u>\$ 3,704,908</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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (57,626)
2020	2,453,732
2021	895,149
2022	(1,164,571)
Total	<u>\$ 2,126,684</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,934,689
2020	2,722,114
2021	2,820,442
Total	<u>\$ 7,477,245</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

**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%)	\$ 90,452,392
Current discount rate (7.15%)	61,477,017
1% increase (8.15%)	37,439,517

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### **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, 2018, which amounted to \$2,958,418 (7.208 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, 2018. 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.

### ***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, 2018, the District made payments of \$1,805,888 and \$742,425 to SCCC - JPA and SWACC, respectively.

### ***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 have been reflected as a liability of District at June 30, 2018.



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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, 2018.

### 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.

### 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, 2018, amounted to approximately \$125,083.

### Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Student Services Center	\$ 8,933,709	February 2019
Gymnasium	9,275,720	March 2019
Pool Project	34,559,512	May 2020
Administration Building	15,997,518	November 2020
	<u>\$ 68,766,459</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### **NOTE 15 - SUBSEQUENT EVENTS**

On August 29, 2018, the District issued the \$50,000,000 General Obligation Bonds, Election of 2012, Series 2018 B. The bonds were issued as \$5,590,000 of current interest serial bonds and \$44,410,000 of 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.

On August 29, 2018, California Community Colleges Chancellor issued Executive Order 2018-01 declaring Compton College will operate as an independent college under the authority of the Compton Community College District Board of Trustees effective June 7, 2019, at 11:59 p.m. At this same time, the partnership between Compton Community College District and the El Camino Community College District will come to an end.

### **NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ (28,418,192)
Inclusion of the aggregate net OPEB liability from the adoption of GASB Statement No. 75	<u>(14,039,052)</u>
Net Position - Beginning, as Restated	<u>\$ (42,457,244)</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 1,242,133
Interest	1,162,707
Benefit payments	<u>(763,687)</u>
<b>Net changes in total OPEB liability</b>	1,641,153
<b>Total OPEB Liability - beginning</b>	<u>22,843,630</u>
<b>Total OPEB Liability - ending (a)</b>	<u><u>\$ 24,484,783</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 763,687
Net investment income	1,380,019
Benefit payments	(763,687)
Administrative expense	(137,668)
Reimbursement of benefits previously paid	<u>(2,089,577)</u>
<b>Net change in plan fiduciary net position</b>	(847,226)
<b>Plan fiduciary net position - beginning</b>	<u>23,228,026</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 22,380,800</u></u>
<b>District's net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 2,103,983</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>91.41%</u>
<b>Covered-employee payroll</b>	<u>\$ 73,427,594</u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<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, 2018**

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	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	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, 2018

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

<sup>1</sup> 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, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0899%</u>	<u>0.0909%</u>
District's proportionate share of the net pension liability	\$ 83,145,064	\$ 73,514,277
State's proportionate share of the net pension liability associated with the District	<u>49,187,917</u>	<u>41,850,366</u>
Total	<u>\$ 132,332,981</u>	<u>\$ 115,364,643</u>
District's covered-employee payroll	<u>\$ 41,043,219</u>	<u>\$ 43,692,992</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>203%</u>	<u>168%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.2575%</u>	<u>0.2650%</u>
District's proportionate share of the net pension liability	<u>\$ 61,477,017</u>	<u>\$ 52,345,935</u>
District's covered-employee payroll	<u>\$ 32,384,375</u>	<u>\$ 31,454,427</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>190%</u>	<u>166%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.0964%</u>	<u>0.1056%</u>
\$ 64,887,512	\$ 61,735,680
<u>34,318,341</u>	<u>37,278,669</u>
<u>\$ 99,205,853</u>	<u>\$ 99,014,349</u>
<u>\$ 41,459,020</u>	<u>\$ 39,884,567</u>
<u>157%</u>	<u>155%</u>
<u>74%</u>	<u>77%</u>
<u>0.2834%</u>	<u>0.2937%</u>
<u>\$ 41,777,449</u>	<u>\$ 33,340,795</u>
<u>\$ 31,729,301</u>	<u>\$ 30,362,895</u>
<u>132%</u>	<u>110%</u>
<u>79%</u>	<u>83%</u>



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

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	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 6,438,464	\$ 5,163,237
Contributions in relation to the contractually required contribution	<u>6,438,464</u>	<u>5,163,237</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 44,618,600</u>	<u>\$ 41,043,219</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 5,373,273	\$ 4,497,542
Contributions in relation to the contractually required contribution	<u>5,373,273</u>	<u>4,497,542</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 34,597,083</u>	<u>\$ 32,384,375</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to supplementary information.

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2016	2015
\$ 4,688,258	\$ 3,681,561
<u>4,688,258</u>	<u>3,681,561</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 43,692,992	\$ 41,459,020
<u>10.73%</u>	<u>8.88%</u>
\$ 3,726,406	\$ 3,734,856
<u>3,726,406</u>	<u>3,734,856</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 31,454,427	\$ 31,729,301
<u>11.847%</u>	<u>11.771%</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### *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 valuations of the Plan.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 5.5 percent to 4.9 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 2.85 percent to 3.58 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* - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

#### **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.

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***SUPPLEMENTARY INFORMATION***

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# EL CAMINO COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2018

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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. John Vargas	President	November 2018
Mr. Cliff Numark	Vice President	November 2018
Mrs. Mary E. Combs	Secretary	November 2020
Mr. William J. Beverly	Member	November 2020
Mr. Kenneth A. Brown	Member	November 2020
Marilyn Valdez	Student Member	June 2019

### ADMINISTRATION

Dr. Dena P. Maloney	Superintendent and President of the College
Dr. Jean Shankweiler	Vice President of Academic Affairs
Brian Fahnestock	Vice President of Administrative Services
Ross Miyashiro	Vice President of Student Services
Barbara Perez	Vice President of Compton Educational Center
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, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures	Amount Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 803,100	\$ -
Federal Work-Study Program (FWS)	84.033		844,635	-
Federal Pell Grant Program (PELL)	84.063		38,578,264	-
PELL Administrative Allowance	84.063		57,795	-
Total Student Financial Assistance Cluster			<u>40,283,794</u>	<u>-</u>
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act, Perkins Title I, Part C	84.048A	17-C01-014	890,830	198,388
CTE Transitions	84.048A	17-C01-014	41,593	-
Total U.S. Department of Education			<u>41,216,217</u>	<u>198,388</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>				
Passed through California Manufacturing Technology Consulting (CMTC)				
Manufacturing Extension Partnership (MEP) Program	11.611	70NANB1- 6H208	45,955	-
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Passed through University of Southern California Advanced Manufacturing Partnership for Southern California (AMP SoCal)				
	12.617	ST1441-15-01	217,431	-
<b>NATIONAL SCIENCE FOUNDATION</b>				
Passed through Howard University				
LSAMP - Washington Baltimore Hampton Roads Alliance*	47.076	HRD- 10001503192	20,000	-
<b>SMALL BUSINESS ADMINISTRATION</b>				
Passed through Long Beach Community College District Small Business Development Center				
	59.037	CN 99753.4	317,243	-
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				
Veterans Education	64.117		1,170	-

\* Research and Development program

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018, (CONTINUED)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures	Amount Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Medi-Cal Administrative Activities Passed through California Community Colleges Chancellor's Office	93.778		\$ 18,671	\$ -
Foster and Kinship Care Education Program Temporary Assistance for Needy Families (TANF) Cluster Passed through California Community Colleges Chancellor's Office	93.658	[1]	46,959	-
Temporary Assistance for Needy Families (TANF) Passed through Los Angeles County Department of Public Social Services	93.558	[1]	91,861	-
Temporary Assistance for Needy Families (TANF)	93.558	[1]	125,693	-
Total TANF Cluster			<u>217,554</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>283,184</u>	<u>-</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Americorps - National Service Awards	94.006		11,488	-
Total Expenditures of Federal Awards			<u>\$ 42,112,688</u>	<u>\$ 198,388</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, 2018

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Access Print and Electronic Information	\$ 437,678	\$ -	\$ -	\$ 437,678	\$ 437,678
Adult Education Block Grant Data and Accountability	658,019	-	535,877	122,142	122,142
Advanced Manufacturing and Engineering Tech Learning	501,223	179,865	-	681,088	681,088
Assessment, Remediation and Retention for Associate Degree Nursing Program	68,412	102,588	-	171,000	171,000
Basic Skills	914,046	-	366,397	547,649	547,649
Basic Skills Student Outcome Transformation Program	352,053	100,804	-	452,857	452,857
BFAP	788,527	-	-	788,527	788,527
Cal Grants	3,673,752	-	28,497	3,645,255	3,645,255
CalWORKs and Regional Effort	520,303	-	-	520,303	520,303
Campus Safety	31,735	-	31,735	-	-
Career Advancement Academy	189,645	337,268	-	526,913	526,913
Career Technical Education	69,214	-	69,214	-	-
Community College Completion Grant	702,951	-	294,424	408,527	408,527
Consortium Planning	1,087,324	-	-	1,087,324	1,087,324
Cooperative Agencies Resources for Education (CARE)	252,939	-	-	252,939	252,939
Deputy Sector Navigator	-	276,488	-	276,488	276,488
Disabled Students Program and Services (DSPS)	1,757,879	-	59,628	1,698,251	1,698,251
Education Plan Initiative	31,113	-	11,320	19,793	19,793
Extended Opportunity Program and Services (EOPS)	1,802,320	-	-	1,802,320	1,802,320
Faculty and Staff Diversity	120,987	-	56,564	64,423	64,423
Foster Care Education	42,486	20,984	-	63,470	63,470
Full Time Student Success Grants	1,972,009	-	257,309	1,714,700	1,714,700
GO-Bix Capital Infusion Grant	62,654	17,346	-	80,000	80,000
Guided Pathways	524,311	-	375,837	148,474	148,474
Historically Black Colleges and Universities	104,606	276,520	-	381,126	381,126
Hunger Free Campus	42,997	-	42,531	466	466
In-Region Investments	-	15,103	-	15,103	15,103
Instructional Equipment	2,836,222	-	1,980,842	855,380	855,380
MESA Program	44,002	17,258	-	61,260	61,260
Nonresident Dreamer Emergency Aid	329,545	-	4,580	324,965	324,965
Open Online Library	15,574	-	2,285	13,289	13,289
Prop 39 Program Improvement Funds	21,888	-	10,898	10,990	10,990
Puente Reporting	10,948	-	10,593	355	355
Resource Family Approval Training Services	25,685	-	6,642	19,043	19,043
RSCCD - Retail, Hospitality and Tourism	120,000	-	49,338	70,662	70,662
Sector Navigator - Advanced Manufacturing	-	372,500	-	372,500	372,500
Strong Workforce Program	3,317,695	198,442	2,439,231	1,076,906	1,076,906
Strong Workforce Program Career Pathways	248,874	123,626	-	372,500	372,500
Student Success and Support Program - Credit	4,158,961	-	-	4,158,961	4,158,961
Student Success and Support Program - Equity	3,358,809	-	1,539,093	1,819,716	1,819,716
Teacher Pipeline	5,000	90,981	-	95,981	95,981
<b>Total</b>	<b>\$ 31,202,386</b>	<b>\$ 2,129,773</b>	<b>\$ 8,172,835</b>	<b>\$ 25,159,324</b>	<b>\$ 25,159,324</b>

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, 2018**

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2017 only)</b>			
1. Noncredit	4.39	-	4.39
2. Credit	1,712.20	-	1,712.20
<b>B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>			
1. Noncredit	-	-	-
2. Credit	412.35	-	412.35
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,829.10	-	13,829.10
(b) Daily Census Contact Hours	1,515.07	-	1,515.07
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	50.80	-	50.80
(b) Credit	603.52	-	603.52
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,084.65	-	1,084.65
(b) Daily Census Contact Hours	430.77	-	430.77
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<b>19,642.85</b>	<b>-</b>	<b>19,642.85</b>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	274.75	-	274.75
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit	881.77	-	881.77
2. Credit	19.56	-	19.56

\* Annual report revised as of November 1, 2018.

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, 2018

	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
<b>Academic Salaries</b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 25,211,540	\$ -	\$ 25,211,540	\$ 25,211,540	\$ -	\$ 25,211,540
Other	1300	18,994,225	-	18,994,225	18,994,225	-	18,994,225
<b>Total Instructional Salaries</b>		<b>44,205,765</b>	<b>-</b>	<b>44,205,765</b>	<b>44,205,765</b>	<b>-</b>	<b>44,205,765</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	7,669,120	-	7,669,120
Other	1400	-	-	-	1,893,758	-	1,893,758
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,562,878</b>	<b>-</b>	<b>9,562,878</b>
<b>Total Academic Salaries</b>		<b>44,205,765</b>	<b>-</b>	<b>44,205,765</b>	<b>53,768,643</b>	<b>-</b>	<b>53,768,643</b>
<b>Classified Salaries</b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	22,925,581	-	22,925,581
Other	2300	-	-	-	2,792,597	-	2,792,597
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>25,718,178</b>	<b>-</b>	<b>25,718,178</b>
<b>Instructional Aides</b>							
Regular Status	2200	1,867,170	-	1,867,170	1,889,441	-	1,889,441
Other	2400	-	-	-	2,000	-	2,000
<b>Total Instructional Aides</b>		<b>1,867,170</b>	<b>-</b>	<b>1,867,170</b>	<b>1,891,441</b>	<b>-</b>	<b>1,891,441</b>
<b>Total Classified Salaries</b>		<b>1,867,170</b>	<b>-</b>	<b>1,867,170</b>	<b>27,609,619</b>	<b>-</b>	<b>27,609,619</b>
Employee Benefits	3000	14,391,923	-	14,391,923	24,003,985	-	24,003,985
Supplies and Material	4000	-	-	-	1,720,713	-	1,720,713
Other Operating Expenses	5000	-	-	-	10,747,367	-	10,747,367
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>60,464,858</b>	<b>-</b>	<b>60,464,858</b>	<b>117,850,327</b>	<b>-</b>	<b>117,850,327</b>

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, 2018**

	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
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	442,656	-	442,656
Lottery Expenditures							
Academic Salaries	1000	-	-	-	2,732,365	-	2,732,365
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

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, 2018**

	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
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	3,175,021	-	3,175,021
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 60,464,858	\$ -	\$ 60,464,858	\$ 114,675,306	\$ -	\$ 114,675,306
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		52.73%		52.73%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 57,337,653		\$ 57,337,653

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, 2018

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Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements for the year ended June 30, 2018:

	<u>Unrestricted General Fund</u>	<u>Internal Service Fund</u>
June 30, 2018, Annual Financial and Budget Report (CCFS-311)		
Reported Fund Balance *	\$ 39,547,980	\$ 635,435
Adjustments to Fund Balance		
Increase in cash with fiscal agent	-	71,994
Increase in accounts payable	(404,711)	-
June 30, 2018, Audited Fund Balance	<u>\$ 39,143,269</u>	<u>\$ 707,429</u>

\* This balance is the ending fund balance of the Internal Service Fund, as reflected in the District's general ledger. The amount reported on the District's CCFS-311 report did not agree to the District's general ledger.

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, 2018**

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<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Revenue:	8630				\$ 15,609,452
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 15,609,452	\$ -	\$ -	\$ 15,609,452
<b>Total Expenditures for EPA</b>		\$ 15,609,452	\$ -	\$ -	\$ 15,609,452
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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**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	\$ 39,143,269
General Fund - restricted	4,220,888
Debt Service Funds	24,241,059
Capital Project Funds	93,126,259
Enterprise Funds	2,492,915
Internal Service Funds	707,429
Fiduciary Funds	<u>24,351,889</u>

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

\$ 188,283,708

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	520,349,482
Accumulated depreciation is	(151,466,558)
Less fixed assets already recorded in the enterprise funds	<u>(10,497)</u>

**Total Capital Assets**

368,872,427

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

(24,179,253)

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.

2,147,907

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.

(4,348,834)

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.

800,455

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	11,811,737
Differences between projected and actual earnings on pension plan investments	2,126,684
Differences between expected and actual experience in the measurement of the total net pension liability	2,509,947
Changes of assumption	<u>24,383,279</u>

**Total Deferred Outflows of Resources related to Pensions**

40,831,647

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION, (CONTINUED)  
JUNE 30, 2018**

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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	\$ 10,380,942	
Differences between projected and actual earnings on pension plan investments	2,214,385	
Differences between expected and actual experience in the measurement of the total net pension liability	1,450,184	
Changes of assumption	<u>723,816</u>	
Total Deferred Inflows of Resources related to Pensions		\$ (14,769,327)

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	386,411,523	
Unamortized premium	29,424,706	
Compensated absences	2,986,423	
Supplemental early retirement plan	4,019,780	
Aggregate net OPEB liability	2,749,057	
Aggregate net pension obligation	144,622,081	
In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is the following:	<u>41,964,653</u>	<u>(612,178,223)</u>
<b>Total Net Position</b>		<u><u>\$ (54,539,493)</u></u>

See accompanying note to supplementary information.



**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

This schedule provides information about the District's governing board members and administration members.

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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:		\$ 42,279,122
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(3,000)
Federal Work-Study Program (FWS)	84.033	38,330
Manufacturing Extension Partnership (MEP) Program	11.611	(96,708)
Contract services with the Federal government	N/A	(85,706)
Programs indirect costs recorded in General Unrestricted Fund	N/A	(19,350)
Total Schedule of Expenditures of Federal Awards		<u>\$ 42,112,688</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, 2018

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### **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.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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, 2018, 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 14, 2018.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 14, 2018.

## **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.



Rancho Cucamonga, California  
December 14, 2018



**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, 2018. 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 qualified opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

## **Basis for Qualified Opinion**

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the Student Financial Assistance Cluster (CFDA # 84.007, 84.033, 84.063) as described in finding 2018-001 for Matching, Level of Effort, and Earmarking. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

## **Qualified Opinion**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended June 30, 2018.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. Our opinion on each major Federal program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Vavinec, Tunc, Day & Co. LLP*  
Rancho Cucamonga, California  
December 14, 2018





**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## 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 2017-2018 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, 2018.

### 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 2017-2018 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 for Each of the Programs

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, 2018.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
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 Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District does not offer any Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

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

The District reports no To Be Arranged (TBA) Hours 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 14, 2018

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**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>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</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>\$ 1,263,381</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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The following finding represents a significant deficiency and an instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

### **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.

#### **Repeat Finding: No**

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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### **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.

### **Corrective Action Plan**

The District is establishing a collaborative process between the Fiscal Services and Financial Aid division establishing a timeline and procedures to determine whether the District qualifies for a waiver of the matching requirement for SEOG and FWS in advance of the start of the fiscal year. We will establish a budget that demonstrates the District is providing the required 25 percent in matching funds in accordance with Federal requirements should we discover that it has been determined that we do not qualify for the waiver.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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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*

#### **2017-001 SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV**

##### **Federal Program Affected**

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**

34 CFR Section 668.173(b):

Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

##### **Condition**

*Significant Deficiency* - The District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

##### **Questioned Costs**

There are no questioned costs associated with this finding. The District did return the funds; however, they were not returned within the 45 day requirement.

##### **Context**

The District performed approximately 800 Return to Title IV calculations during the 2016-2017 year. There were five instances out of forty tested where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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### **Effect**

Without proper monitoring of Title IV returns, the District is at risk of noncompliance with the above referenced criteria.

### **Repeat Finding: No**

### **Cause**

The District's internal controls associated with the Return to Title IV procedures failed to ensure that all required funds were returned in a timely manner.

### **Recommendation**

The District should strengthen procedures to ensure that the Return to Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes.

### **Current Status**

Implemented.

### ***State Awards Findings***

None reported.