

**EL CAMINO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

EL CAMINO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS JUNE 30, 2017

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Asset and Related Ratios	64
Schedule of District Contributions for OPEB	65
Schedule of OPEB Investment Returns	66
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	67
Schedule of the District's Proportionate Share of the Net Pension Liability	68
Schedule of District Contributions for Pensions	69
Note to Required Supplementary Information	70

SUPPLEMENTARY INFORMATION

District Organization	73
Schedule of Expenditures of Federal Awards	74
Schedule of Expenditures of State Awards	76
Schedule of Workload Measures for State General Apportionment	77
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	78
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements	81
Proposition 30 Education Protection Act (EPA) Expenditure Report	82
Reconciliation of Governmental Funds to the Statement of Net Position	83
Note to Supplementary Information	85

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	88
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	90
Report on State Compliance	93

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	96
Financial Statement Findings and Recommendations	97
Federal Awards Findings and Questioned Costs	98
State Awards Findings and Questioned Costs	100
Summary Schedule of Prior Audit Findings	101

FINANCIAL SECTION



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, 2017, 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 an opinion 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 *2016-2017 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 opinion.

Opinion

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, 2017, and the respective changes in financial position and 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 Notes 2 and 16 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 64 through 69 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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, 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.


Rancho Cucamonga, California
December 18, 2017



EL CAMINO COMMUNITY COLLEGE DISTRICT

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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, 2017. 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 entity-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

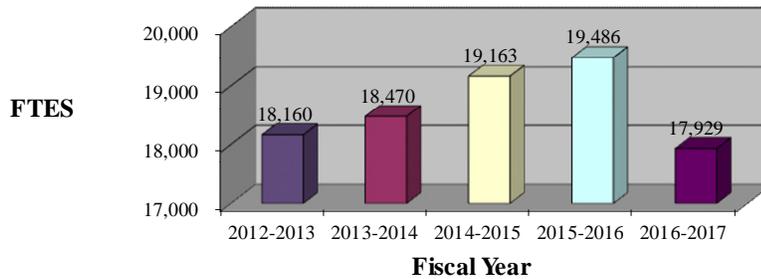
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

SELECTED HIGHLIGHTS

- During 2016-2017, total full-time equivalent students (FTES) decreased by 1,557 from prior year. The decline in FTES for 2016-2017 was due to the College electing to not apply FTES earned in Summer 2017 to the prior academic year. The large amount of FTES earned in Summer 2016 and applied to the 2015-2016 year, along with the decision to not continue this practice in 2016-2017 resulted in an enrollment decline and the College entered stabilization in the 2016-2017 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 in the amount of \$150 million was issued in September 2006. The third series of bonds in the amount of \$180,812,882 was issued in August 2012.
- 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 in the amount of \$100.0 million was issued in January 2016.

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, 2017

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:

(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 215,391	\$ 247,629
Accounts receivable, net	14,561	15,132
Other current assets	2,282	2,017
Total Current Assets	<u>232,234</u>	<u>264,778</u>
NONCURRENT ASSETS		
Net other postemployment benefits (OPEB) asset	13,719	12,643
Capital assets, net of depreciation	350,901	321,649
Total Noncurrent Assets	<u>364,620</u>	<u>334,292</u>
TOTAL ASSETS	<u>596,854</u>	<u>599,070</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>28,095</u>	 <u>26,628</u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued interest payable	21,363	20,018
Unearned revenue	15,856	15,848
Current portion of long-term obligations	16,500	11,590
Total Current Liabilities	<u>53,719</u>	<u>47,456</u>
NONCURRENT LIABILITIES		
Long-term obligations	584,433	570,468
TOTAL LIABILITIES	<u>638,152</u>	<u>617,924</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>15,215</u>	 <u>30,355</u>
 NET POSITION		
Net investment in capital assets	36,106	33,848
Restricted for:		
Debt service	22,685	22,865
Educational programs	3,451	4,186
Capital projects	10,805	8,587
Unrestricted	(101,465)	(92,067)
TOTAL NET POSITION	<u>\$ (28,418)</u>	<u>\$ (22,581)</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 2016-2017.

- 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 fourth quarter lottery payment of \$857,106 and a receivable for apportionment in the amount of \$663,372. Student receivables are \$9,498,224 (gross) or \$4,076,397 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$29,252,105. Depreciation expense of \$12,769,488 was recognized during 2016-2017. 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, 2017. Total accounts payable are \$16,854,500; \$3,178,798 of the balance was accrued in the General Fund related to payables for vendors; \$5,028,326 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$8,032,023 are for amounts due to or on behalf of employees for wages and benefits.
- Long-term obligations include 2006 General Obligation Bonds, Series B, that have been issued in the amount of \$150,000,000, 2012 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 \$85,250,000. Additional information regarding long-term obligations is included in the Capital Asset and 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, 2017

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

(Amounts in thousands)

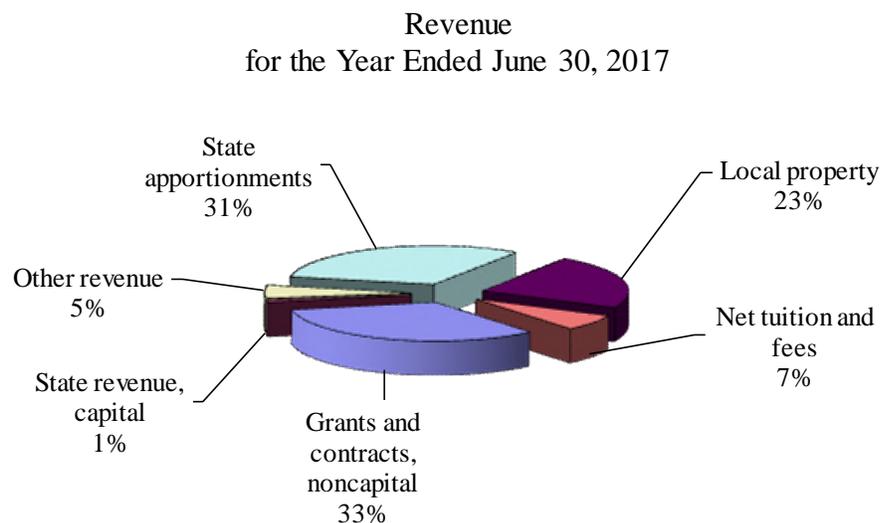
	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Tuition and Fees	\$ 28,423	\$ 27,027
Less: Scholarship discounts and allowances	(13,039)	(12,954)
Net tuition and fees	<u>15,384</u>	<u>14,073</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	5,787	5,897
TOTAL OPERATING REVENUES	<u>21,171</u>	<u>19,970</u>
OPERATING EXPENSES		
Salaries	94,596	89,399
Employee benefits	35,487	24,191
Supplies, materials, and other operating expenses and services	72,950	70,003
Depreciation	12,769	13,050
TOTAL OPERATING EXPENSES	<u>215,802</u>	<u>196,643</u>
OPERATING LOSS	<u>(194,631)</u>	<u>(176,673)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	71,469	69,431
Local property taxes	51,573	47,385
Federal grants and contracts, noncapital	41,796	43,695
State grants and contracts, noncapital	33,304	36,028
State taxes and other revenues	4,129	4,209
Investment income	2,107	1,302
Interest expense on capital related debt	(17,859)	(10,005)
Interest income on capital asset-related debt	157	65
Transfer to fiduciary funds	(25)	(25)
Other nonoperating revenue	(145)	766
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>186,506</u>	<u>192,851</u>
INCOME (LOSS) BEFORE OTHER REVENUES	<u>(8,125)</u>	<u>16,178</u>
OTHER REVENUES		
State revenues, capital	2,288	1,794
CHANGE IN NET POSITION	<u>\$ (5,837)</u>	<u>\$ 17,972</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- The decrease in net revenue from fiscal year 2016 to 2017 includes additional salary expense of \$5 million for faculty salary increase, additional adjunct faculty positions and filling of vacant classified positions in the combined General Funds. Employee benefits increased due to increased percentage rates for required employer contributions to the STRS and PERS retirement systems (\$1.5 million), an increase in the District's share of long-term pension liabilities (\$1 million) and the full five year expense for the Supplemental Employee Retirement Program (SERP) (\$5 million).
- The District also paid an additional \$8 million in interest and accreted interest related to long-term debt due to the issuance of \$100 million in new issue General Obligation bonds and \$80.8 million in refunded General Obligation bonds.
- 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 55.63 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 31.27 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.

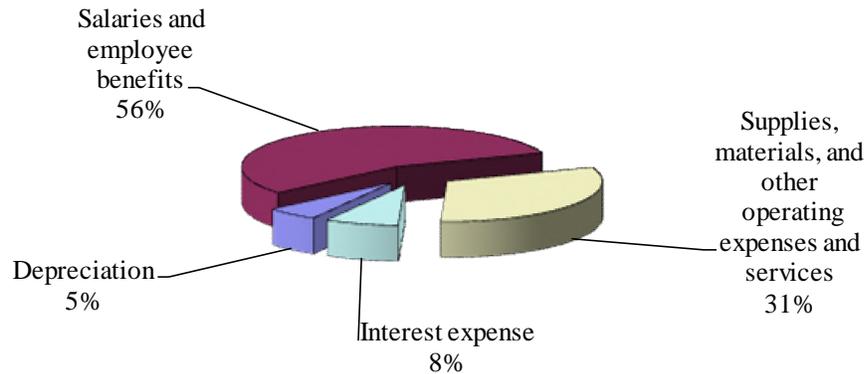


EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Expense
for the Year Ended June 30, 2017



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, 2017, and 2016, is summarized below:

(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
Cash Flows From		
Operating activities	\$ (181,463)	\$ (164,992)
Noncapital financing activities	184,735	189,198
Capital and related financing activities	(37,425)	65,644
Investing activities	1,915	1,124
Net Change in Cash	<u>(32,238)</u>	<u>90,974</u>
Cash - Beginning of Year	247,629	156,655
Cash - End of Year	<u>\$ 215,391</u>	<u>\$ 247,629</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- 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 38.14 percent of noncapital financing. Cash received from property taxes accounts for 16.62 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 \$2,176,163 was received from the Los Angeles County pool that paid an average rate of 1.0675 percent.

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:

(Amounts in thousands)

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instructional activities	\$ 47,914	\$ 17,330	\$ 1,126	\$ -	\$ 66,370
Academic support	9,327	3,574	755	-	13,656
Student services	16,874	5,703	2,305	-	24,882
Plant operations and maintenance	5,284	2,594	3,572	-	11,450
Institutional support services	10,007	4,527	9,133	-	23,667
Community services and economic development	1,964	631	2,911	-	5,506
Ancillary services and auxiliary operations	3,226	1,128	4,542	-	8,896
Student aid	-	-	43,652	-	43,652
Physical property and related acquisitions	-	-	4,954	-	4,954
Unallocated depreciation	-	-	-	12,769	12,769
Total	\$ 94,596	\$ 35,487	\$ 72,950	\$ 12,769	\$ 215,802

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, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had \$350,901,278 invested in capital assets net of accumulated depreciation. Total capital assets of \$482,206,453 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$131,305,175. Capital asset additions of \$42,021,593 occurred during 2016-2017, and depreciation expense of \$12,769,488 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 \$56,305,563 at June 30, 2017, includes the construction of the Main Gym and Pool, the Art and Behavioral and Social Sciences building, the Student Services Center, the Administration Building, and the improvement of Parking Lot F.

Note 6 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
Land	\$ 1,050	\$ 1,050
Construction in progress	56,306	87,435
Site improvements, net	18,756	24,031
Buildings and improvements, net	272,191	206,539
Vehicles and equipment, net	<u>2,598</u>	<u>2,594</u>
Net Capital Assets	<u>\$ 350,901</u>	<u>\$ 321,649</u>

Obligations

At June 30, 2017, the District had \$466,836,863 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.

Note 10 and Note 13 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
2006 General Obligation Bond, Series B	\$ -	\$ 5,090
2012 General Obligation Bond, Series C	213,813	206,102
Unamortized premium	2,582	2,704
2012 General Obligation Refunding Bonds	41,490	41,490
Unamortized premium	5,031	5,847
2016 General Obligation Bond, Series A	100,000	100,000
Unamortized premium	11,656	12,059
2016 General Obligation Refunding Bonds	79,920	85,825
Unamortized premium	12,345	13,194
Compensated absences	3,211	3,082
Supplemental early retirement plan	5,025	-
Aggregate net pension obligation	125,860	106,665
Total	<u>\$ 600,933</u>	<u>\$ 582,058</u>

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In August 2006, El Camino Community College District entered into a partnership with Compton Community College District (CCCD) beginning with the 2006-2007 fiscal year, creating the El Camino College Compton Education Center. El Camino Community College District has operated the Compton Education Center for the past 11 years. On June 7, 2017 Compton College regained its accreditation status 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 30, 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 the Education Center, 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.

To meet enrollment targets over the past several years, El Camino College applied FTES earned from the summer session to the previous year, and by doing so, started each year with an enrollment deficit. Over time that practice continued and the enrollment deficit grew. In fiscal year 2016-2017, the practice was halted, and the District recorded a large drop of enrollment almost entirely from the prior year borrowing. Funding, however, was less affected because of the State Chancellor's Office policy of "stabilization". Enrollment for fiscal year 2016-2017 was recorded at 17,893 FTES, but the District received stabilization funding for the prior year enrollment of 19,486 FTES. The District entered into a period of "restoration" at the beginning for fiscal year 2017-2018 and has three years to restore enrollment to the fiscal year 2015-2016 level of 19,486 FTES. That restoration is anticipated to occur in fiscal year 2017-2018 or the following fiscal year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

During the fiscal year, the District settled contract and salary negotiations with the faculty bargaining unit and unrepresented employee groups. After the fiscal year-end, but prior to issuance of the financial statements, the District settled with the classified employee bargaining unit as well.

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, the funding surplus will return.

The 2016-2017 California Public Employees' Retirement System (CalPERS) employer contribution rate was 13.888 percent of classified payroll for a total unrestricted General Fund cost of \$3,444,711. The District is budgeting \$4,051,000 for the 2017-2018 estimated contribution at a rate of 15.531 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the upcoming years. The 2016-2017 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 12.58 percent of the certificated payroll for a total unrestricted General Fund cost of \$5,425,462. The District is budgeting \$6,581,460 for the 2017-2018 fiscal year. The CalSTRS employer contribution rate increased from 12.58 percent in the 2016-2017 fiscal year to 14.43 percent for the 2017-2018 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 2016-2017 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 2016-2017 fiscal year.

2015-2016 State funding included \$10.6 million in one-time funds. These funds are a partial pay down of the District's prior years' mandated cost claims. The District has set aside these funds in a special reserve fund for future one-time expenditures. The District has also set aside \$4.3 million of its reserve for future pension liabilities.

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, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 1,034,327
Cash and cash equivalents - restricted	79,774
Investments - unrestricted	44,707,649
Investments - restricted	169,569,553
Accounts receivable	8,395,539
Student receivable, net	4,076,397
Due from fiduciary funds	2,089,576
Inventories	1,540,978
Prepaid expenses	740,607
Total Current Assets	<u>232,234,400</u>

NONCURRENT ASSETS

Net other postemployment benefits (OPEB) asset	13,718,840
Nondepreciable capital assets	57,355,563
Depreciable capital assets, net of accumulated depreciation	293,545,715
Total Noncurrent Assets	<u>364,620,118</u>
TOTAL ASSETS	<u>596,854,518</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	2,844,526
Deferred outflows of resources related to pensions	25,250,155
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>28,094,681</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	16,854,500
Accrued interest payable	4,508,626
Unearned revenue	15,855,884
Current portion of long-term obligations other than pensions	16,499,944
Total Current Liabilities	<u>53,718,954</u>

NONCURRENT LIABILITIES

Noncurrent portion of long-term obligations other than pensions	458,572,735
Aggregate net pension obligation	125,860,212
Total Noncurrent Liabilities	<u>584,432,947</u>
TOTAL LIABILITIES	<u>638,151,901</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	15,215,490
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NET POSITION

Net investment in capital assets	36,106,301
Restricted for:	
Debt service	22,685,124
Educational programs	3,450,678
Capital projects	10,805,457
Unrestricted	(101,465,752)
TOTAL NET POSITION	<u>\$ (28,418,192)</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, 2017

OPERATING REVENUES

Student Tuition and Fees	\$ 28,422,904
Less: Scholarship discounts and allowances	(13,039,089)
Net tuition and fees	<u>15,383,815</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	<u>5,787,648</u>
TOTAL OPERATING REVENUES	<u>21,171,463</u>

OPERATING EXPENSES

Salaries	94,596,458
Employee benefits	35,486,699
Supplies, materials, and other operating expenses and services	29,297,548
Student financial aid	43,652,107
Depreciation	<u>12,769,488</u>
TOTAL OPERATING EXPENSES	<u>215,802,300</u>

OPERATING LOSS

(194,630,837)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	71,468,669
Local property taxes, levied for general purposes	30,698,061
Taxes levied for other specific purposes	20,875,208
Federal grants and contracts, noncapital	41,796,088
State grants and contracts, noncapital	33,303,843
State taxes and other revenues	4,129,218
Investment income	2,107,187
Interest expense on capital related debt	(17,859,646)
Interest income on capital asset-related debt	157,081
Transfer to fiduciary funds	(25,000)
Other nonoperating expenses	<u>(145,400)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>186,505,309</u>

LOSS BEFORE OTHER REVENUES

(8,125,528)

OTHER REVENUES

State revenues, capital	<u>2,288,075</u>
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CHANGE IN NET POSITION

(5,837,453)

NET POSITION, BEGINNING OF YEAR

(22,580,739)

NET POSITION, END OF YEAR

\$ (28,418,192)

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 14,429,157
Payments to vendors for supplies and services	(35,272,919)
Payments to or on behalf of employees	(122,755,235)
Payments to students for scholarships and grants	(43,652,107)
Auxiliary enterprise sales and charges	5,787,648
Net Cash Flows From Operating Activities	<u>(181,463,456)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	70,459,877
Grants and contracts	79,706,963
Property taxes - nondebt related	30,698,061
State taxes and other revenues	5,907,235
Other nonoperating revenues	(2,036,445)
Net Cash Flows From Noncapital Financing Activities	<u>184,735,691</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(38,227,139)
Proceeds from capital debt	8,305,720
State revenue, capital projects	2,288,075
Property taxes - related to capital debt	20,875,208
Principal paid on capital debt	(13,779,571)
Interest paid on capital debt	(17,044,820)
Interest received on capital asset-related debt	157,081
Net Cash Flows From Capital Financing Activities	<u>(37,425,446)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>1,915,022</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(32,238,189)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	247,629,492
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 215,391,303</u></u>

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, 2017**

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

Operating Loss	<u>\$(194,630,837)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	12,769,488
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Receivables	(107,951)
Student receivables, net	
Inventories	(300,930)
Prepaid expenses	35,862
Accounts payable	(2,257,073)
Unearned revenue	(2,631,759)
Net OPEB asset	(1,076,077)
Deferred outflows of resources related to pensions	(2,473,819)
Compensated absences	129,077
Supplemental early retirement plan	5,024,720
Aggregate net pension obligation	19,195,251
Deferred inflows of resources related to pensions	<u>(15,139,408)</u>
Total Adjustments	<u>13,167,381</u>
Net Cash Flows From Operating Activities	<u><u>\$(181,463,456)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,114,101
Cash in county treasury	214,277,202
Total Cash and Cash Equivalents	<u><u>\$ 215,391,303</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 4,386,517</u></u>
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The accompanying notes are an integral part of these financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,150,078
Investments	24,470,376	609,388
Accounts receivable	-	14,520
Prepaid expenses	-	13,456
Total Assets	24,470,376	1,787,442
LIABILITIES		
Accounts payable	-	30,829
Due to the primary government	2,089,576	-
Unearned revenue	-	93,772
Due to student groups	-	112,529
Total Liabilities	2,089,576	237,130
NET POSITION		
Restricted for postemployment benefits other than pensions	22,380,800	-
Unrestricted	-	1,550,312
Total Net Position	\$ 22,380,800	\$ 1,550,312

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2017**

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Federal revenues	\$ -	\$ 21,744
Local revenues	-	918,872
Interest and investment income	787,624	-
Net realized and unrealized gains	592,394	-
Total Additions	<u>1,380,018</u>	<u>940,616</u>
DEDUCTIONS		
Services and operating expenditures	-	969,355
Benefit payments	2,089,576	-
Administrative expenses	137,668	-
Total Deductions	<u>2,227,244</u>	<u>969,355</u>
OTHER FINANCING SOURCES		
Transfers from primary government	-	25,000
Change in Net Position	(847,226)	(3,739)
Net Position - Beginning of Year, as restated (See Note 16)	<u>23,228,026</u>	<u>1,554,051</u>
Net Position - End of Year	<u>\$ 22,380,800</u>	<u>\$ 1,550,312</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees 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, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, and No. 39. 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.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, 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, 2017.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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 entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

Deferred Outflows/Inflows of Resources

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Noncurrent Liabilities

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

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. 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 entity-wide financial statements report \$36,941,259 of restricted net position.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 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.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

As a result of implementing GASB Statement No. 74, the District has restated the beginning net position in the fiduciary funds Statement of Net Position, effectively increasing the District's fiduciary net position as of July 1, 2016 by \$23,228,026. This increase results from accounting for the District's OPEB Irrevocable Trust within the District's fiduciary funds.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. 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 GASB 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. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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

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

The 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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 requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. 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, 2017

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, 2017, consist of the following:

Primary government	\$ 215,391,303
Fiduciary funds	26,229,842
Total Deposits and Investments	<u>\$ 241,621,145</u>
Cash on hand and in banks	\$ 1,986,715
Cash in revolving fund	142,929
Cash with fiscal agent	134,535
Investments	239,356,966
Total Deposits and Investments	<u>\$ 241,621,145</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$ 203,226	\$ 203,226	Various
Mutual Funds	24,470,376	24,470,376	N/A
Los Angeles County Investment Pool	214,683,364	213,405,395	672
Total	<u>\$ 239,356,966</u>	<u>\$ 238,078,997</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, 2017.

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, 2017, the District had a bank balance of \$38,299 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 \$5,814,557 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, 2017

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, 2017:

Investment Type	Fair Value	Level 1	Uncategorized
		Inputs	
Certificate of Deposit	\$ 203,226	\$ 203,226	\$ -
Mutual Funds	24,470,376	24,470,376	-
Los Angeles County Investment Pool	213,405,395	-	213,405,395
Total	<u>\$ 238,078,997</u>	<u>\$ 24,673,602</u>	<u>\$ 213,405,395</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 918,684
State Government	
Apportionment	663,372
Categorical aid	1,090,970
Lottery	857,106
Local Sources	
Interest	844,910
Other local sources	4,020,497
Total	<u>\$ 8,395,539</u>
Student receivables	\$ 9,498,224
Less allowance for bad debt	<u>(5,421,827)</u>
Student receivables, net	<u>\$ 4,076,397</u>
	<u>Fiduciary Funds</u>
Other local sources	<u>\$ 14,520</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
Construction in progress	87,435,424	41,156,183	72,286,044	56,305,563
Total Capital Assets Not Being Depreciated	<u>88,485,424</u>	<u>41,156,183</u>	<u>72,286,044</u>	<u>57,355,563</u>
Capital Assets Being Depreciated				
Site improvements	53,518,010	-	-	53,518,010
Buildings and improvements	276,749,188	72,286,044	-	349,035,232
Vehicles and equipment	21,487,022	865,410	54,784	22,297,648
Total Capital Assets Being Depreciated	<u>351,754,220</u>	<u>73,151,454</u>	<u>54,784</u>	<u>424,850,890</u>
Total Capital Assets	<u>440,239,644</u>	<u>114,307,637</u>	<u>72,340,828</u>	<u>482,206,453</u>
Less Accumulated Depreciation	<u>118,590,471</u>	<u>12,769,488</u>	<u>54,784</u>	<u>131,305,175</u>
Net Capital Assets	<u>\$ 321,649,173</u>	<u>\$ 101,538,149</u>	<u>\$ 72,286,044</u>	<u>\$ 350,901,278</u>

Depreciation expense for the year was \$12,769,488.

Interest expense on capital related debt for the year ended June 30, 2017, was \$18,534,547. Of this amount, \$674,901 was capitalized.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 8,032,023
Apportionment	44,745
Construction	4,765,495
Student health insurance	462,364
Vendor payables	3,549,873
Total	<u>\$ 16,854,500</u>
	<u>Fiduciary Funds</u>
Vendor payables	<u>\$ 30,829</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue June 30, 2017, consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 129,714
State categorical aid	8,327,201
Enrollment fees	5,793,440
Other local	1,605,529
Total	<u>\$ 15,855,884</u>
	<u>Fiduciary Funds</u>
Federal categorical	<u>\$ 93,772</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the amount owed to the primary government from the fiduciary funds was \$2,089,576.

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 2017 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, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General Obligation Bonds					
2006 General Obligation Bonds, Series B	\$ 5,090,000	\$ -	\$ 5,090,000	\$ -	\$ -
2012 General Obligation Bonds, Series C	206,101,866	8,305,720	595,000	213,812,586	1,490,000
Unamortized premium	2,703,745	-	121,974	2,581,771	-
2012 General Obligation Refunding Bonds	41,490,000	-	-	41,490,000	5,170,000
Unamortized premium	5,847,171	-	815,884	5,031,287	-
2016 General Obligation Bonds, Series A	100,000,000	-	-	100,000,000	4,500,000
Unamortized premium	12,059,102	-	402,702	11,656,400	-
2016 General Obligation Refunding Bonds	85,825,000	-	5,905,000	79,920,000	4,335,000
Unamortized premium	13,193,830	-	849,011	12,344,819	-
Total General Obligation Bonds	472,310,714	8,305,720	13,779,571	466,836,863	15,495,000
Other Liabilities					
Compensated absences	3,082,019	129,077	-	3,211,096	-
Supplemental early retirement plan	-	5,024,720	-	5,024,720	1,004,944
Aggregate net pension obligation	106,664,961	19,195,251	-	125,860,212	-
Total Other Liabilities	109,746,980	24,349,048	-	134,096,028	1,004,944
Total Long-Term Obligations	\$ 582,057,694	\$ 32,654,768	\$ 13,779,571	\$ 600,932,891	\$ 16,499,944

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 obligations will be paid by the fund for which the employee worked.

Bonded Debt

2006 General Obligation Bonds, Series B

During September 2006, the District issued the 2006 General Obligation Bonds, Series B in the amount of \$150,000,000. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization, and equipping of certain District property and facilities. During the year ended June 30, 2016, a portion of the proceeds from the 2016 General Obligation Refunding Bonds were deposited in an escrow fund to defease a portion of the 2006 General Obligation Refunding Bonds and to provide for their prepayment. The remaining bonds mature on August 1, 2016, with an interest rate of 4.25 percent. As of June 30, 2017, the principal balance was paid in full.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding (including accreted interest to date) was \$213,812,586. Unamortized premium received on issuance of the bonds amounted to \$2,581,771 as of June 30, 2017.

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, 2017, the principal balance outstanding was \$41,490,000. Unamortized premium received on issuance of the bonds amounted to \$5,031,287 as of June 30, 2017.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2017, the principal balance outstanding was \$100,000,000. Unamortized premium received on issuance of the bonds amounted to \$11,656,400 as of June 30, 2017.

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, 2017, the principal balance outstanding was \$79,920,000. Unamortized premium received on issuance of the bonds amounted to \$12,344,819 as of June 30, 2017.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds	Accreted	Bonds	
				Outstanding July 1, 2016	Interest Additions	Redeemed	Outstanding June 30, 2017
9/2006	8/2016	4.25%	\$ 150,000,000	\$ 5,090,000	\$ -	\$ 5,090,000	\$ -
8/2012	8/2038	4.00 - 5.00%	180,812,882	206,101,866	8,305,720	595,000	213,812,586
8/2012	8/2023	2.00 - 5.00%	41,755,000	41,490,000	-	-	41,490,000
1/2016	8/2045	2.00 - 5.00%	100,000,000	100,000,000	-	-	100,000,000
1/2016	8/2031	2.00 - 5.00%	85,825,000	85,825,000	-	5,905,000	79,920,000
				<u>\$ 438,506,866</u>	<u>\$ 8,305,720</u>	<u>\$ 11,590,000</u>	<u>\$ 435,222,586</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Fiscal Year</u>	<u>Principal (Including Accreted Interest to Date)</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 1,450,113	\$ 39,887	\$ 1,360,000	\$ 2,850,000
2019	2,101,772	178,228	1,360,000	3,640,000
2020	2,715,497	394,503	1,360,000	4,470,000
2021	3,597,653	377,347	1,360,000	5,335,000
2022	4,244,618	645,382	1,360,000	6,250,000
2023-2027	40,779,416	14,715,584	6,800,000	62,295,000
2028-2032	48,550,771	38,444,229	6,800,000	93,795,000
2033-2037	65,222,166	93,027,004	6,800,000	165,049,170
2038-2039	45,150,580	32,778,036	680,000	78,608,616
Total	<u>\$ 213,812,586</u>	<u>\$ 180,600,200</u>	<u>\$ 27,880,000</u>	<u>\$ 422,292,786</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 5,170,000	\$ 1,865,550	\$ 7,035,550
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
2023-2024	13,285,000	672,375	13,957,375
Total	<u>\$ 41,490,000</u>	<u>\$ 7,537,375</u>	<u>\$ 49,027,375</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 4,500,000	\$ 4,132,650	\$ 8,632,650
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
2023-2027	2,300,000	19,056,000	21,356,000
2028-2032	8,045,000	17,808,875	25,853,875
2033-2037	16,480,000	14,805,500	31,285,500
2038-2042	28,250,000	9,722,850	37,972,850
2043-2046	33,320,000	2,801,600	36,121,600
Total	<u>\$ 100,000,000</u>	<u>\$ 83,952,825</u>	<u>\$ 183,952,825</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 4,335,000	\$ 3,270,750	\$ 7,605,750
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
2023-2027	22,350,000	10,564,500	32,914,500
2028-2032	36,575,000	3,398,413	39,973,413
Total	<u>\$ 79,920,000</u>	<u>\$ 28,900,538</u>	<u>\$ 108,820,538</u>

Compensated Absences

At June 30, 2017, the liability for compensated absences was \$3,211,096.

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, 2017 is \$5,024,720.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

<u>Fiscal Year</u>	<u>Principal</u>
2018	\$ 1,004,944
2019	1,004,944
2020	1,004,944
2021	1,004,944
2022	1,004,944
Total	<u>\$ 5,024,720</u>

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to \$125,860,212. See Note 13 for additional information.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

Plan administration. The District's Governing Board administers the Postemployment Benefits Plan (the Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested with the El Camino Community College District Retirement Board of Authority, which consists of locally elected Plan members.

Plan membership. At June 30, 2017, Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefit payments	286
Active Plan members	805
	<u>1,091</u>

Benefits provided. The Plan provides medical insurance benefits to eligible retirees until age 65. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contribution Information

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the El Camino College Federation of Teachers (ECCFT), the local California School 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. Plan members are not required to contribute to the Plan.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the El Camino Community College District Retirement Board of Authority by a majority vote of its members. It is the policy of the Retirement Board of Authority to pursue an investment strategy that reduces risk through the prudent diversification of 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 allocations over short time spans. The following was the 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%
Total	<u>100%</u>

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Total Net OPEB Liability of the District

The component of the net OPEB liability of the District as of June 30, 2017, was as follows:

Total OPEB liability	\$ 20,598,897
Plan fiduciary net position	<u>22,380,800</u>
District's net OPEB asset	<u>(1,781,903)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>109%</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of May 1, 2015, using the following actuarial 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	5.50 percent
Health care cost trend rates	4.00 percent

Mortality rates were based on the 2009 CalSTRS Mortality tables for certificated employees, the 2009 CalPERS Mortality for Active Miscellaneous Employees tables for classified employees, and 2009 CalPERS Rates for Active Sworn Employees tables for the District's police employees.

The actuarial assumptions used in the May 1, 2015, valuation were based on the results of an actuarial experience study as of April 2015.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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 5.5 percent. The projection of cash flows used to determine the discount rate assumed that 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 future benefit payments of current Plan members. 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.

Sensitivity of the net OPEB liability to changes in the discount and healthcare cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and healthcare cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 - 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, 2017, 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 2016-2017, 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, 2017

NOTE 13 - 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, 2017, 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>	Collective Net Pension Obligation	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 73,514,277	\$ 11,007,587	\$ 10,090,975	\$ 5,405,160
CalPERS	52,345,935	14,242,568	5,124,515	5,208,885
Total	<u>\$ 125,860,212</u>	<u>\$ 25,250,155</u>	<u>\$ 15,215,490</u>	<u>\$ 10,614,045</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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically 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, 2017

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, 2017, 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	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were \$5,163,237.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

At June 30, 2017, 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	\$ 73,514,277
State's proportionate share of net pension liability associated with the District	41,850,366
Total	<u><u>\$ 115,364,643</u></u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0909 percent and 0.0964 percent, respectively, resulting in a net decrease in the proportionate share of 0.0055 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$5,405,160. In addition, the District recognized pension expense and revenue of \$4,045,278 for support provided by the State. At June 30, 2017, 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	\$ 5,163,237	\$ -
Net change in proportionate share of net pension liability	-	8,297,677
Differences between projected and actual earnings on the pension plan investments	5,844,350	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,793,298
Total	<u><u>\$ 11,007,587</u></u>	<u><u>\$ 10,090,975</u></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, 2017

The deferred outflows 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 of Resources
2018	\$ 127,504
2019	127,504
2020	3,397,341
2021	2,192,001
Total	<u>\$ 5,844,350</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability 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
2018	\$ (1,870,866)
2019	(1,870,866)
2020	(1,870,866)
2021	(1,870,866)
2022	(1,870,866)
Thereafter	(736,645)
Total	<u>\$ (10,090,975)</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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 7.60 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 (7.60 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, 2017

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 (6.60%)	\$ 105,803,624
Current discount rate (7.60%)	73,514,277
1% increase (8.60%)	46,696,622

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically 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, 2017

The CalPERS provisions and benefits in effect at June 30, 2017, 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%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above, and the total District contributions were \$3,868,784.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$52,345,935. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.2650 percent and 0.2834 percent, respectively, resulting in a net decrease in the proportionate share of 0.0184 percent.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$5,208,885. At June 30, 2017, 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	\$ 3,868,784	\$ -
Net change in proportionate share of net pension liability	-	3,551,831
Differences between projected and actual earnings on the pension plan investments	8,122,407	-
Differences between expected and actual experience in the measurement of the total pension liability	2,251,377	-
Changes of assumptions	-	1,572,684
Total	<u>\$ 14,242,568</u>	<u>\$ 5,124,515</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 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 of Resources
2018	\$ 1,139,276
2019	1,139,276
2020	3,723,979
2021	2,119,876
Total	<u>\$ 8,122,407</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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
2018	\$ (1,275,470)
2019	(1,192,899)
2020	(404,769)
Total	<u>\$ (2,873,138)</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	\$ 78,100,427
Current discount rate (7.65%)	52,345,935
1% increase (8.65%)	30,900,253

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, which amounted to \$4,386,517 (8.828 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, 2017. 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 nonoperating revenue and employee benefit expense.

NOTE 14 - 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, 2017, the District made payments of \$1,676,597 and \$563,183 to SCCC - JPA and SWACC, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017.

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, 2017, amounted to approximately \$810,458.

Construction Commitments

As of June 30, 2017, 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	\$ 20,625,013	July 2018
Gymnasium	15,981,892	August 2018
Pool Project*	1,619,567	May 2020
Sand Volleyball Courts	245,860	August 2017
Lot F and E Parking Structure Upgrade	3,041,739	March 2018
Administration Building*	611,094	October 2020
	<u>\$ 42,125,165</u>	

*Planning phase of project

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, 2017

NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District's beginning fiduciary net position has been restated as of July 1, 2016.

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position for the fiduciary funds by \$23,228,026.

Primary Government

Fiduciary Net Position - Beginning	\$ 1,554,051
Restatement of Retiree OPEB Trust for implementation of GASB Statement No. 74	<u>23,228,026</u>
Fiduciary Net Position - Beginning, as Restated	<u><u>\$ 24,782,077</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Total OPEB Asset*	
Annual required contribution	\$ 929,960
Contributions made for retiree health premiums	(763,687)
Change in value of Irrevocable Trust	<u>(1,242,350)</u>
Net Change in Total OPEB Asset	(1,076,077)
Total OPEB Asset - Beginning	<u>(12,642,763)</u>
Total OPEB Asset - Ending	<u><u>\$ (13,718,840)</u></u>
Plan Fiduciary Net Position**	
Net investment income	\$ 1,380,018
Benefit payments	(2,089,576)
Administrative expense	<u>(137,668)</u>
Net Change in Plan Fiduciary Net Position	(847,226)
Plan Fiduciary Net Position - Beginning	<u>23,228,026</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 22,380,800</u></u>

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

* The Total Net OPEB Asset was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Actuarially determined contribution	\$ 929,960
Contributions in relations to the actuarially determined contribution	763,687
Contribution deficiency (excess)	\$ 166,273
Covered-employee payroll	\$ 77,853,172
Contribution as a percentage of covered-employee payroll	0.98%

Note : In the future, as data become 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, 2017**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	10.06%

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

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Method Used (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
March 1, 2012	\$ -	\$ 22,355,715	\$ 22,355,715	0%	N/A	N/A
October 1, 2013	17,189,426	22,214,690	5,025,264	77%	N/A	N/A
May 1, 2015	23,163,306	20,598,897	(2,564,409)	112%	N/A	N/A

* Entry age normal method

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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0909%</u>	<u>0.0964%</u>	<u>0.1056%</u>
District's proportionate share of the net pension liability	\$ 73,514,277	\$ 64,887,512	\$ 61,735,680
State's proportionate share of the net pension liability associated with the District	<u>41,850,366</u>	<u>34,318,341</u>	<u>37,278,669</u>
Total	<u>\$ 115,364,643</u>	<u>\$ 99,205,853</u>	<u>\$ 99,014,349</u>
District's covered-employee payroll	<u>\$ 43,692,992</u>	<u>\$ 41,459,020</u>	<u>\$ 39,884,567</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>168%</u>	<u>157%</u>	<u>155%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.2650%</u>	<u>0.2834%</u>	<u>0.2937%</u>
District's proportionate share of the net pension liability	<u>\$ 52,345,935</u>	<u>\$ 41,777,449</u>	<u>\$ 33,340,795</u>
District's covered-employee payroll	<u>\$ 31,454,427</u>	<u>\$ 31,729,301</u>	<u>\$ 30,362,895</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>166%</u>	<u>132%</u>	<u>110%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 5,163,237	\$ 4,688,258	\$ 3,681,561
Contributions in relation to the contractually required contribution	<u>5,163,237</u>	<u>4,688,258</u>	<u>3,681,561</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 41,043,219</u>	<u>\$ 43,692,992</u>	<u>\$ 41,459,020</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 3,868,784	\$ 3,726,406	\$ 3,734,856
Contributions in relation to the contractually required contribution	<u>3,868,784</u>	<u>3,726,406</u>	<u>3,734,856</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 27,857,028</u>	<u>\$ 31,454,427</u>	<u>\$ 31,729,301</u>
Contributions as a percentage of covered-employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 - PURPOSE OF SCHEDULES

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

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

Change in benefit terms – There were no changes in benefit terms since the previous valuations of the Plan.

Change in assumptions – There were no changes in economic assumptions from the previous valuations of the Plan.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of May 1, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset Valuation method	Because plan assets are primarily short-term, no smoothing formula was used
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	5.50 percent
Retirement age	Certificated: 2009 CalSTRS Retirement Rates. Classified, hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees. Classified, hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees. Two percent @ 60 adjusted to minimum retirement age of 52. Police: 2009 CalPERS Rates for Sworn Police.
Mortality	Certificated: 2009 CalSTRS Mortality tables. Classified: 2009 CalPERS Mortality for Active Miscellaneous Employees Tables. Police: 2009 CalPERS Rates for Active Sworn Employees tables.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2017

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. Kenneth A. Brown	President	November 2020
Mr. John Vargas	Vice President	November 2018
Mrs. Mary E. Combs	Secretary	November 2020
Mr. William J. Beverly	Member	November 2020
Mr. Cliff Numark	Member	November 2018
Mr. Kongdy Lam	Student Member	May 2018

ADMINISTRATION

Dr. Dena P. Maloney	Superintendent and President of the College
Dr. Jean Shankweiler	Vice President of Academic Affairs
Ms. Jo Ann Higdon	Vice President of Administrative Services
Dr. Jeanie Nishime	Vice President of Student and Community Advancement
Ms. Barbara Perez	Vice President of Compton Educational Center
Ms. 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, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 759,000	\$ -
Federal Work-Study Program (FWS)	84.033		882,715	-
Federal Pell Grant Program (PELL)	84.063		38,029,841	-
PELL Administrative Allowance	84.063		56,445	-
Total Student Financial Assistance Cluster			39,728,001	-
Hispanic Serving Institution - STEM	84.031C		283,457	-
Passed through Mount Saint Mary's College				
Improving STEM Curricula, Support, and Articulation for Hispanic, Women, and Low-Income Students	84.031C	P031C110101- 13	26,530	-
Passed through California Community Colleges Chancellor's Office				
Perkins IV, Title I, Part C	84.048	16-C01-014	805,478	159,934
CTE Transitions	84.048A	16-C01-014	43,748	-
Total U.S. Department of Education			40,887,214	159,934
U.S. DEPARTMENT OF COMMERCE				
Passed through California Manufacturing Technology Consulting (CMTC)				
Manufacturing Extension Partnership (MEP) Program	11.611	70NANB1- 6H208	136,364	-
U.S. DEPARTMENT OF DEFENSE				
Passed through University of Southern California Advanced Manufacturing Partnership for Southern California (AMP SoCal)				
	12.617	ST1441-15-01	6,300	-
NATIONAL SCIENCE FOUNDATION				
Passed through University of California, Los Angeles Frontier Opportunities in Computing for Underrepresented Students*				
	47.070	CNS-0634520	1,502	-
SMALL BUSINESS ADMINISTRATION				
Passed through Long Beach Community College District Small Business Development Center				
	59.037	CNN99745.1	365,257	-
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Veterans Education				
	64.117		4,879	-

[1] Pass-Through Identifying Number not available
* 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, 2017, (CONTINUED)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Medi-Cal Administrative Activities Passed through California Community Colleges Chancellor's Office	93.778		\$ 4,890	\$ -
Foster and Kinship Care Education Program Temporary Assistance for Needy Families (TANF) Cluster Passed through California Community Colleges Chancellor's Office	93.658	[1]	54,512	-
Temporary Assistance for Needy Families (TANF) Passed through Los Angeles County Department of Public Social Services	93.558	[1]	91,871	-
Temporary Assistance for Needy Families (TANF)	93.558	[1]	<u>140,777</u>	<u>-</u>
Total TANF Cluster			<u>232,648</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>292,050</u>	<u>-</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Americorps - National Service Awards	94.006		<u>21,744</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 41,715,310</u>	<u>\$ 159,934</u>

[1] Pass-Through Identifying Number not available
* Research and Development program

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Advanced Manufacturing and Engineering Tech Learning	\$ 820,231	\$ 230,951	\$ -	\$ 1,051,182	\$ 1,051,182
Advanced Manufacturing Sector Navigator	372,500	-	-	372,500	372,500
Basic Skills Transformation	599,987	-	352,053	247,934	247,934
Open Online Library	17,100	-	13,674	3,426	3,426
Basic Skills	186,273	-	86,161	100,112	100,112
BFAP	769,078	-	-	769,078	769,078
Cal Grants	4,288,217	92,103	196,220	4,184,100	4,184,100
CalWORKs and Regional Effort	511,576	-	-	511,576	511,576
Career Advancement Academy	420,000	-	189,645	230,355	230,355
Career Technical Education 06/07	69,214	-	69,214	-	-
CTE Enhancement Local and Regional	272,671	-	-	272,671	272,671
Cooperative Agencies Resources for Education (CARE)	242,747	-	-	242,747	242,747
Consortium Planning	2,137,312	-	1,087,324	1,049,988	1,049,988
Adult Ed Block Grant Data and Accountability	635,780	-	387,643	248,137	248,137
RSCCD - Retail, Hospitality and Tourism	40,000	-	30,000	10,000	10,000
Capital Infusion Program G-Biz	47,836	12,164	-	60,000	60,000
Deputy Sector Navigator	93,816	48,894	-	142,710	142,710
Digital Media Arts Career Pathway	1,695	45,952	-	47,647	47,647
Disabled Students Program and Services (DSPS)	1,657,991	-	68,790	1,589,201	1,589,201
Access Print and Electronic Information	307,093	-	-	307,093	307,093
ARRAN-RN Nursing Education	170,999	-	12	170,987	170,987
Extended Opportunity Program and Services (EOPS)	1,682,522	-	-	1,682,522	1,682,522
Education Plan Initiative	52,500	-	31,112	21,388	21,388
Faculty and Staff Diversity	86,317	-	70,987	15,330	15,330
Foster Care Education	48,377	-	-	48,377	48,377
Historically Black Colleges and Universities	165,121	146,718	-	311,839	311,839
In-Region Investments	40,000	144,897	-	184,897	184,897
Instructional Equipment	2,713,450	-	2,285,464	427,986	427,986
MAPP-Model Approaches for Partnerships in Parenting	15,506	871	-	16,377	16,377
Resource Family Approval Training (RFA)	4,617	6,958	-	11,575	11,575
Student Success and Support Program - Credit	4,893,229	-	540,276	4,352,953	4,352,953
MESA Program	45,522	33,397	-	78,919	78,919
Prop 39 Program Improvement Funds	53,703	-	21,895	31,808	31,808
Puente Reporting	9,359	-	7,948	1,411	1,411
Retail/Hospitality	149,000	275,046	-	424,046	424,046
Student Success and Support Program - Equity	3,290,198	-	1,492,984	1,797,214	1,797,214
Strong Workforce Program	1,554,414	-	1,395,799	158,615	158,615
Teacher Pipeline	44,782	53,019	-	97,801	97,801
Total	\$ 28,510,733	\$ 1,090,970	\$ 8,327,201	\$ 21,274,502	\$ 21,274,502

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT
 FOR THE YEAR ENDED JUNE 30, 2017**

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	-	-	-
2. Credit	613.04	-	613.04
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,287.11	-	14,287.11
(b) Daily Census Contact Hours	1,352.27	-	1,352.27
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	30.30	-	30.30
(b) Credit	560.78	-	560.78
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	903.19	-	903.19
(b) Daily Census Contact Hours	181.84	-	181.84
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>17,928.53</u>	<u>-</u>	<u>17,928.53</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	187.17	-	187.17
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	3.02	-	3.02
2. Credit	956.77	-	956.77

* Annual report revised as of October 31, 2017.

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, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 26,353,665	\$ -	\$ 26,353,665	\$ 26,353,665	\$ -	\$ 26,353,665
Other	1300	17,512,933	-	17,512,933	17,512,933	-	17,512,933
Total Instructional Salaries		43,866,598	-	43,866,598	43,866,598	-	43,866,598
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	7,565,514	-	7,565,514
Other	1400	-	-	-	1,478,319	-	1,478,319
Total Noninstructional Salaries		-	-	-	9,043,833	-	9,043,833
Total Academic Salaries		43,866,598	-	43,866,598	52,910,431	-	52,910,431
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	21,016,118	-	21,016,118
Other	2300	-	-	-	2,696,632	-	2,696,632
Total Noninstructional Salaries		-	-	-	23,712,750	-	23,712,750
Instructional Aides							
Regular Status	2200	1,257,193	-	1,257,193	1,793,535	-	1,793,535
Other	2400	-	-	-	-	-	-
Total Instructional Aides		1,257,193	-	1,257,193	1,793,535	-	1,793,535
Total Classified Salaries		1,257,193	-	1,257,193	25,506,285	-	25,506,285
Employee Benefits	3000	13,845,295	-	13,845,295	25,965,318	-	25,965,318
Supplies and Material	4000	-	-	-	1,022,036	-	1,022,036
Other Operating Expenses	5000	-	-	-	9,757,631	-	9,757,631
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		58,969,086	-	58,969,086	115,161,701	-	115,161,701

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, 2017**

	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
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	20,378	-	20,378
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	381,163	-	381,163
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	90,385	-	90,385
Noninstructional Supplies and Materials	4400	-	-	-	876,555	-	876,555
Total Supplies and Materials		-	-	-	966,940	-	966,940

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, 2017**

	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
	Object/TOP Codes	Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,686,382	\$ -	\$ 1,686,382
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	379,739	-	379,739
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	379,739	-	379,739
Total Capital Outlay		-	-	-	379,739	-	379,739
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	3,434,602	-	3,434,602
Total for ECS 84362, 50 Percent Law		\$ 58,969,086	\$ -	\$ 58,969,086	\$ 111,727,099	\$ -	\$ 111,727,099
Percent of CEE (Instructional Salary Cost/Total CEE)		52.78%		52.78%	100.00%		100.00%
50% of Current Expense of Education					\$ 55,863,550		\$ 55,863,550

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017:

	<u>Unrestricted General Fund</u>	<u>Internal Service Fund</u>
June 30, 2017, Annual Financial and Budget Report (CCFS-311)		
Reported Fund Balance	\$ 36,522,862	\$ 1,724,743
Adjustments to Fund Balance		
Increase in cash with fiscal agent	-	134,535
Decrease in accounts payable	1,023,008	-
Decrease in unearned revenue	818,177	-
Net Adjustments	<u>1,841,185</u>	<u>134,535</u>
June 30, 2017, Audited Fund Balance	<u>\$ 38,364,047</u>	<u>\$ 1,859,278</u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				\$ 15,183,882
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 15,183,882	\$ -	\$ -	\$ 15,183,882
Total Expenditures for EPA		\$ 15,183,882	\$ -	\$ -	\$ 15,183,882
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017**

**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	\$ 38,364,047
General Fund - restricted	3,272,937
Debt Service Funds	27,193,750
Capital Project Funds	126,339,584
Enterprise Funds	2,337,458
Internal Service Funds	1,859,278
Fiduciary Funds	<u>24,108,853</u>

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

\$ 223,475,907

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	482,543,357
Accumulated depreciation is	(131,642,079)
Less fixed assets already recorded in the enterprise funds	<u>(20,779)</u>

Total Capital Assets

350,880,499

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

(23,931,112)

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds.

13,718,840

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 greater) and are included with governmental activities expense.

2,844,526

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.

(4,508,626)

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	9,032,021
Differences between projected and actual earnings on pension plan investments	13,966,757
Differences between expected and actual experience in the measurement of the total net pension liability	<u>2,251,377</u>

Total Deferred Outflows of Resources related to Pensions

25,250,155

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2017**

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	\$ 11,849,508	
Differences between expected and actual experience in the measurement of the total net pension liability	1,793,298	
Changes in assumption	<u>1,572,684</u>	
Total Deferred Inflows of Resources related to Pensions		\$ (15,215,490)

Long-term obligations at year end consist of:

Bonds payable	401,559,353	
Unamortized premium	31,614,277	
Compensated absences	3,211,096	
Supplemental early retirement plan	5,024,720	
Aggregate net pension obligation	125,860,212	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:	<u>33,663,233</u>	<u>(600,932,891)</u>
Total Net Position		<u><u>\$ (28,418,192)</u></u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Assets, 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:		\$ 41,817,832
Federal Bureau of Prisons - FCI Terminal Island contract	N/A	(50,610)
Various programs indirect costs recorded in General Unrestricted Fund	N/A	(51,912)
Total Schedule of Expenditures of Federal Awards		<u>\$ 41,715,310</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

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, 2017

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 Fund Financial Statements

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of 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 entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
El Camino Community College District
Torrance, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of El Camino Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 18, 2017

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 18, 2017



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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND 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, 2017. 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 the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is 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 2017-001. Our opinion on each major Federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Management's Response and Corrective Action Plan. 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 identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, 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 Management's Response and Corrective Action Plan. 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 18, 2017



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

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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 California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

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 California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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 programs noted below that were audited for the year ended June 30, 2017.

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 of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
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	Proposition 55 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 attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

Vavines, Tunc, Day & Co., LLP

Rancho Cucamonga, California
December 18, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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>Unmodified</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>\$ 1,251,459</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, 2017**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

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.

Effect

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Management's Response and Corrective Action Plan

The District agrees with the audit finding. The Compton College Financial Aid office has been processing the Return of Title IV funds weekly since the audit finding. Further controls have been established to maintain compliance. The Financial Aid Supervisor at Compton College will review the student zero units report and confirm Federal funds are processed for return within 45 days on the Department of Education COD website. The Supervisor will also forward the report to the Director of Financial Aid at El Camino College confirming the returns have been processed timely.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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

None reported.

State Awards Findings

None reported.