

**EL CAMINO  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2015**

# EL CAMINO COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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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, 2015, 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. 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, 2015, 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 Note 2 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 62, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 63, and the Schedule of District Contributions on page 64 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 U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, 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 16, 2015, 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 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 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.

*Vaurinek, Tine, Day & Co., LLP.*

Rancho Cucamonga, California  
December 16, 2015



## **EL CAMINO COMMUNITY COLLEGE DISTRICT**

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

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

**[www.elcamino.edu](http://www.elcamino.edu)**

### ***INTRODUCTION***

The following discussion and analysis provides an overview of the financial position and activities of the El Camino Community College District (the District) for the year ended June 30, 2015. 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 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

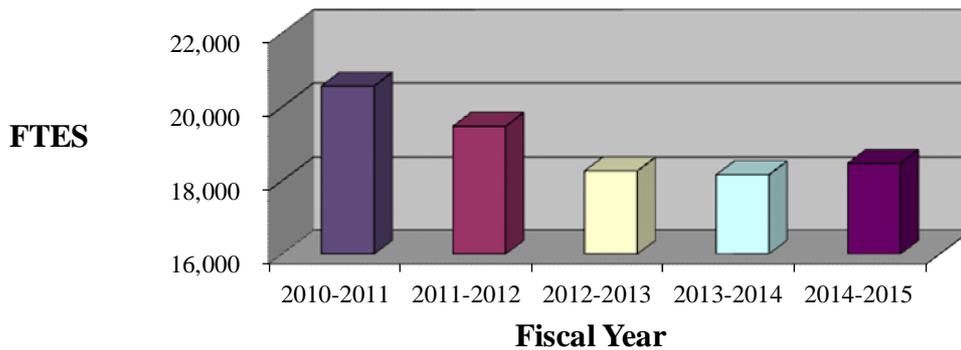
## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### *SELECTED HIGHLIGHTS*

- During 2014-2015, total full-time equivalent students (FTES) increased by 693 from prior year. This intentional increase was due to additional course sections added in both Fall and Spring semesters. Credit and non-credit 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.

### *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, 2015**

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>2015</u>	<u>2014</u> <u>as restated</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 156,655	\$ 189,350
Accounts receivable	14,550	24,108
Other current assets	2,108	1,559
<b>Total Current Assets</b>	<u>173,313</u>	<u>215,017</u>
<b>NONCURRENT ASSETS</b>		
Net other postemployment benefits (OPEB) asset	12,406	7,871
Capital assets, net of depreciation	284,825	257,913
<b>Total Noncurrent Assets</b>	<u>297,231</u>	<u>265,784</u>
<b>TOTAL ASSETS</b>	<u>470,544</u>	<u>480,801</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>9,589</u>	 <u>11,445</u>
 <b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued interest payable	17,439	24,019
Unearned revenue	12,905	10,459
Current portion of long-term obligations	7,950	8,045
<b>Total Current Liabilities</b>	<u>38,294</u>	<u>42,523</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term obligations	454,138	483,590
<b>TOTAL LIABILITIES</b>	<u>492,432</u>	<u>526,113</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>28,253</u>	 <u>-</u>
 <b>NET POSITION</b>		
Net investment in capital assets	45,404	52,094
Restricted for:		
Debt service	9,299	9,821
Educational programs	2,161	1,061
Capital projects	7,275	6,015
Unrestricted	(104,691)	(102,858)
<b>TOTAL NET POSITION</b>	<u>\$ (40,552)</u>	<u>\$ (33,867)</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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Approximately 99 percent of the cash balance is cash deposited in the Los Angeles County Treasury. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash during fiscal year 2014-2015.

- 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 third and fourth quarter lottery payment of \$1,666,416 and a receivable for apportionment in the amount of \$1,001,408. Student receivables are \$9,459,360 (gross) or \$4,037,533 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$26,911,893. Depreciation expense of \$11,672,854 was recognized during 2014-2015. 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, 2015. Total accounts payable are \$13,968,598; \$714,519 of the balance was accrued in the General Fund related to payables for vendors; \$4,838,379 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$6,946,000 are for amounts due to or on behalf of employees for wages and benefits.
- Long-term obligations include 2005 General Obligation Refunding Bonds that have been issued in the amount of \$40,252,335, 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, and 2012 General Obligation Refunding Bonds that have been issued in the amount of \$41,755,000. 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, 2015**

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

(Amounts in thousands)

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Tuition and Fees	\$ 28,783	\$ 27,985
Less: Scholarship discounts and allowances	(13,290)	(12,802)
Net tuition and fees	<u>15,493</u>	<u>15,183</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	6,200	6,353
<b>TOTAL OPERATING REVENUES</b>	<u>21,693</u>	<u>21,536</u>
<b>OPERATING EXPENSES</b>		
Salaries	87,101	83,709
Employee benefits	24,349	25,435
Supplies, materials, and other operating expenses and services	72,285	68,688
Depreciation	11,673	12,129
<b>TOTAL OPERATING EXPENSES</b>	<u>195,408</u>	<u>189,961</u>
<b>OPERATING LOSS</b>	<u>(173,715)</u>	<u>(168,425)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	64,536	61,724
Local property taxes	43,124	41,018
Federal grants and contracts, noncapital	47,097	44,228
State grants and contracts, noncapital	17,597	10,045
State taxes and other revenues	3,580	3,424
Investment income	1,115	1,422
Interest expense on capital related debt	(15,811)	(15,450)
Interest income on capital asset-related debt, net	46	41
Transfer to agency fund	(125)	(125)
Other nonoperating revenue	2,896	5,693
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>164,055</u>	<u>152,020</u>
<b>LOSS BEFORE OTHER REVENUES AND LOSSES</b>	<u>(9,660)</u>	<u>(16,405)</u>
<b>OTHER REVENUES AND LOSSES</b>		
State revenues, capital	2,975	1,218
Loss on disposal of capital assets	-	(24)
<b>TOTAL OTHER REVENUES AND LOSSES</b>	<u>2,975</u>	<u>1,194</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (6,685)</u>	<u>\$ (15,211)</u>

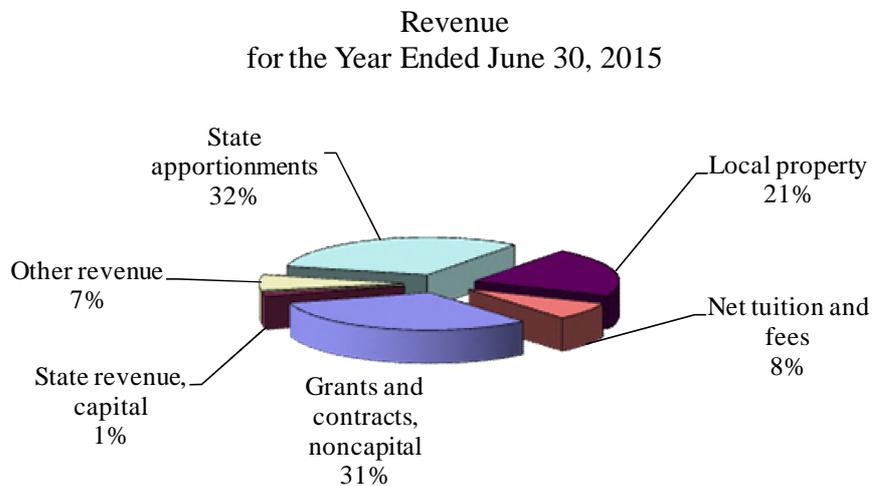
# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Salaries and benefits make up 57.03 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 42.97 percent of total expenses.
- State apportionment is generated based on the workload measures reported to the State by the District. The District has experienced increases in the various workload measures.
- 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.

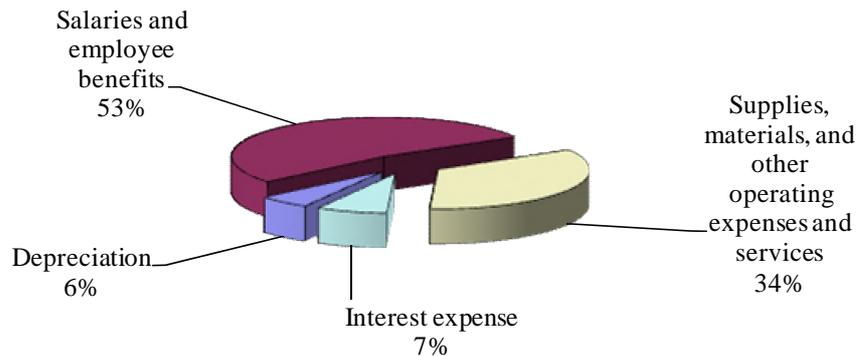


**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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Expense  
for the Year Ended June 30, 2015



***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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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The Statement of Cash Flows for the years ended June 30, 2015, and 2014, is summarized below:

(Amounts in thousands)

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From</b>		
Operating activities	\$ (168,399)	\$ (156,497)
Noncapital financing activities	175,453	143,299
Capital and related financing activities	(41,047)	(44,354)
Investing activities	1,298	1,333
<b>Net Change in Cash</b>	<u>(32,695)</u>	<u>(56,219)</u>
<b>Cash - Beginning of Year</b>	<u>189,350</u>	<u>245,569</u>
<b>Cash - End of Year</b>	<u>\$ 156,655</u>	<u>\$ 189,350</u>

- 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 39.34 percent of noncapital financing. Cash received from property taxes accounts for 26.29 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 \$1,086,477 was received from the Los Angeles County pool that paid an average rate of .68 percent.

## EL CAMINO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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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	\$ 46,133	\$ 10,174	\$ 1,169	\$ -	\$ 57,476
Academic support	7,872	2,739	896	-	11,507
Student services	13,550	4,046	2,316	-	19,912
Plant operations and maintenance	5,165	2,320	4,372	-	11,857
Institutional support services	10,128	3,879	10,789	-	24,796
Community services and economic development	1,971	625	2,808	-	5,404
Ancillary services and auxiliary operations	2,282	566	1,640	-	4,488
Student aid	-	-	44,349	-	44,349
Physical property and related acquisitions	-	-	3,946	-	3,946
Unallocated depreciation	-	-	-	11,673	11,673
Total	<u>\$ 87,101</u>	<u>\$ 24,349</u>	<u>\$ 72,285</u>	<u>\$ 11,673</u>	<u>\$ 195,408</u>

#### ***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.

#### ***CAPITAL ASSET AND DEBT ADMINISTRATION***

##### **Capital Assets**

As of June 30, 2015, the District had \$284,825,175 invested in capital assets net of accumulated depreciation. Total capital assets of \$392,896,827 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$108,071,652. Capital asset additions of \$38,584,747 occurred during 2014-2015, and depreciation expense of \$11,672,854 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.

## EL CAMINO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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Construction in progress of \$38,637,497 at June 30, 2015, includes the construction of the Athletic Fitness Complex, the Manhattan Beach Blvd Parking Structure, 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 5 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

(Amounts in thousands)

	<b>2015</b>	<b>2014</b>
Land	\$ 1,050	\$ 1,050
Construction in progress	38,637	69,087
Site improvements, net	29,327	34,634
Buildings and improvements, net	213,287	150,424
Vehicles and equipment, net	2,524	2,718
<b>Net Capital Assets</b>	<b>\$ 284,825</b>	<b>\$ 257,913</b>

#### Obligations

At June 30, 2015, the District had \$363,954,311 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 9 and Note 12 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

(Amounts in thousands)

	<b>2015</b>	<b>2014</b>
		<b>as restated</b>
2005 General Obligation Refunding Bonds	\$ 27,941	\$ 30,524
Unamortized premium	3,235	3,639
2006 General Obligation Bond, Series B	79,950	84,635
Unamortized premium	3,689	3,906
2012 General Obligation Bond, Series C	198,160	190,767
Unamortized premium	2,826	2,948
2012 General Obligation Refunding Bonds	41,490	41,490
Unamortized premium	6,663	7,479
Compensated absences	3,057	3,116
Aggregate net pension obligation	95,077	123,131
<b>Total</b>	<b>\$ 462,088</b>	<b>\$ 491,635</b>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### *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 anticipates operating the Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a separate community college.

Revenue generated from the partnership agreement (base year \$4 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.

With the implementation of the Educational Protection Account (EPA) in January 2013, the community colleges are expecting to see a stabilization of funding with no further reductions to funded FTES. The 2015-2016 budget is based on a fully funded level of 19,539 FTES.

The District has settled contract and salary negotiations with all bargaining units and unrepresented employee groups. Salary increases including Step and Column advancements have been budgeted in the 2015-2016 fiscal year.

The District's continuing policy of fiscal prudence has positioned the District to withstand economic uncertainty. The District has withstood the 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.

The 2014-2015 California Public Employees' Retirement System (CalPERS) employer contribution rate was 11.77 percent of classified payroll for a total unrestricted General Fund cost of \$2,668,413. The District is budgeting \$2,890,345 for the 2015-2016 estimated contribution at a rate of 11.847 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the upcoming years. The 2014-2015 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 8.888 percent of the certificated payroll for a total unrestricted General Fund cost of \$3,598,736. The District is budgeting \$4,256,151 for the 2015-2016 fiscal year. The CalSTRS employer contribution rate increased from 8.88 percent in the 2014-2015 fiscal year to 10.73 percent for the 2015-2016 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 2015-2016 fiscal year. It is unknown at this time if the enrollment fee will be raised by the State legislature in future years.

## **EL CAMINO COMMUNITY COLLEGE DISTRICT**

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

**JUNE 30, 2015**

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The District experienced fewer reductions and delays in General Apportionment payments from the State of California in the 2014-2015 fiscal year. The 2015-2016 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 2014-2015 fiscal year.

2015-2016 State funding will include \$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 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, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 1,638,629
Cash and cash equivalents - restricted	4,885
Investments - unrestricted	24,766,053
Investments - restricted	130,245,067
Accounts receivable	10,512,401
Student receivable, net	4,037,533
Inventories	1,024,240
Prepaid expenses	1,084,050
<b>Total Current Assets</b>	<u>173,312,858</u>

**NONCURRENT ASSETS**

Net other postemployment benefits (OPEB) asset	12,406,230
Nondepreciable capital assets	39,687,497
Depreciable capital assets, net of accumulated depreciation	245,137,678
<b>Total Noncurrent Assets</b>	<u>297,231,405</u>

**TOTAL ASSETS**

470,544,263

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge on refunding	2,172,777
Current year pension contribution	7,416,417
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>9,589,194</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	13,968,598
Accrued interest payable	3,470,406
Unearned revenue	12,905,355
Current portion of long-term obligations	7,950,000
<b>Total Current Liabilities</b>	<u>38,294,359</u>

**NONCURRENT LIABILITIES**

Noncurrent portion of long-term obligations other than pensions	359,061,631
Aggregate net pension obligation	95,076,475
<b>Total Noncurrent Liabilities</b>	<u>454,138,106</u>

**TOTAL LIABILITIES**

492,432,465

**DEFERRED INFLOWS OF RESOURCES**

Net change in proportionate share of net pension obligation	1,594,666
Difference between projected and actual earnings on pension plan investments	26,658,564
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>28,253,230</u>

**NET POSITION**

Net investment in capital assets	45,404,319
Restricted for:	
Debt service	9,299,366
Educational programs	2,160,900
Capital projects	7,274,619
Unrestricted	(104,691,442)
<b>TOTAL NET POSITION</b>	<u>\$ (40,552,238)</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, 2015**

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<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 28,783,062
Less: Scholarship discounts and allowances	<u>(13,289,526)</u>
Net tuition and fees	<u>15,493,536</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	<u>6,199,729</u>
<b>TOTAL OPERATING REVENUES</b>	<u>21,693,265</u>
<b>OPERATING EXPENSES</b>	
Salaries	87,100,722
Employee benefits	24,348,991
Supplies, materials, and other operating expenses and services	27,936,774
Student financial aid	44,348,516
Depreciation	<u>11,672,854</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>195,407,857</u>
<b>OPERATING LOSS</b>	<u>(173,714,592)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	64,535,922
Local property taxes, levied for general purposes	28,757,393
Taxes levied for other specific purposes	14,367,046
Federal grants and contracts, noncapital	47,097,021
State grants and contracts, noncapital	17,596,666
State taxes and other revenues	3,579,862
Investment income	1,114,644
Interest expense on capital related debt	(15,811,035)
Interest income on capital asset-related debt	45,742
Transfer to fiduciary fund	(125,000)
Other nonoperating revenue	<u>2,896,670</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>164,054,931</u>
<b>LOSS BEFORE OTHER REVENUES</b>	<u>(9,659,661)</u>
<b>OTHER REVENUES</b>	
State revenues, capital	<u>2,974,866</u>
<b>CHANGE IN NET POSITION</b>	(6,684,795)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>(33,867,443)</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (40,552,238)</u>

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 15,092,833
Payments to vendors for supplies and services	(29,837,369)
Payments to or on behalf of employees	(115,505,443)
Payments to students for scholarships and grants	(44,348,516)
Auxiliary enterprise sales and charges	6,199,729
<b>Net Cash Flows From Operating Activities</b>	<u>(168,398,766)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State apportionments	76,557,955
Grants and contracts	64,641,089
Property taxes - nondebt related	28,757,393
State taxes and other revenues	3,346,766
Other nonoperating	2,149,243
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>175,452,446</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Purchase of capital assets	(42,970,076)
Proceeds from capital debt	8,070,849
State revenue, capital projects	2,974,866
Property taxes - related to capital debt	14,367,046
Principal paid on capital debt	(9,504,223)
Interest paid on capital debt	45,742
Interest received on capital asset-related debt	(14,031,619)
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(41,047,415)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received from investments	<u>1,298,400</u>
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**NET CHANGE IN CASH AND CASH EQUIVALENTS**

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

**CASH AND CASH EQUIVALENTS, END OF YEAR**

(32,695,335)
<u>189,349,969</u>
<u>\$ 156,654,634</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, 2015**

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

Operating Loss	<u>\$(173,714,592)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows	
From Operating Activities:	
Depreciation expense	11,672,854
Changes in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Receivables, net	(192,366)
Student receivables	
Inventories	481,031
Prepaid expenses and other assets	(1,029,915)
Accounts payable and accrued liabilities	(1,317,154)
Unearned revenue	103,920
Compensated absences	(59,206)
Net OPEB asset	(4,535,055)
Aggregate net pension obligation	(28,054,658)
Current year pension contribution	(6,855)
Net change in proportionate share of net pension obligation	1,594,666
Difference between projected and actual earnings	
on pension plan investments	<u>26,658,564</u>
Total Adjustments	<u>5,315,826</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$(168,398,766)</u></u>

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

Cash in banks	\$ 1,643,514
Cash in county treasury	155,011,120
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 156,654,634</u></u>

**NONCASH TRANSACTIONS**

On behalf payments for benefits	<u><u>\$ 2,379,413</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, 2015**

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	<u><b>Trust Funds</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,046,480
Investments	546,704
Accounts receivable	11,253
Prepaid expenses	26,602
<b>Total Assets</b>	<u>1,631,039</u>
<b>LIABILITIES</b>	
Accounts payable	31,806
Unearned revenue	109,046
Due to student groups	96,766
<b>Total Liabilities</b>	<u>237,618</u>
<b>NET POSITION</b>	
Unreserved	1,393,421
<b>Total Net Position</b>	<u>\$ 1,393,421</u>

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, 2015**

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	<u><b>Trust Funds</b></u>
<b>ADDITIONS</b>	
Federal revenues	\$ 14,716
Local revenues	<u>1,069,330</u>
<b>Total Additions</b>	<u>1,084,046</u>
 <b>DEDUCTIONS</b>	
Services and operating expenditures	<u>1,040,901</u>
 <b>OTHER FINANCING SOURCES</b>	
Transfers in from primary government	<u>125,000</u>
 <b>Change in Net Position</b>	168,145
<b>Net Position - Beginning</b>	<u>1,225,276</u>
<b>Net Position - Ending</b>	<u><u>\$ 1,393,421</u></u>

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### *NOTE 1 - ORGANIZATION*

The El Camino Community College District (the District) was established in 1946 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college located within Torrance, California. In August 2006, the District entered into a partnership agreement with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and non-credit 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 has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

### *NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2015, 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, 2015.

### **Prepaid Expenses**

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

### **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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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 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 the deferred charges on the refunding of general obligation bonds and current year pension contributions.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability and for the unamortized amount of net change in proportionate share of net pension liability.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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.

### **Noncurrent Liabilities**

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$18,734,885 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.

The voters of the District passed a General Obligation Bond in November 2002 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers 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. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

### 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 the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

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

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$115,721,571. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as the information was not available.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments 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 with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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.

This Statement replaces 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 Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

### **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, 2015

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### General Authorizations

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

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

### Authorized Under Debt Agreements

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2015, consist of the following:

Primary government	\$ 156,654,634
Fiduciary funds	1,593,184
Total Deposits and Investments	<u>\$ 158,247,818</u>
Cash on hand and in banks	\$ 2,552,844
Cash in revolving fund	137,150
Investments	155,557,824
Total Deposits and Investments	<u>\$ 158,247,818</u>

**Interest Rate Risk**

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

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>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	\$ 155,173,351	595
Certificate of Deposit	222,495	Various
Total	<u>\$ 155,395,846</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 is not required to be rated, nor has it been rated as of June 30, 2015.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**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, 2015, the District had a bank balance of \$1,825,698 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.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of intergovernmental grants, entitlements, interest, and other local sources.

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 1,246,342
State Government	
Apportionment	1,001,408
Categorical aid	1,734,734
Lottery	1,666,416
Other State sources	477,226
Local Sources	
Interest	474,252
Other local sources	3,912,023
Total	<u>\$ 10,512,401</u>
Student receivables	\$ 9,459,360
Less allowance for bad debt	<u>(5,421,827)</u>
Student receivables, net	<u>\$ 4,037,533</u>
	<u>Fiduciary Funds</u>
Other local sources	<u>\$ 11,253</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
Construction in progress	69,087,271	37,861,435	68,311,209	38,637,497
Total Capital Assets Not Being Depreciated	<u>70,137,271</u>	<u>37,861,435</u>	<u>68,311,209</u>	<u>39,687,497</u>
Capital Assets Being Depreciated				
Site improvements	53,518,010	-	-	53,518,010
Buildings and improvements	210,984,681	68,257,604	-	279,242,285
Vehicles and equipment	19,672,118	776,917	-	20,449,035
Total Capital Assets Being Depreciated	<u>284,174,809</u>	<u>69,034,521</u>	<u>-</u>	<u>353,209,330</u>
Total Capital Assets	<u>354,312,080</u>	<u>106,895,956</u>	<u>68,311,209</u>	<u>392,896,827</u>
Less Accumulated Depreciation	<u>96,398,798</u>	<u>11,672,854</u>	<u>-</u>	<u>108,071,652</u>
Net Capital Assets	<u>\$ 257,913,282</u>	<u>\$ 95,223,102</u>	<u>\$ 68,311,209</u>	<u>\$ 284,825,175</u>

Depreciation expense for the year was \$11,672,854.

Interest expense on capital related debt for the year ended June 30, 2015, was \$16,719,573. Of this amount, \$908,538 was capitalized.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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***NOTE 6 - ACCOUNTS PAYABLE***

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 6,946,000
Construction	4,574,701
Student health insurance	558,222
Other	1,889,675
Total	<u>\$ 13,968,598</u>
	<u>Fiduciary Funds</u>
Other liabilities	<u>\$ 31,806</u>

***NOTE 7 - UNEARNED REVENUE***

Unearned revenue for the District consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 68,902
State categorical aid	3,051,197
Enrollment fees	8,163,534
Redevelopment Agency revenues	818,177
Other local	803,545
Total	<u>\$ 12,905,355</u>
	<u>Fiduciary Funds</u>
Federal categorical	<u>\$ 109,046</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### *NOTE 8 - 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, 2015, there were no amounts owed between the primary government and the fiduciary funds.

#### **Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2015 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$125,000.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year as restated	Additions	Deductions	Balance End of Year	Due in One Year
<b>General Obligation Bonds</b>					
2005 General Obligation Refunding Bonds	\$ 30,523,528	\$ 492,680	\$ 3,075,000	\$ 27,941,208	\$ 3,070,000
Unamortized premium	3,639,156	-	404,350	3,234,806	-
2006 General Obligation Bonds, Series B	84,635,000	-	4,685,000	79,950,000	4,880,000
Unamortized premium	3,906,277	-	217,015	3,689,262	-
2012 General Obligation Bonds, Series C	190,767,092	7,578,169	185,000	198,160,261	-
Unamortized premium	2,947,693	-	121,974	2,825,719	-
2012 General Obligation Refunding Bonds	41,490,000	-	-	41,490,000	-
Unamortized premium	7,478,939	-	815,884	6,663,055	-
<b>Total General Obligation Bonds</b>	<b>365,387,685</b>	<b>8,070,849</b>	<b>9,504,223</b>	<b>363,954,311</b>	<b>7,950,000</b>
<b>Other Liabilities</b>					
Compensated absences, net	3,116,526	-	59,206	3,057,320	-
Aggregate net pension obligation	123,131,133	-	28,054,658	95,076,475	-
<b>Total Other Liabilities</b>	<b>126,247,659</b>	<b>-</b>	<b>28,113,864</b>	<b>98,133,795</b>	<b>-</b>
<b>Total Long-Term Obligations</b>	<b>\$ 491,635,344</b>	<b>\$ 8,070,849</b>	<b>\$ 37,618,087</b>	<b>\$ 462,088,106</b>	<b>\$ 7,950,000</b>

**Description of Debt**

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The accrued vacation and pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Bonded Debt

#### 2005 General Obligation Refunding Bonds

During August 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$40,252,335. The bonds issued included \$25,045,000 of current interest bonds and \$15,207,335 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$23,395,000. The bonds mature beginning on August 1, 2006 through August 1, 2022, with interest yields ranging from 3.00 percent to 5.00 percent. At June 30, 2015, the principal balance outstanding (including accreted interest to date) was \$27,941,208, and the unamortized premium was \$3,234,806. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used to advance refund a portion of the outstanding General Obligation Bonds, Election of 2002, Series 2003A. The amount of the advance refund for these bonds was \$36,820,000. Funds have been placed in an irrevocable escrow account for the future redemption of these bonds. The advanced refunding bonds were paid off in August 2014. As the advance refunding has met the requirements of an in-substance defeasance, the debt obligations of \$36,820,000 for the bonds have been removed as long-term obligations of the District.

#### 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. The bonds mature beginning August 1, 2007 through August 1, 2031, with interest rates ranging from 3.50 percent to 5.00 percent. At June 30, 2015, the principal balance outstanding was \$79,950,000, and the unamortized premium was \$3,689,262. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

#### 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. 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, 2015, the principal balance outstanding (including accreted interest to date) was \$198,160,261. Unamortized premium received on issuance of the bonds amounted to \$2,825,719 as of June 30, 2015.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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 to occur 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, 2015, the principal balance outstanding was \$41,490,000. Unamortized premium received on issuance of the bonds amounted to \$6,663,055 as of June 30, 2015.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds	Issued	Accreted	Redeemed	Bonds
				Outstanding July 1, 2014		Interest Additions		Outstanding June 30, 2015
2005	2022	3.00 - 5.00%	\$ 40,252,335	\$ 30,523,528	\$ -	\$ 492,680	\$ 3,075,000	\$ 27,941,208
2006	2031	3.50 - 5.00%	150,000,000	84,635,000	-	-	4,685,000	79,950,000
2012	2038	4.00 - 5.00%	180,812,882	190,767,092	-	7,578,169	185,000	198,160,261
2012	2023	2.00 - 5.00%	41,755,000	41,490,000	-	-	-	41,490,000
				<u>\$ 347,415,620</u>	<u>\$ -</u>	<u>\$ 8,070,849</u>	<u>\$ 7,945,000</u>	<u>\$ 347,541,469</u>

The 2005 General Obligation Refunding Bonds mature through 2023 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2016	\$ 2,896,208	\$ 173,792	\$ 1,252,250	\$ 4,322,250
2017	3,075,000	-	1,175,375	4,250,375
2018	3,230,000	-	1,017,750	4,247,750
2019	3,390,000	-	852,250	4,242,250
2020	3,560,000	-	678,500	4,238,500
2021-2023	11,790,000	-	903,500	12,693,500
Total	<u>\$ 27,941,208</u>	<u>\$ 173,792</u>	<u>\$ 5,879,625</u>	<u>\$ 33,994,625</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The 2006 General Obligation Bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 4,880,000	\$ 3,644,074	\$ 8,524,074
2017	5,090,000	3,432,212	8,522,212
2018	-	3,324,050	3,324,050
2019	-	3,324,050	3,324,050
2020	-	3,324,050	3,324,050
2021-2025	7,395,000	16,444,619	23,839,619
2026-2030	42,585,000	9,994,358	52,579,358
2031-2032	20,000,000	961,162	20,961,162
Total	<u>\$ 79,950,000</u>	<u>\$ 44,448,575</u>	<u>\$ 124,398,575</u>

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>Interest to Maturity</u>	<u>Total</u>
2016	\$ -	\$ -	\$ 1,360,000	\$ 1,360,000
2017	548,489	46,511	1,360,000	1,955,000
2018	1,300,993	189,007	1,360,000	2,850,000
2019	1,885,651	394,349	1,360,000	3,640,000
2020	2,436,250	673,750	1,360,000	4,470,000
2021-2025	27,890,681	9,324,319	6,800,000	44,015,000
2026-2030	44,156,806	32,698,194	6,800,000	83,655,000
2031-2035	53,378,010	74,276,990	6,800,000	134,455,000
2036-2039	66,563,381	77,049,235	3,400,000	147,012,616
Total	<u>\$ 198,160,261</u>	<u>\$ 194,652,355</u>	<u>\$ 30,600,000</u>	<u>\$ 423,412,616</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ -	\$ 1,968,950	\$ 1,968,950
2017	-	1,968,950	1,968,950
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
2021-2024	25,335,000	2,610,625	27,945,625
Total	<u>\$ 41,490,000</u>	<u>\$ 11,475,275</u>	<u>\$ 52,965,275</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### **Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2015, amounted to \$3,057,320.

### **Aggregate Net Pension Obligation**

As of June 30, 2015, the aggregate net pension obligation was \$95,076,475. See Note 12 for additional information.

### ***NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION***

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

### **Plan Description**

The El Camino Community College District Health Plan (the Plan) is a single-employer defined benefit health care plan administered by the El Camino Community College District. The Plan provides medical benefits to eligible retirees. Membership of the Plan consists of approximately 286 retirees and beneficiaries currently receiving benefits and approximately 805 active Plan members.

### **Contribution Information**

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal year 2014-2015, the District contributed \$4,066,677 to the Plan. \$3,406,913 was contributed to the Irrevocable Trust, and \$659,764 was contributed from the Unrestricted General Fund to pay for current year premiums.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Annual OPEB Cost and Net OPEB Asset**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB asset to the Plan:

Annual required contribution	\$ 929,960
Contributions paid by the District Unrestricted General Fund	659,764
Contributions made to Irrevocable Trust	3,406,913
Change in value of Irrevocable Trust	<u>1,398,338</u>
Increase in net OPEB asset	4,535,055
Net OPEB asset, beginning of year	<u>7,871,175</u>
Net OPEB asset, end of year	<u><u>\$ 12,406,230</u></u>

**Trend Information**

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2013	\$ 1,926,390	\$ 16,585,377	861%	\$ 7,130,076
2014	1,926,390	3,314,335	172%	7,871,175
2015	929,960	4,066,677	437%	12,406,230

**Funding Status and Funding Progress**

Actuarial Accrued Liability (AAL)	\$ 22,214,690
Actuarial Value of Plan Assets	<u>17,189,426</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 5,025,264</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	77%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u><u>N/A</u></u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The above noted actuarial accrued liability was based on the October 1, 2013, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, based on the assumed long-term return on Plan assets or employer assets. The cost trend rate used for the Medical Program was four percent. The UAAL is being amortized at a level percentage of payroll method. An open 25 year amortization period was used. The actuarial value of assets at the actuarial valuation date of October 1, 2013, was \$17,189,426. The value of the assets as of June 30, 2015, was \$22,732,030.

### ***NOTE 11 - RISK MANAGEMENT***

#### **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. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District. The District is self-insured with respect to general and property liability. Losses up to \$50,000 for general liability and \$25,000 for property liability are paid by the District.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Joint Powers Authority Risk Pools**

During fiscal year ended June 30, 2015, 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 2014-2015, the District participated in the Southern California Community Colleges Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Obligation</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 61,735,680	\$ 3,681,561	\$ 15,202,294	\$ 5,329,783
CalPERS	33,340,795	3,734,856	13,050,936	2,963,316
Total	<u>\$ 95,076,475</u>	<u>\$ 7,416,417</u>	<u>\$ 28,253,230</u>	<u>\$ 8,293,099</u>

## EL CAMINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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, 2013, 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.

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

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

**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, 2015, are presented above, and the District's total contributions were \$3,681,561.

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

At June 30, 2015, 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	\$ 61,735,680
State's proportionate share of net pension liability associated with the District	37,278,669
Total	<u>\$ 99,014,349</u>

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.1056 percent.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$5,329,783. In addition, the District recognized revenue and pension expense of \$3,218,353 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,681,561	\$ -
Difference between projected and actual earnings on pension plan investments	-	15,202,294
Total	<u>\$ 3,681,561</u>	<u>\$ 15,202,294</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 year ended June 30, 2016.

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

<u>Year Ended June 30,</u>	<u>Amortization</u>
2016	\$ 3,800,573
2017	3,800,573
2018	3,800,573
2019	3,800,575
Total	<u>\$ 15,202,294</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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%

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 investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on 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%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**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.

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%)	\$ 96,229,779
Current discount rate (7.60%)	61,735,680
1% increase (8.60%)	32,973,870

**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, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. 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>.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2015, 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	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

**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, 2015, are presented above, and the total District contributions were \$3,734,856.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$33,340,795. The net pension liability was measured as of June 30, 2014. 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 period June 30, 2014 and June 30, 2013, respectively, was 0.2937 percent and 0.3085 percent, resulting in a net decrease in the proportionate share of 0.0149 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,963,316. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,734,856	\$ -
Net change in proportionate share of net pension obligation	-	1,594,666
Difference between projected and actual earnings on pension plan investments	-	11,456,270
Total	<u>\$ 3,734,856</u>	<u>\$ 13,050,936</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 year ended June 30, 2016.

The deferred inflows of resources related to the net change in proportionate share of net pension liability will be amortized over the Expected Average Remaining Service Lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years, and the pension expense will be recognized as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2016	\$ 531,556
2017	531,556
2018	531,554
Total	<u>\$ 1,594,666</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

Year Ended June 30,	<u>Amortization</u>
2016	\$ 2,864,068
2017	2,864,068
2018	2,864,068
2019	2,864,066
Total	<u><u>\$ 11,456,270</u></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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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, 2015

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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	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 58,487,365
Current discount rate (7.50%)	33,340,795
1% increase (8.50%)	12,328,300

**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, 2015, which amounted to \$2,379,413 (5.679 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, 2015. 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 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

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

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

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

During the year ended June 30, 2015, the District made payments of \$1,361,064 and \$666,314 to SCCC - JPA and SWACC, respectively.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### *NOTE 14 - COMMITMENTS AND CONTINGENCIES*

#### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

#### **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, 2015.

#### **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 non-credit 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, 2015, amounted to approximately \$236,506.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Construction Commitments**

As of June 30, 2015, 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>
Stadium Project	\$ 18,795,142	March 2016
Industry and Technology (MCS)	955,635	July 2015
Lot C Parking Structure*	315,046	March 2017
Lot F and E Parking Structure Upgrade	1,329,512	June 2017
Student Services Center*	942,570	August 2017
Gymnasium*	765,522	August 2017
Natural Science Roof Replacement	176,000	September 2017
Art Building and Physical Education Air Handler Replacements	13,570	June 2016
	<u>\$ 23,292,997</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.

**NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ 81,854,128
Inclusion of net pension obligation from the adoption of GASB Statement No. 68	(123,131,133)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	7,409,562
Net Position - Beginning, as restated	<u>\$ (33,867,443)</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Method Used (b)*</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
March 1, 2009	\$ -	\$ 18,814,878	\$ 18,814,878	0%	N/A	N/A
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

\* Entry age normal method

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CalSTRS**

District's proportion of the net pension liability	<u>0.1056%</u>
District's proportionate share of the net pension liability	\$ 61,735,680
State's proportionate share of the net pension liability associated with the District	37,278,669
Total	<u>\$ 99,014,349</u>
District's covered - employee payroll	<u>\$ 39,884,567</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>155%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

**CalPERS**

District's proportion of the net pension liability	<u>0.2937%</u>
District's proportionate share of the net pension liability	<u>\$ 33,340,795</u>
District's covered - employee payroll	<u>\$ 30,362,895</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>110%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CalSTRS**

Contractually required contribution	\$ 3,681,561
Contributions in relation to the contractually required contribution	<u>3,681,561</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 41,471,038</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

**CalPERS**

Contractually required contribution	\$ 3,734,856
Contributions in relation to the contractually required contribution	<u>3,734,856</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 31,774,069</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

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*SUPPLEMENTARY INFORMATION*

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# EL CAMINO COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2015

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

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. William J. Beverly	President	November 2019
Mr. Kenneth A. Brown	Vice President	November 2019
Mr. John Vargas	Secretary	November 2017
Mr. Cliff Numark	Member	November 2017
Mrs. Mary E. Combs	Member	November 2019
Mr. Eman Dalili	Student Member	May 2016

### ADMINISTRATION

Dr. Thomas M. Fallo	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. Linda Beam	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, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		\$ 789,370
Federal Work-Study (FWS)	84.033		775,135
Federal Pell Grant (PELL)	84.063		39,993,054
Administrative Allowance (PELL)	84.063		91,669
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Scholarships for Disadvantaged Students	93.925		635,203
Total Student Financial Assistance Cluster			<u>42,284,431</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Hispanic Serving Institution - STEM	84.031C		790,463
Passed through from Mount Saint Mary's College			
Improving STEM Curricula, Support, and Articulation for Hispanic, Women, and Low-Income Students	84.031C	P031C110101	170,399
Title V - Improving Graduation and Completion Rates	84.031S		734,508
TRIO - Student Support Services	84.042A		216,393
<b>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES</b>			
Passed through the Western Oregon University			
Western Region Interpreter Education Center (WRIEC)	84.160A	USDE 12.01	161,273
<b>CAREER AND TECHNICAL ACT</b>			
Passed through the California Community Colleges Chancellor's Office			
Perkins IV, Title I, Part C	84.048	14-C01-014	824,162
CTE Transitions	84.048A	14-112-720	43,269
Total U.S. Department of Education			<u>45,224,898</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Medi-Cal Administrative Activities	93.778		18,822
Temporary Assistance for Needy Families (TANF) Cluster			
Passed through the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	117,048
Passed through the Los Angeles County Department of Public Social Services			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	95,992
Total TANF Cluster			<u>213,040</u>
Total U.S. Department of Health and Human Services			<u>231,862</u>

[1] Pass-Through Identifying Number not available

\* Research and Development Grants

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015, (CONTINUED)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Federal Bureau of Prisons - FCI Terminal Island	16.000		\$ 255,126
Total U.S. Department of Justice			<u>255,126</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through California Manufacturers and Technology Association (CMTA)			
H-1B Technical Skills Training	17.268	HG-22589- 12-60-A-6	710,177
Total U.S. Department of Labor			<u>710,177</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Achievement Scholarships in Engineering, Mathematics, and Science * Passed through University of California, Los Angeles	47.076		127,736
Frontier Opportunities in Computing for Underrepresented Students *	47.070	CNS-0634520	2,084
Total National Science Foundation			<u>129,820</u>
<b>SMALL BUSINESS ADMINISTRATION</b>			
Passed through Long Beach Community College District Small Business Development Center	59.037	[1]	296,888
Total Small Business Administration			<u>296,888</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Education Representative Fee	64.000		5,344
Total U.S. Department of Veterans Affairs			<u>5,344</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through from Global Corporate College Transportation Security Administration Associate Program	97.000	[1]	69,784
Total U.S. Department of Homeland Security			<u>69,784</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Americorps - National Service Awards	94.006		14,716
Total Expenditures of Federal Awards			<u>\$ 46,938,615</u>

[1] Pass-Through Identifying Number not available

\* Research and Development Grants

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>GENERAL FUND</b>			
Advanced Manufacturing and Engineering Tech Learning	\$ 2,803,282	\$ -	\$ 2,803,282
Advanced Manufacturing Sector Navigator	372,500	253,590	626,090
Basic Skills	180,122	314,229	494,351
BFAP	752,881	13,421	766,302
Cal Grants	2,401,401	-	2,401,401
CalWORKs and Regional Effort	506,073	-	506,073
Capacity Building	100,000	-	100,000
Capital Infusion Program G-Biz	60,000	-	60,000
Career Advancement Academy	1,115,054	-	1,115,054
Career Technical Education 06/07	-	93,583	93,583
Career Technical Education IV	-	213,136	213,136
CTE Enhancement	435,358	-	435,358
Cooperative Agencies Resources for Education (CARE)	148,051	-	148,051
Consortium Planning	-	267,819	267,819
Deputy Sector Navigator	200,000	31,201	231,201
Digital Media Arts Career Pathway	406	-	406
Disabled Students Program and Services (DSP&S)	1,934,347	-	1,934,347
ARRAN-RN	171,000	-	171,000
Extended Opportunity Program and Services (EOP&S)	1,305,386	-	1,305,386
Faculty and Staff Diversity	8,072	24,271	32,343
Foster Care Education	100,652	-	100,652
Historically Black Colleges and Universities	37,158	3,150	40,308
In-Region Investments	155,786	-	155,786
Instructional Equipment	1,228,098	168,730	1,396,828
LAUP Workforce Consortium Program	26,215	-	26,215
MAPP-Model Approaches for Partnerships in Parenting	29,354	-	29,354
Student Success and Support Program - Credit	2,760,477	395,911	3,156,388
MESA Program	50,500	5,369	55,869
Prop 39 Program Improvement Funds	57,594	-	57,594
Retail/Hospitality	372,500	334,572	707,072
Small Business Sector Navigator	4,200	-	4,200
Staff Development	-	1,665	1,665
Student Success and Support Program - Equity	1,044,414	-	1,044,414
Teacher Pipeline	120,000	-	120,000
Transfer and Articulation	-	702	702
Workforce Innovation Partnership (WIP)	-	154,837	154,837
Workplace Learning Center - Industry Driven Grants	123,615	-	123,615
Total			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ -	\$ 588,754	\$ -	\$ 588,754	\$ 588,754
149,000	358,434	-	507,434	507,434
494,351	-	9,236	485,115	485,115
766,302	-	-	766,302	766,302
2,401,401	-	733	2,400,668	2,400,668
542,282	-	36,210	506,072	506,072
-	100,000	-	100,000	100,000
19,825	20,828	-	40,653	40,653
485,055	-	37,246	447,809	447,809
93,583	-	87,840	5,743	5,743
213,136	-	-	213,136	213,136
174,143	-	93,433	80,710	80,710
148,051	-	-	148,051	148,051
236,106	31,713	-	267,819	267,819
104,533	74,600	-	179,133	179,133
-	406	-	406	406
1,934,347	-	-	1,934,347	1,934,347
137,646	-	-	137,646	137,646
1,305,386	-	-	1,305,386	1,305,386
32,343	-	21,576	10,767	10,767
50,326	50,326	-	100,652	100,652
28,308	12,000	-	40,308	40,308
17,453	41,492	-	58,945	58,945
1,396,828	-	317,330	1,079,498	1,079,498
-	25,416	-	25,416	25,416
20,854	7,362	-	28,216	28,216
3,156,388	-	1,474,234	1,682,154	1,682,154
35,669	20	-	35,689	35,689
57,594	-	57,594	-	-
149,000	423,383	-	572,383	572,383
4,200	-	-	4,200	4,200
1,665	-	1,665	-	-
1,044,414	-	878,301	166,113	166,113
48,000	-	35,799	12,201	12,201
702	-	-	702	702
154,837	-	-	154,837	154,837
123,615	-	-	123,615	123,615
<u>\$ 15,527,343</u>	<u>\$ 1,734,734</u>	<u>\$ 3,051,197</u>	<u>\$ 14,210,880</u>	<u>\$ 14,210,880</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENTS ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2015**

<b>CATEGORIES</b>	<u>*Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2014 only)</b>			
1. Noncredit	-	-	-
2. Credit	1,661.96	-	1,661.96
<b>B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)</b>			
1. Noncredit	-	-	-
2. Credit	532.45	-	532.45
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	15,175.48	-	15,175.48
(b) Daily Census Contact Hours	482.08	-	482.08
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	25.75	-	25.75
(b) Credit	559.94	-	559.94
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	701.63	-	701.63
(b) Daily Census Contact Hours	23.71	-	23.71
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>19,163.00</u>	<u>-</u>	<u>19,163.00</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	200.31	-	200.31
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit	11.66	-	11.66
2. Credit	881.79	-	881.79

\* Annual report revised as of October 28, 2015.

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, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 25,680,966	\$ -	\$ 25,680,966	\$ 25,680,966	\$ -	\$ 25,680,966
Other	1300	15,240,256	-	15,240,256	15,240,256	-	15,240,256
<b>Total Instructional Salaries</b>		<b>40,921,222</b>	<b>-</b>	<b>40,921,222</b>	<b>40,921,222</b>	<b>-</b>	<b>40,921,222</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	7,293,182	-	7,293,182
Other	1400	-	-	-	1,192,241	-	1,192,241
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,485,423</b>	<b>-</b>	<b>8,485,423</b>
<b>Total Academic Salaries</b>		<b>40,921,222</b>	<b>-</b>	<b>40,921,222</b>	<b>49,406,645</b>	<b>-</b>	<b>49,406,645</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	19,683,740	-	19,683,740
Other	2300	-	-	-	2,466,553	-	2,466,553
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>22,150,293</b>	<b>-</b>	<b>22,150,293</b>
<b>Instructional Aides</b>							
Regular Status	2200	1,369,900	-	1,369,900	1,740,994	-	1,740,994
Other	2400	-	-	-	-	-	-
<b>Total Instructional Aides</b>		<b>1,369,900</b>	<b>-</b>	<b>1,369,900</b>	<b>1,740,994</b>	<b>-</b>	<b>1,740,994</b>
<b>Total Classified Salaries</b>		<b>1,369,900</b>	<b>-</b>	<b>1,369,900</b>	<b>23,891,287</b>	<b>-</b>	<b>23,891,287</b>
Employee Benefits	3000	8,855,811	-	8,855,811	18,677,700	-	18,677,700
Supplies and Material	4000	-	-	-	1,050,906	-	1,050,906
Other Operating Expenses	5000	-	-	-	9,405,609	-	9,405,609
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>51,146,933</b>	<b>-</b>	<b>51,146,933</b>	<b>102,432,147</b>	<b>-</b>	<b>102,432,147</b>

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	16,833	-	16,833
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	396,554	-	396,554
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	-	-	-	263,844	-	263,844
Noninstructional Supplies and Materials	4400	-	-	-	635,921	-	635,921
<b>Total Supplies and Materials</b>		-	-	-	899,765	-	899,765

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, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,283,911	\$ -	\$ 1,283,911
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	384,146	-	384,146
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	384,146	-	384,146
<b>Total Capital Outlay</b>		-	-	-	384,146	-	384,146
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	2,981,209	-	2,981,209
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 51,146,933	\$ -	\$ 51,146,933	\$ 99,450,938	\$ -	\$ 99,450,938
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		51.43%		51.43%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 49,725,469		\$ 49,725,469

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, 2015**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2015.

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, 2015**

<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Proceeds:	8630				\$ 17,547,895
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 17,547,895			\$ 17,547,895
<b>Total Expenditures for EPA</b>		\$ 17,547,895	-	-	\$ 17,547,895
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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

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

General Fund - unrestricted	\$ 17,710,651
General Fund - restricted	2,160,900
Debt Service Funds	12,769,772
Capital Project Funds	110,183,154
Enterprise Funds	2,269,646
Internal Service Funds	1,228,190
Fiduciary Funds	<u>1,656,207</u>

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

\$ 147,978,520

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	392,896,827	
Accumulated depreciation is	(108,071,652)	
Less fixed assets already recorded in the enterprise funds	<u>(49,428)</u>	284,775,747

Expenditures relating to the issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis. 2,172,777

Amounts held in trust on behalf of others (Trust and Agency Funds) (1,490,187)

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 12,406,230

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. (3,470,406)

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 7,416,417

The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits. (1,594,666)

Difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. (26,658,564)

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION, (CONTINUED)  
JUNE 30, 2015**

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Long-term obligations at year end consist of:

Bonds payable	\$ 328,089,326	
Unamortized premium	16,412,842	
Compensated absences	3,057,320	
Net pension obligation	95,076,475	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:	<u>19,452,143</u>	<u>\$ (462,088,106)</u>
<b>Total Net Position</b>		<u><u>\$ (40,552,238)</u></u>

See accompanying note to supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

**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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government 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:		\$ 47,097,021
Total Federal Revenue From the Statement of Changes in Fiduciary Net Position		14,716
Federal Bureau of Prisons - FCI Terminal Island	16.000	(102,045)
Various programs indirect costs recorded in general unrestricted fund		(71,077)
Total Schedule of Expenditures of Federal Awards		<u>\$ 46,938,615</u>

**Subrecipients**

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Perkins IV, Title I, Part C		
Passed through to Compton Center	84.048	\$ 153,307
H-1B Technical Skills Training		
Passed through to Cerritos Community College District	17.268	268,000
H-1B Technical Skills Training		
Passed through to North Orange County Community College District	17.268	242,075
		<u>\$ 663,382</u>

## **EL CAMINO COMMUNITY COLLEGE DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015**

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#### **Schedule of Expenditures of State Awards**

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

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

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

#### **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.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Board of Trustees  
El Camino Community College District  
Torrance, California

We have audited, in accordance with 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 basic 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, 2015, 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 16, 2015.

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

As discussed in Note 2 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 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 16, 2015.

### **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.

*Vaurinek, Tine, Day & Co., LLP.*

Rancho Cucamonga, California  
December 16, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 *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, 2015. 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 laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 consider 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, 2015.

## 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 OMB Circular A-133, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vaurine, Tine, Day & Co., LLP.

Rancho Cucamonga, California  
December 16, 2015



## 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 August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

### Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

### 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*. 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.

### Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 491 Proposition 30 Education Protection Account Funds. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

## Unmodified Opinion for Each of the Other 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, 2015, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no 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.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

*Vaurine, Time, Day & Co., LLP.*  
Rancho Cucamonga, California  
December 16, 2015

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

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 93.925	<u>Student Financial Assistance Cluster</u>
<u>84.031C</u>	<u>Hispanic Serving Institution - STEM</u>
	<u>Improving STEM Curricula, Support, and</u>
	<u>Articulation for Hispanic, Women, and</u>
<u>84.031C</u>	<u>Low-Income Students</u>
	<u>Title V - Improving Graduation and</u>
<u>84.031S</u>	<u>Completion Rates</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,408,158</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unmodified for all State programs except for the following State program which was qualified:	

<u>Name of State Program</u>
Section 491 Proposition 30 Education
<u>Protection Account Funds</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

## **EL CAMINO COMMUNITY COLLEGE DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015**

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The following finding represents instances of noncompliance and/or questioned costs relating to State program laws and regulations.

#### **2015-001 SECTION 491 PROPOSITION 30 EDUCATION PROTECTION ACCOUNT FUNDS**

##### **Criteria or Specific Requirement**

According to the Accounting Advisory meeting held by the California Community Colleges Chancellor's Office, districts are required to hold an open session public meeting for the adoption of the budget plan to expend Education Protection Account (EPA) funds.

##### **Condition**

The District did not meet the State requirements for holding an open session public meeting to adopt a plan to expend EPA funds.

##### **Questioned Costs**

There are no questioned costs associated with this finding. There were no questioned costs noted during our testing.

##### **Recommendation**

The District should implement a control procedure for future receipt of funds that require an open public session to ensure that compliance requirements are met.

##### **Management Response and Corrective Action Plan**

The District has implemented a procedure to hold an open session public meeting for the adoption of the budget plan on how the Education Protection Account (EPA) funds will be spent. For the 2014-2015 year EPA funds, the District will hold an open session public meeting in December 2015 to retroactively approve the expenditure of EPA funds.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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

### *Federal Awards Findings*

#### **2014-001 PROCUREMENT, SUSPENSION, AND DEBARMENT**

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

U.S. Department of Education (DOE): Title V - Improving Graduation and Completion Rates (CFDA #84.031S); Hispanic Serving Institution - STEM (CFDA #84.031C); and Improving STEM Curricula, Support, and Articulation for Hispanic, Women, and Low-Income Students (CFDA #84.031C)

##### **Compliance Requirement**

Procurement, Suspension, and Debarment

##### **Criteria or Specific Requirements**

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. (2 CFR part 215.13) require that non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. All transactions with vendors over \$25,000 should be verified they are not suspended or debarred.

##### **Condition**

*Significant Deficiency:* The purchasing department contracts include a suspension and debarment self-certifying statement; however, it appears that outdated contracts are being used in some instances at the College. It was also noted that the District does not have written policies and procedures in place for verifying their contracts.

##### **Questioned Costs**

No questioned costs. See Context.

##### **Context**

Out of the four vendors tested who had more than \$25,000 in disbursements, two vendors were not adequately checked and documented for suspension and debarment; however, the District did not expend any funds to excluded parties.

##### **Effect**

Future expenditures to excluded parties can result in the District having to return Federal funds.

## **EL CAMINO COMMUNITY COLLEGE DISTRICT**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015**

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#### **Cause**

The District has not implemented policies and procedures to ensure the compliance with Federal requirements.

#### **Recommendation**

It is recommended the District adequately verify all vendors who are providing services to federally funded programs in excess of \$25,000 to ensure that the entity is not suspended, debarred, or otherwise excluded. This verification should be checked on the System for Awards Management (SAM) website. The District should also establish policies and procedures for individuals to follow who are approving and creating contracts with Federal funds.

#### **Current Status**

Implemented.