

**COMPTON  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2018**

# COMPTON COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Compton Community College District  
Compton, 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 Compton Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter - Change in Accounting Principles

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 14 and other required supplementary schedules on pages 67 through 71 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The unaudited supplementary schedules on pages 98 through 104 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures to the additional supplementary information 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. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with significant evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Vaunier, Tunc, Day & Co., LLP*

Rancho Cucamonga, California  
December 4, 2018



**Serving the Communities of**

Compton, Lynwood, Paramount and Willowbrook, as well as portions of Athens, Bellflower, Carson, Downey, Dominguez, Lakewood, Long Beach, and South Gate

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Student Trustee

**KEITH CURRY, Ed.D.**  
President/CEO

**Introduction**

The purpose of this management's discussion and analysis (MD&A) is to provide readers with information about the activities, programs, and financial condition of the Compton Community College District (the District) as of June 30, 2018. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

The District was established in 1927 and serves the communities of Compton, Willowbrook, Enterprise, Carson, Lynwood, and Paramount. Students in our college may complete the freshman and sophomore years of a baccalaureate degree and transfer to upper division study at a university or complete a certificated vocational program and move directly to the work force.

On June 30, 2006, the District was notified that its accreditation by the Accrediting Commission for Community and Junior Colleges (ACCJC) was being withdrawn. In anticipation of this action, the legislature passed Assembly Bill 318 (AB 318). AB 318 put into place several operational parameters unique to Compton Community College District. It provided the District with a \$30 million Line of Credit that was to be used to assist with recovery. The District withdrew \$17.9 million and is required to make annual debt service payments until this amount is repaid in full. The District entered a unique partnership with El Camino Community College District to provide accredited educational services to the community.

At its June 7, 2017 meeting, the ACCJC granted initial accreditation status to Compton College; the action established Compton College as an accredited college under the authority of the El Camino Community College District Board of Trustees.

On August 27, 2018, Compton College received notification from the Accrediting Commission for Community and Junior Colleges that its Substantive Change Proposal had been approved. This document outlined the transition of control of Compton College to Compton Community College District.

On August 29, 2018, the California Community Colleges Chancellor issued Executive Order 2018-01 declaring Compton College will operate as an independent college under the authority of the District Board of Trustees effective June 7, 2019, at 11:59 p.m. On October 16, 2018, the District Board of Trustees approved Resolution No. 10-16-2018A, terminating the agreement dated November 30, 2016, between the District and El Camino Community College District effective June 7, 2019, at 11:59 p.m. At this time, Compton College will operate as an independent college under the authority of the District Board of Trustees, and the partnership with El Camino Community College District will end.



# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### Overview of the Financial Statements

The Compton Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) 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's Discussion and Analysis – for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. Under the Business-Type Activity (BTA) reporting model, this report consists of three basic financial statements that provide information on the District's governmental activities as a whole: the Statement of Net Position; the Statement of Revenues, Expenditures, and Changes in Net Position; and the Statement of Cash Flows.

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

The District's financial statements reflect the implementation of GASB issued Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The primary objective of these Statements 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.

### Financial Highlights - Obligations

The District continues to make annual debt service payments on the Line of Credit obligation owed to the State of California. This is an obligation paid from the Unrestricted Resources of our General Fund.

The State of California strongly recommended that districts plan for significant pension rate increases that are to occur over the next five years. The District created a Pension Trust Stabilization Fund and contributed \$200,000 to partially prefund the obligation.

The District has also committed to funding its Other Postemployment Benefits (OPEB) obligation. The District budgeted for and made a contribution of \$250,000 to the trust established for this purpose.

Further information is included within this report within the MD&A section under Debt Obligations and in the Notes to the Financial Statements.

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### **Financial Highlights - Capital Outlay and Capital Asset Additions**

College facilities improvements are essential to the future growth at the College. Bonds financed by property owners of the District, as well as State bonds, are utilized to fund the College's Facilities Master Planning document that was updated this year.

Several construction and modernization projects at the District are in progress. The projects listed below are funded both through State Capital Outlay construction revenues and through the District's voter approved General Obligation Bonds.

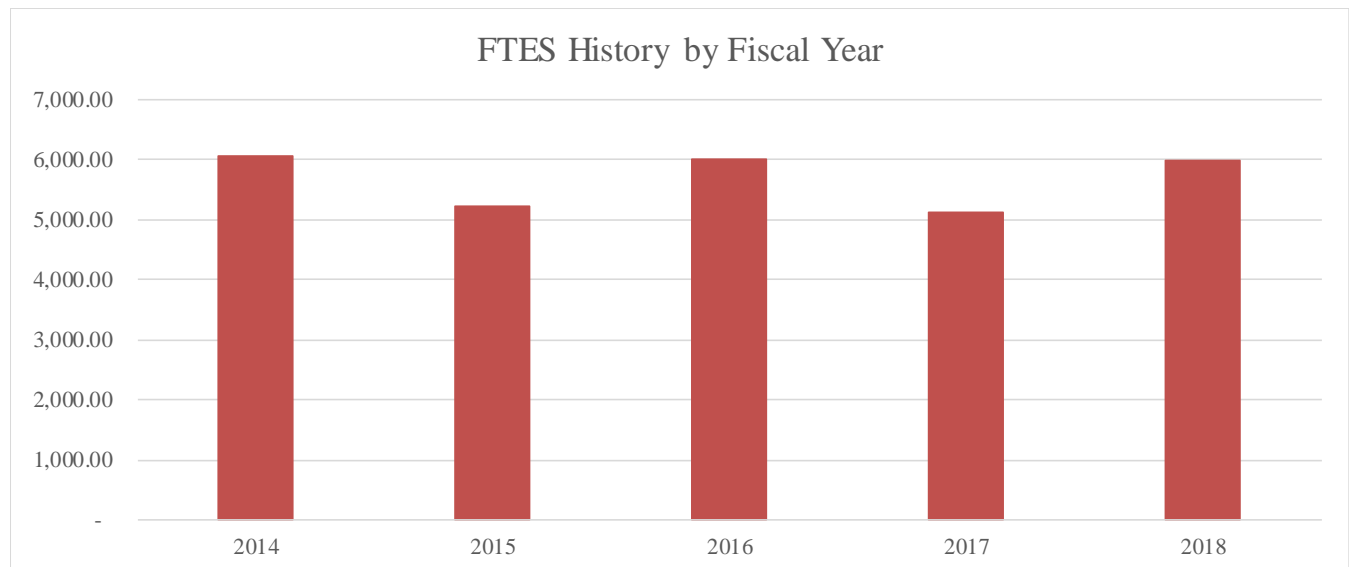
- Instructional Building #1
- Instructional Building #2

Additionally, the following major projects listed below continue in progress and are funded solely by the District's voter approved General Obligation Bonds.

- Public Safety Facility
- Student Services Building

### **Full-Time Equivalent Students Growth/Declines**

Over the past five years, Full-Time Equivalent Students (FTES) fluctuated up and down but has remained relatively stable at or near 6,000 FTES.



# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year, and was 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 reader a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, deferred outflows of resources liabilities, deferred inflows of resources, and net position.

From the data presented, the reader of the Statement of Net Position is able to determine the assets available to continue operations of the District. The reader is 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 total liabilities 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 accumulated depreciation.

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; these net positions are 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 positions, which are available to the District for any lawful purpose of the District.

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

A summary of the Statement of Net Position as of June 30, 2018 and June 30, 2017, is below:

**Table 1**

|  | <b>2018</b>          | <b>(as restated)<br/>2017</b> | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|--|----------------------|-------------------------------|--------------------------------|---------------------------|
| <b>ASSETS</b>                                      |                      |                               |                                |                           |
| <b>Current Assets</b>                              |                      |                               |                                |                           |
| Cash and investments                               | \$ 42,914,857        | \$ 37,883,303                 | \$ 5,031,554                   | 13.3%                     |
| Accounts receivable, net                           | 3,551,411            | 2,632,068                     | 919,343                        | 34.9%                     |
| Other current assets                               | 47,552               | 141,133                       | (93,581)                       | -66.3%                    |
| <b>Total Current Assets</b>                        | <b>46,513,820</b>    | <b>40,656,504</b>             | <b>5,857,316</b>               | <b>14.4%</b>              |
| <b>Noncurrent Assets</b>                           |                      |                               |                                |                           |
| Capital assets, net of accumulated depreciation    | 149,004,874          | 151,897,925                   | (2,893,051)                    | -1.9%                     |
| <b>TOTAL ASSETS</b>                                | <b>195,518,694</b>   | <b>192,554,429</b>            | <b>2,964,265</b>               | <b>1.5%</b>               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                      |                               |                                |                           |
| Deferred charges on refunding                      | 3,140,825            | 3,463,572                     | (322,747)                      | -9.3%                     |
| Deferred outflows of resources related to pensions | 11,527,360           | 7,839,357                     | 3,688,003                      | 47.0%                     |
| Deferred outflows of resources related to OPEB     | 672,378              | -                             | 672,378                        | 100.0%                    |
| <b>Total Deferred Outflows<br/>of Resources</b>    | <b>15,340,563</b>    | <b>11,302,929</b>             | <b>4,037,634</b>               | <b>35.7%</b>              |
| <b>LIABILITIES</b>                                 |                      |                               |                                |                           |
| <b>Current Liabilities</b>                         |                      |                               |                                |                           |
| Accounts payable                                   | 5,411,295            | 4,045,319                     | 1,365,976                      | 33.8%                     |
| Accrued interest payable                           | 1,151,555            | 1,190,131                     | (38,576)                       | -3.2%                     |
| Unearned revenue                                   | 5,003,431            | 3,779,844                     | 1,223,587                      | 32.4%                     |
| Current portion of long-term obligations           | 3,087,343            | 2,820,755                     | 266,588                        | 9.5%                      |
| <b>Total Current Liabilities</b>                   | <b>14,653,624</b>    | <b>11,836,049</b>             | <b>2,817,575</b>               | <b>23.8%</b>              |
| <b>Noncurrent Liabilities</b>                      |                      |                               |                                |                           |
| Bonds payable                                      | 81,040,741           | 81,820,700                    | (779,959)                      | -1.0%                     |
| Notes payable                                      | 8,773,818            | 9,731,161                     | (957,343)                      | -9.8%                     |
| Aggregate net pension obligation                   | 38,591,413           | 34,291,076                    | 4,300,337                      | 12.5%                     |
| Other long-term obligations                        | 10,933,912           | 11,244,138                    | (310,226)                      | -2.8%                     |
| <b>Total Noncurrent Liabilities</b>                | <b>139,339,884</b>   | <b>137,087,075</b>            | <b>2,252,809</b>               | <b>1.6%</b>               |
| <b>TOTAL LIABILITIES</b>                           | <b>153,993,508</b>   | <b>148,923,124</b>            | <b>5,070,384</b>               | <b>3.4%</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                      |                               |                                |                           |
| Deferred inflows of resources related to pensions  | 2,577,787            | 1,465,989                     | 1,111,798                      | 75.8%                     |
| <b>NET POSITION</b>                                |                      |                               |                                |                           |
| Net investment in capital assets                   | 86,229,669           | 88,583,022                    | (2,353,353)                    | -2.7%                     |
| Restricted for:                                    |                      |                               |                                |                           |
| Debt service                                       | 2,285,366            | 2,026,762                     | 258,604                        | 12.8%                     |
| Capital projects                                   | 1,435,811            | 1,572,827                     | (137,016)                      | -8.7%                     |
| Educational programs                               | 4,164,070            | 1,038,308                     | 3,125,762                      | 301.0%                    |
| Other activities                                   | 89,082               | 69,531                        | 19,551                         | 28.1%                     |
| Unrestricted                                       | (39,916,036)         | (39,822,205)                  | (93,831)                       | -0.2%                     |
| <b>TOTAL NET POSITION</b>                          | <b>\$ 54,287,962</b> | <b>\$ 53,468,245</b>          | <b>\$ 819,717</b>              | <b>1.5%</b>               |

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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- The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash and the net decrease in cash during fiscal year 2017-2018. Cash and Investments increased \$5.0 million primary due to funding received to assist the District transition from our partnership with El Camino Community College District.
- The majority of the accounts receivable balance is from Federal and State sources for apportionment and grant and entitlement programs. Included in accounts receivable is a \$1.7 million net student fee receivable.
- Capital assets had a net decrease of \$2.9 million. Depreciation expense of \$6.0 million was recognized during 2017-2018. The capital asset section of this discussion and analysis provides greater detail.
- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2018. Total accounts payable are \$5.4 million; most significant within this account is \$1.9 million due to employees for wages and benefits.
- The District's noncurrent liabilities consist of bonds payable, related to the issuance of Series A, B, C, D, and two refunding bonds that refunded all but one portion of Series A of the 2002 Measure CC General Obligation Bonds, one refunding bond that refunded a portion of Series B of the 2002 Measure CC General Obligation Bonds, and notes payable related to the drawdown from the Line of Credit through the State. The face value of these bonds at the time of initial sale totaled \$91.1 million, and \$79.2 million represents the remaining long-term obligation to satisfy these obligations. The District has issued \$91.1 million of the \$100 million authorized under Measure CC and has a remaining balance of \$8.9 million available to issue. In November 2014, the voters approved a \$100 million authorized under Measure C. Subsequent to the end of this year the District issued \$38 million of the \$100 million authorization. The District Line of Credit obligation continues to be repaid and the remaining obligation is \$9.7 million.

### **Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position present the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and non-exchange. Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. For example, tuition fees paid by the student are considered an exchange for instructional services. The receipt of State apportionments and property taxes, however, do not include this exchange relationship between the payment and receipt of specified goods or services. These revenues and related expense are classified as nonoperating activities. It is because of the methodology used to categorize between operating and nonoperating combined with the fact that the primary source of funding that supports the District's instructional activities comes from State apportionment and local property taxes, that the results of the District's operations will result in a net operating loss.

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2018 and June 30, 2017, is summarized below:

**Table 2**

|   | <b>2018</b>         | <b>2017</b>           | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|---|---------------------|-----------------------|--------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                     |                     |                       |                                |                           |
| Tuition and fees (net)                        | \$ 1,536,899        | \$ 993,181            | \$ 543,718                     | 54.7%                     |
| Grants and contracts, noncapital              | 15,352,547          | 11,632,574            | 3,719,973                      | 32.0%                     |
| Other operating revenues                      | 919,096             | 945,181               | (26,085)                       | -2.8%                     |
| <b>TOTAL OPERATING REVENUES</b>               | <b>17,808,542</b>   | <b>13,570,936</b>     | <b>4,237,606</b>               | <b>31.2%</b>              |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>54,526,312</b>   | <b>53,312,904</b>     | <b>1,213,408</b>               | <b>2.3%</b>               |
| <b>OPERATING LOSS</b>                         | <b>(36,717,770)</b> | <b>(39,741,968)</b>   | <b>3,024,198</b>               | <b>-7.6%</b>              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                     |                       |                                |                           |
| State apportionments, noncapital              | 28,781,354          | 28,175,919            | 605,435                        | 2.1%                      |
| Local property taxes                          | 9,054,571           | 8,531,613             | 522,958                        | 6.1%                      |
| State taxes and other revenues                | 977,190             | 1,396,877             | (419,687)                      | -30.0%                    |
| State financial aid grants, noncapital        | 1,376,889           | 1,025,041             | 351,848                        | 34.3%                     |
| Interest and investment income                | 610,399             | 424,207               | 186,192                        | 43.9%                     |
| Interest expense                              | (4,366,117)         | (3,234,425)           | (1,131,692)                    | 35.0%                     |
| Transfer to fiduciary funds                   | (200,000)           | (1,450,000)           | 1,250,000                      | -86.2%                    |
| Other nonoperating revenue                    | 544,018             | (763,931)             | 1,307,949                      | -171.2%                   |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> | <b>36,778,304</b>   | <b>34,105,301</b>     | <b>2,673,003</b>               | <b>7.8%</b>               |
| <b>OTHER REVENUES</b>                         |                     |                       |                                |                           |
| State apportionments, capital                 | 759,183             | 1,652,378             | (893,195)                      | -54.1%                    |
| <b>CHANGE IN NET POSITION</b>                 | <b>\$ 819,717</b>   | <b>\$ (3,984,289)</b> | <b>\$ 4,804,006</b>            | <b>120.6%</b>             |

- Grant revenues increased \$3.7 million (32 percent). This is due to growth in new programs including Strong Workforce, Adult Education, Student Equity, and Student Support Services Program.
- The primary components of tuition and fees are the \$46 per unit enrollment fee that is charged to all students registering for classes and the additional \$216 per unit fee that is charged to all nonresident students.
- Personnel costs accounted for 65 percent of operating expenses in fiscal year 2018. Supplies, materials, and other operating expenses accounted for 18 percent of the operating expense in fiscal year 2018. The balance of operating expenses is for financial aid, utilities, and depreciation expense.
- The primary revenue sources of the District's nonoperating revenue are: State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities and operations. The amount of State general apportionment received by the District is dependent upon the number of FTES generated and reported to the State, less amounts received from education protection account (EPA), enrollment fees, local property taxes. Increases in any of these latter three revenue categories leads to a corresponding decrease in State support through apportionment.
- State capital apportionments consist of amounts received for capital outlay construction projects.

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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:

**Table 3**

|  | Salaries<br>and<br>Employee<br>Benefits | Supplies,<br>Materials,<br>Other<br>Expenses and<br>Services | Equipment,<br>Maintenance,<br>and Repairs | Student<br>Financial<br>Aid | Depreciation        | Total               |
|--|---|--|---|-----------------------------|---------------------|---------------------|
| Instructional Activities   | \$ 16,148,836                           | \$ 161,299   | \$ 41,061                                 | \$ -                        | \$ -                | \$16,351,196        |
| Instructional Administrative<br>and Instructional<br>Support<br>Services | 1,939,691                               | 103,247  | 32,160                                    | -                           | -                   | 2,075,098           |
| Admissions and Records   | 1,066,799                               | 122,045  | 40,304                                    | -                           | -                   | 1,229,148           |
| Student Counseling and<br>Guidance                                       | 730,527                                 | 7,961  | 5,212                                     | -                           | -                   | 743,700             |
| Other Student Services   | 1,129,950                               | 31,022   | -   | -                           | -                   | 1,160,972           |
| Operation and Maintenance<br>of Plant                                    | 7,347,181                               | 2,830,142  | 473,994                                   | -                           | -                   | 10,651,317          |
| Planning, Policymaking, and<br>Coordination                              | 1,910,009                               | 1,056,513  | 25,481                                    | -                           | -                   | 2,992,003           |
| General Institutional Support<br>Services                                | 481,475                                 | 122,491  | 244                                       | -                           | -                   | 604,210             |
| Community Services and<br>Economic Development                           | 3,333,670                               | 4,470,934  | 52,818                                    | -                           | -                   | 7,857,422           |
| Ancillary Services and<br>Auxiliary Operation                            | 158,844                                 | 8,156  | -   | -                           | -                   | 167,000             |
| Physical Property and<br>Related Acquisitions                            | 837,351                                 | 840,092  | 125,000                                   | -                           | -                   | 1,802,443           |
| Student Aid  | 316,360                                 | 171,561  | -   | -                           | -                   | 487,921             |
| Depreciation   | -                                       | -  | -   | 2,382,962                   | -                   | 2,382,962           |
| Total  | -                                       | -  | -   | -                           | 6,020,920           | 6,020,920           |
|  | <u>\$ 35,400,693</u>                    | <u>\$ 9,925,463</u>  | <u>\$ 796,274</u>                         | <u>\$ 2,382,962</u>         | <u>\$ 6,020,920</u> | <u>\$54,526,312</u> |

### Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also assists users assessing the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

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, non-investing, and non-capital 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.

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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The Statement of Cash Flows for the fiscal years ended June 30, 2018 and June 30, 2017, is summarized below:

**Table 4**

|   | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
| Cash Provided by (Used in)              |                      |                      |
| Operating activities                    | \$ (27,262,068)      | \$ (32,376,023)      |
| Noncapital financing activities         | 35,990,180           | 34,043,901           |
| Capital financing activities            | (4,186,757)          | (8,823,216)          |
| Investing activities                    | 490,199              | 389,410              |
| Net Change in Cash and Cash Equivalents | 5,031,554            | (6,765,928)          |
| Cash Balance, Beginning of Year         | 37,883,303           | 44,649,231           |
| Cash Balance, End of Year               | <u>\$ 42,914,857</u> | <u>\$ 37,883,303</u> |

### **Capital Assets**

At June 30, 2018, the District has \$192.5 million in a broad range of capital assets, including land, construction in progress, buildings, and furniture and equipment. At June 30, 2018, the District's net capital assets were \$149.0 million.

Projects are recorded as construction in progress until the project is completed at which time the cost of the building and/or improvements will be recorded to the depreciable Building and Improvement category.

Note 6 in the financial statements provides additional information on capital assets.

### **Debt Obligations**

At June 30, 2018, the District has \$142.4 million in debt obligations of which \$83.2 million is in General Obligation Bonds. These bonds are repaid in annual installments, in accordance with obligation requirements, by way of property tax assessments on property within the Compton Community College District's boundaries.

The District's notes payable decreased from its principal payment reducing the liability due to the State in the amount of \$9.7 million outstanding. This note is repaid in annual installments, in accordance with obligation requirements.

The District is also obligated for compensated absences, claims liability, aggregate net other postemployment benefits liability, and aggregate net pension obligations to its qualified employees.

Note 10 in the financial statements provides additional information on long-term obligations.

As of June 30, 2018, the aggregate net pension obligation was \$38.6 million. The amount represents the District's proportionate share of the net pension liability for each of the two pension plans, CalSTRS and CalPERS, the District participates in.



# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### **Economic Factors That May Affect the Future**

**Student Centered Funding Formula.** Assembly Bill 1809 ("AB 1809"), the higher education trailer bill passed as part of the State budget for fiscal year 2018-2019, implemented a new funding mechanism for community college districts referred to as the "Student Centered Funding Formula", (the "SCFF"). The SCFF includes three components: (1) a base allocation (the "Base Allocation") driven primarily by enrollment, (2) a supplemental allocation (the "Supplemental Allocation") based on the number of certain types of low-income students, and (3) a student success allocation (the "Student Success Allocation") calculated using various performance-based metrics.

The SCFF includes several hold-harmless provisions to provide districts greater financial stability in transitioning to the new formula.

Specific to the District, the trailer bill to the Budget provides that the District hold harmless will be for a period six years. This provision was included to assist the District with the transition from its partnership with El Camino Community College District.

Additionally, the District continues to face increases in pension contributions and other postemployment benefits, which will claim a growing share of the District's Unrestricted General Fund budget.

### **Other Factors That May Affect the Future**

The implementation the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented for fiscal year 2015-2016. The Uniform Guidance – a "government-wide framework for grants management" – synthesizes and supersedes guidance from earlier OMB circulars.

The reforms that comprise the Uniform Guidance aim to reduce the administrative burden on award recipients and change the audit requirements, requiring a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of Title 2, Part 200 of the Code of Federal Regulations. This change resulted in the District falling below the expenditure of Federal awards threshold of \$750,000 as of June 30, 2017 and 2018, and thus not subject to a single audit.

Looking to fiscal year 2018-2019, the District anticipates receiving additional Federal awards which would potentially put the District above the \$750,000 threshold and requiring the District to obtain a single audit in accordance with Title 2, Part 200 of the Code of Federal Regulations.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Compton Community College District at 1111 East Artesia Boulevard, Compton, California 90221.

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2018

### ASSETS

#### Current Assets

|                             |                   |
|-----------------------------|-------------------|
| Cash and cash equivalents   | \$ 275,159        |
| Investments                 | 42,639,698        |
| Accounts receivable         | 1,814,377         |
| Student receivables, net    | 1,737,034         |
| Prepaid expenses            | 47,552            |
| <b>Total Current Assets</b> | <b>46,513,820</b> |

#### Noncurrent Assets

|   |                    |
|---|--------------------|
| Nondepreciable capital assets                   | 6,107,735          |
| Depreciable capital assets, net of depreciation | 142,897,139        |
| <b>Total Noncurrent Assets</b>                  | <b>149,004,874</b> |
| <b>TOTAL ASSETS</b>                             | <b>195,518,694</b> |

### DEFERRED OUTFLOWS OF RESOURCES

|  |                   |
|--|-------------------|
| Deferred charges on refunding  | 3,140,825         |
| Deferred outflows of resources related to pensions                             | 11,527,360        |
| Deferred outflows of resources related to other postemployment benefits (OPEB) | 672,378           |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                    | <b>15,340,563</b> |

### LIABILITIES

#### Current Liabilities

|                                  |                   |
|----------------------------------|-------------------|
| Accounts payable                 | 5,411,295         |
| Accrued interest payable         | 1,151,555         |
| Unearned revenue                 | 5,003,431         |
| Bonds payable                    | 2,130,000         |
| Notes payable                    | 957,343           |
| <b>Total Current Liabilities</b> | <b>14,653,624</b> |

#### Noncurrent Liabilities

|  |                    |
|--|--------------------|
| Compensated absences payable                                 | 1,091,760          |
| Claims liability   | 815,091            |
| Bonds payable  | 81,040,741         |
| Notes payable  | 8,773,818          |
| Aggregate net other postemployment benefits (OPEB) liability | 9,027,061          |
| Aggregate net pension obligation                             | 38,591,413         |
| <b>Total Noncurrent Liabilities</b>                          | <b>139,339,884</b> |
| <b>TOTAL LIABILITIES</b>                                     | <b>153,993,508</b> |

### DEFERRED INFLOWS OF RESOURCES

|   |           |
|---|-----------|
| Deferred inflows of resources related to pensions | 2,577,787 |
|---|-----------|

### NET POSITION

|                                  |                      |
|----------------------------------|----------------------|
| Net investment in capital assets | 86,229,669           |
| Restricted for:                  |                      |
| Debt service                     | 2,285,366            |
| Capital projects                 | 1,435,811            |
| Educational programs             | 1,098,591            |
| Other activities                 | 89,082               |
| Unrestricted                     | (36,850,557)         |
| <b>TOTAL NET POSITION</b>        | <b>\$ 54,287,962</b> |

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2018

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### OPERATING REVENUES

|  |                          |
|--|--------------------------|
| Student Tuition and Fees                 | \$ 5,851,141             |
| Less: Scholarship discount and allowance | (4,314,242)              |
| Net tuition and fees                     | <u>1,536,899</u>         |
| Grants and Contracts, Noncapital         |                          |
| Federal                                  | 628,779                  |
| State                                    | 13,221,329               |
| Local                                    | <u>1,502,439</u>         |
| Total grants and contracts, noncapital   | <u>15,352,547</u>        |
| Other Operating Revenues                 | <u>919,096</u>           |
| <b>TOTAL OPERATING REVENUES</b>          | <u><b>17,808,542</b></u> |

### OPERATING EXPENSES

|  |                          |
|--|--------------------------|
| Salaries   | 24,566,948               |
| Employee benefits  | 10,833,745               |
| Supplies, materials, and other operating expenses and services | 9,925,463                |
| Equipment, maintenance, and repairs                            | 796,274                  |
| Student financial aid  | 2,382,962                |
| Depreciation   | <u>6,020,920</u>         |
| <b>TOTAL OPERATING EXPENSES</b>                                | <u><b>54,526,312</b></u> |

|                       |                            |
|-----------------------|----------------------------|
| <b>OPERATING LOSS</b> | <u><b>(36,717,770)</b></u> |
|-----------------------|----------------------------|

### NONOPERATING REVENUES (EXPENSES)

|   |                          |
|---|--------------------------|
| State apportionments, noncapital                  | 28,781,354               |
| Local property taxes, levied for general purposes | 4,542,699                |
| Taxes levied for other specific purposes          | 4,511,872                |
| State financial aid grants, noncapital            | 1,376,889                |
| State taxes and other revenues                    | 977,190                  |
| Investment income                                 | 567,382                  |
| Interest expense on capital related debt          | (4,366,117)              |
| Investment income on capital asset-related debt   | 43,017                   |
| Transfer to fiduciary funds                       | (200,000)                |
| Other nonoperating revenue                        | <u>544,018</u>           |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>     | <u><b>36,778,304</b></u> |

|                                   |                      |
|-----------------------------------|----------------------|
| <b>LOSS BEFORE OTHER REVENUES</b> | <u><b>60,534</b></u> |
|-----------------------------------|----------------------|

### OTHER REVENUES

|                         |                |
|-------------------------|----------------|
| State revenues, capital | <u>759,183</u> |
|-------------------------|----------------|

### CHANGE IN NET POSITION

|   |                                    |
|---|------------------------------------|
| <b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b> | <u>53,468,245</u>                  |
| <b>NET POSITION, END OF YEAR</b>                    | <u><u><b>\$ 54,287,962</b></u></u> |

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES

|  |              |
|--|--------------|
| Tuition and fees   | \$ 957,404   |
| Federal, State, and local grants and contracts, noncapital | 16,935,075   |
| Payments to vendors for supplies and services              | (9,261,269)  |
| Payments to or on behalf of employees                      | (34,429,412) |
| Payments to students for scholarships and grants           | (2,382,962)  |
| Other operating receipts                                   | 919,096      |

#### Net Cash Flows From Operating Activities

(27,262,068)

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

|                                      |            |
|--------------------------------------|------------|
| State apportionments                 | 29,079,244 |
| Noncapital grants and contracts      | 1,376,889  |
| Property taxes - nondebt related     | 4,542,699  |
| State taxes and other apportionments | 841,972    |
| Other nonoperating payments          | 149,376    |

#### Net Cash Flows From Noncapital Financing Activities

35,990,180

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

|   |             |
|---|-------------|
| Purchase of capital assets                      | (3,358,533) |
| Current year bond principal accretion           | 1,840,572   |
| State revenue, capital projects                 | (589,636)   |
| Deferred charges on bond refunding              | 322,747     |
| Property taxes - related to capital debt        | 5,271,055   |
| Principal paid on capital debt                  | (3,311,286) |
| Interest paid on capital debt                   | (4,404,693) |
| Interest received on capital asset-related debt | 43,017      |

#### Net Cash Flows From Capital Financing Activities

(4,186,757)

### CASH FLOWS FROM INVESTING ACTIVITIES

|                                    |         |
|------------------------------------|---------|
| Interest received from investments | 490,199 |
|------------------------------------|---------|

### NET CHANGE IN CASH AND CASH EQUIVALENTS

5,031,554

### CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

37,883,303

### CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 42,914,857

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued FOR THE YEAR ENDED JUNE 30, 2018

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

|   |                               |
|---|-------------------------------|
| Operating Loss  | <u>\$ (36,717,770)</u>        |
| Adjustments to Reconcile Operating Loss to Net Cash Flows From<br>Operating Activities: |                               |
| Depreciation expense  | 6,020,920                     |
| Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows                 |                               |
| Receivables   | (220,554)                     |
| Prepaid expenses  | 93,581                        |
| Accounts payable and accrued liabilities  | 1,596,640                     |
| Unearned revenue  | 1,223,587                     |
| Claims liabilities  | (173,908)                     |
| Compensated absences  | 71,051                        |
| Deferred outflows of resources related to pensions                                      | (3,688,003)                   |
| Deferred outflows of resources related to OPEB  | (672,378)                     |
| Deferred inflows of resources related to pensions                                       | 1,111,798                     |
| Aggregate net pension obligation  | 4,300,337                     |
| Aggregate net OPEB liability  | <u>(207,369)</u>              |
| Total Adjustments   | <u>9,455,702</u>              |
| <b>Net Cash Flows From Operating Activities</b>   | <u><b>\$ (27,262,068)</b></u> |

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

|  |                             |
|--|-----------------------------|
| Cash in banks                          | \$ 275,159                  |
| Cash in county treasury                | <u>42,639,698</u>           |
| <b>Total Cash and Cash Equivalents</b> | <u><b>\$ 42,914,857</b></u> |

### NON CASH TRANSACTIONS

|                                    |                            |
|------------------------------------|----------------------------|
| On behalf payments for benefits    | \$ 1,120,839               |
| Board of governors fee waivers     | <u>4,314,242</u>           |
| <b>Total Non Cash Transactions</b> | <u><b>\$ 5,435,081</b></u> |

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

# COMPTON COMMUNITY COLLEGE DISTRICT

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

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|   | <b>Retiree<br/>OPEB<br/>Trust</b> | <b>Other<br/>Trust<br/>Funds</b> | <b>Agency</b>    |
|---|-----------------------------------|----------------------------------|------------------|
| <b>ASSETS</b>   |                                   |                                  |                  |
| Cash and cash equivalents                                     | \$ -                              | \$ 217,291                       | \$ 33,931        |
| Investments   | 3,279,914                         | 1,551,867                        | -                |
| Accounts receivable   | -                                 | 139,155                          | -                |
| Due from trust funds  | -                                 | -                                | 26,888           |
| <b>Total Assets</b>   | <b>3,279,914</b>                  | <b>1,908,313</b>                 | <b>\$ 60,819</b> |
| <b>LIABILITIES</b>  |                                   |                                  |                  |
| Accounts payable  | -                                 | 30,369                           | \$ -             |
| Due to agency funds   | -                                 | 26,888                           | -                |
| Due to student groups   | -                                 | 87,866                           | 60,819           |
| <b>Total Liabilities</b>                                      | <b>-</b>                          | <b>145,123</b>                   | <b>\$ 60,819</b> |
| <b>NET POSITION</b>   |                                   |                                  |                  |
| Restricted for postemployment benefits<br>other than pensions | 3,279,914                         | -                                |                  |
| Restricted  | -                                 | 1,436,482                        |                  |
| Unrestricted  | -                                 | 326,708                          |                  |
| <b>Total Net Position</b>                                     | <b>\$ 3,279,914</b>               | <b>\$ 1,763,190</b>              |                  |

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

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|   | <b>Retiree<br/>OPEB<br/>Trust</b> | <b>Other<br/>Trust<br/>Funds</b> |
|---|-----------------------------------|----------------------------------|
| <b>ADDITIONS</b>                        |                                   |                                  |
| District contributions                  | \$ 672,378                        | \$ -                             |
| Interest and investment income          | 115,942                           | -                                |
| Net realized and unrealized gain        | 97,897                            | -                                |
| Local revenues                          | -                                 | 93,981                           |
| <b>Total Additions</b>                  | <b>886,217</b>                    | <b>93,981</b>                    |
| <b>DEDUCTIONS</b>                       |                                   |                                  |
| Administrative expenses                 | 28,168                            | -                                |
| Benefit payments                        | 422,378                           | -                                |
| Services and operating expenditures     | -                                 | 21,325                           |
| <b>Total Deductions</b>                 | <b>450,546</b>                    | <b>21,325</b>                    |
| <b>OTHER FINANCING SOURCES</b>          |                                   |                                  |
| Transfer from primary government        | -                                 | 200,000                          |
| <b>Change in Net Position</b>           | <b>435,671</b>                    | <b>272,656</b>                   |
| <b>Net Position - Beginning of Year</b> | <b>2,844,243</b>                  | <b>1,490,534</b>                 |
| <b>Net Position - End of Year</b>       | <b>\$ 3,279,914</b>               | <b>\$ 1,763,190</b>              |

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **NOTE 1 - ORGANIZATION**

Compton Community College District (the District) is located in the city of Compton, Los Angeles County, California. Compton Community College was established in 1927 as a component of the Compton Union High School District. At that time, State law authorized high school and unified school districts to offer education through a junior college accredited program. In 1950, voters approved a bond issue separating the college from the high school district. The District administers operations of one College campus. See Note 15 for additional information.

### **Financial Reporting Entity**

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

Based on the criteria listed above, the following potential component unit has been evaluated and excluded from the District's reporting entity:

### **The Foundation for the Compton Community College District**

The Foundation for the Compton Community College District (the Foundation) is a legally separate, tax exempt, public benefit corporation. The Foundation was not included as a component unit because the economic resources held by the Foundation, in management's opinion, are not significant to the District. Information on the Foundation may be requested through the Foundation for the Compton Community College District office.



# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities 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, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows.

### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### **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. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is established based upon management's analysis. The allowance is \$1,855,023 at June 30, 2018.

### **Prepaid Expenses**

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

# **COMPTON COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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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, 25 to 50 years; improvements, 10 to 20 years; equipment, 5 to 10 years; vehicles, 5 to 10 years.

### **Accrued Liabilities and Long-Term Obligations**

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

### **Debt Issuance Costs, Premiums, and Discounts**

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

### **Deferred Charges on Refunding**

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

### **Deferred Outflows/Inflows of Resources**

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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.

### **Postemployment Benefits Other Than Pensions (OPEB)**

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

### **Compensated Absences**

Accumulated unpaid employee 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. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the government-wide 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 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.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Noncurrent Liabilities

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

### Net Position

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$7,974,329 of restricted net position.

### Operating Revenues and Expenses

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

### 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 General Obligation Bond measures in November 2002 and 2014 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

### Scholarships, Discounts, and Allowances

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

### 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.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Change in Accounting Principles

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

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

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

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

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

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

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

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

### **New Accounting Pronouncements**

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



# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

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

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

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

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

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

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

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

#### **Policies and Practices**

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

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

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

The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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As provided by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds based upon the funds' average daily deposit balance during the allocation period.

### General Authorizations

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

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

### Authorized Under Debt Agreements

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Summary of Deposits and Investments

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

|                                |                      |
|--------------------------------|----------------------|
| Primary government             | \$ 42,914,857        |
| Fiduciary funds                | 5,083,003            |
| Total Deposits and Investments | <u>\$ 47,997,860</u> |

|                                |                      |
|--------------------------------|----------------------|
| Cash on hand and in banks      | \$ 251,381           |
| Cash in revolving              | 275,000              |
| Investments                    | 47,471,479           |
| Total Deposits and Investments | <u>\$ 47,997,860</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 and mutual funds.

### Specific Identification

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

| Investment Type                    | Book Value           | Fair Value           | Weighted Average Days to Maturity |
|------------------------------------|----------------------|----------------------|-----------------------------------|
| Los Angeles County Investment Pool | \$ 42,755,083        | \$ 42,182,354        | 609                               |
| Mutual Funds                       | 4,716,396            | 4,716,396            | N/A                               |
| Total                              | <u>\$ 47,471,479</u> | <u>\$ 46,898,750</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 investments in the Los Angeles County Investment Pool and mutual funds are not required to be rated, nor have they been rated as of June 30, 2018.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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. 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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District and fiduciary funds had bank balances of \$1,750,135 and \$263,130, respectively. Of these balances, the District and fiduciary funds had \$1,572,955 exposed to custodial credit risk because they were not fully covered by depository insurance; however, it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### **NOTE 4 - FAIR VALUE MEASUREMENTS**

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

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

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

| Investment Type                    | Fair Value           | Level 1<br>Inputs   | Uncategorized        |
|------------------------------------|----------------------|---------------------|----------------------|
| Los Angeles County Investment Pool | \$ 42,182,354        | \$ -                | \$ 42,182,354        |
| Mutual Funds                       | 4,716,396            | 4,716,396           | -                    |
| Total                              | <u>\$ 46,898,750</u> | <u>\$ 4,716,396</u> | <u>\$ 42,182,354</u> |

### NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

|                              | Primary<br>Government | Fiduciary<br>Funds |
|------------------------------|-----------------------|--------------------|
| Federal Government           |                       |                    |
| Categorical aid              | \$ 132,183            | \$ -               |
| State Government             |                       |                    |
| Categorical aid              | 43,808                | -                  |
| Lottery                      | 391,086               | -                  |
| State construction projects  | 589,636               | -                  |
| Other state aid              | 155,717               | -                  |
| Local Sources                |                       |                    |
| Interest                     | 210,841               | 623                |
| Other local sources          | 291,106               | 138,532            |
| Total                        | <u>\$ 1,814,377</u>   | <u>\$ 139,155</u>  |
| Student receivables          | \$ 3,592,057          |                    |
| Less: Allowance for bad debt | (1,855,023)           |                    |
| Student receivables, net     | <u>\$ 1,737,034</u>   |                    |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 6 - CAPITAL ASSETS

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

|  | Balance<br>July 1, 2017 | Additions    | Deductions   | Balance<br>June 30, 2018 |
|--|-------------------------|--------------|--------------|--------------------------|
| Capital Assets Not Being Depreciated       |                         |              |              |                          |
| Land                                       | \$ 2,324,000            | \$ -         | \$ -         | \$ 2,324,000             |
| Construction in progress                   | 10,760,367              | 2,284,200    | 9,260,832    | 3,783,735                |
| Total Capital Assets Not Being Depreciated | 13,084,367              | 2,284,200    | 9,260,832    | 6,107,735                |
| Capital Assets Being Depreciated           |                         |              |              |                          |
| Buildings and improvements                 | 100,380,612             | -            | -            | 100,380,612              |
| Site improvements                          | 67,952,091              | 9,260,832    | -            | 77,212,923               |
| Furniture and equipment                    | 7,929,623               | 843,669      | -            | 8,773,292                |
| Total Capital Assets Being Depreciated     | 176,262,326             | 10,104,501   | -            | 186,366,827              |
| Total Capital Assets                       | 189,346,693             | 12,388,701   | 9,260,832    | 192,474,562              |
| Less Accumulated Depreciation              |                         |              |              |                          |
| Buildings and improvements                 | 20,230,540              | 2,068,339    | -            | 22,298,879               |
| Site improvements                          | 10,152,649              | 3,741,173    | -            | 13,893,822               |
| Furniture and equipment                    | 7,065,579               | 211,408      | -            | 7,276,987                |
| Total Accumulated Depreciation             | 37,448,768              | 6,020,920    | -            | 43,469,688               |
| Net Capital Assets                         | \$ 151,897,925          | \$ 6,367,781 | \$ 9,260,832 | \$ 149,004,874           |

Depreciation expense for the year was \$6,020,920.

### NOTE 7 - ACCOUNTS PAYABLE

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

|                 | Primary<br>Government | Fiduciary<br>Funds |
|-----------------|-----------------------|--------------------|
| Accrued payroll | \$ 1,943,743          | \$ -               |
| Apportionment   | 1,745,008             | -                  |
| Construction    | 355,657               | -                  |
| Vendor payables | 1,366,887             | 30,369             |
| Total           | \$ 5,411,295          | \$ 30,369          |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **NOTE 8 - UNEARNED REVENUE**

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

|                       | Primary<br>Government |
|-----------------------|-----------------------|
| State categorical aid | \$ 2,971,333          |
| Other State           | 816,468               |
| Student fees          | 688,113               |
| Other local           | 527,517               |
| Total                 | <u>\$ 5,003,431</u>   |

### **NOTE 9 - INTERFUND TRANSACTIONS**

#### **Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds has been eliminated in the consolidation process of the basic financial statements. At June 30, 2018, there were no balances due 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 2018 fiscal year, the amount transferred between the primary government and the fiduciary funds amounted to \$200,000.



# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 10 - LONG-TERM OBLIGATIONS

#### Summary

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

|                                  | (as restated)<br>Balance<br>July 1, 2017 | Additions and<br>Adjustments | Deductions   | Balance<br>June 30, 2018 | Due in<br>One Year |
|----------------------------------|--|------------------------------|--------------|--------------------------|--------------------|
| Bonds and Notes Payable          |  |                              |              |                          |                    |
| General obligation bonds         | \$ 79,201,061                            | \$ 1,840,572                 | \$ 1,885,000 | \$ 79,156,633            | \$2,130,000        |
| Bond premium                     | 4,504,639                                | -                            | 490,531      | 4,014,108                | -                  |
| Note payable                     | 10,666,916                               | -                            | 935,755      | 9,731,161                | 957,343            |
| Total Bonds and Notes Payable    | 94,372,616                               | 1,840,572                    | 3,311,286    | 92,901,902               | 3,087,343          |
| Other Liabilities                |  |                              |              |                          |                    |
| Compensated absences             | 1,020,709                                | 71,051                       | -            | 1,091,760                | -                  |
| Claims liability                 | 988,999                                  | -                            | 173,908      | 815,091                  | -                  |
| Aggregate net OPEB liability     | 9,234,430                                | -                            | 207,369      | 9,027,061                | -                  |
| Aggregate net pension obligation | 34,291,076                               | 4,300,337                    | -            | 38,591,413               | -                  |
| Total Other Liabilities          | 45,535,214                               | 4,371,388                    | 381,277      | 49,525,325               | -                  |
| Total Long-Term Obligations      | \$139,907,830                            | \$ 6,211,960                 | \$ 3,692,563 | \$ 142,427,227           | \$3,087,343        |

The general obligation bonds are paid from property tax collections and are accounted for by the Los Angeles County Treasurer in the Bond Interest and Redemption Fund. The note payable is an advance apportionment appropriated by the State. Repayment is made from the unrestricted resources of the General Fund. Compensated absences are paid from the resources of the fund from which the employee liability was created. The claims liability is paid from resources generated by the charging of workers' compensation benefit expenditures in each fund that incurs payroll expenditures. The aggregate net OPEB liability is paid from the General Fund. The aggregate net pension obligation is paid from the resources of the fund from which the employee liability was created.

#### Description of Debt

##### Election 2002 General Obligation Bonds

General obligation bonds were approved by a local election in November 2002 under Proposition 39. The total amount approved by the voters was \$100,000,000. Interest rates on the bonds range from 2.52 to 6.75 percent. At June 30, 2018, \$91,136,094 had been issued, and \$39,136,633 was outstanding with a premium balance of \$515,884.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 2012 General Obligation Refunding Bonds

On October 4, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of \$14,470,000 with interest rates ranging from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. The Bonds were issued at a premium of \$1,677,513 to advance refund and defease a portion of the District's 2002 General Obligation Series 2004A Bonds maturing on and after July 1, 2028, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$14,510,000 of the old debt with a final maturity date of August 1, 2023. The Bonds are payable semiannually on January 1 and July 1 of each year.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,447,380. This difference, reported in the accompanying financial statements as a deferred charge on refunding, is being charged to operations through the year 2023 using the straight-line method. The outstanding principal balance of these Bonds at June 30, 2018, was \$10,915,000 with a premium balance of \$694,143.

### 2014 General Obligation Refunding Bonds

On March 18, 2014, the District issued 2014 General Obligation Refunding Bonds in the amount of \$17,010,000 with interest rates ranging from 1.00 percent to 5.00 percent, depending on the maturity of the related bonds. The Bonds were issued at a premium of \$1,802,271 to advance refund and defease a portion of the District's 2002 General Obligation Series 2004A Bonds maturing on and after July 1, 2028, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$18,030,000 of the old debt with a final maturity date of July 1, 2028. The Bonds are payable semiannually on January 1 and July 1 of each year.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$450,434. This difference, reported in the accompanying financial statements as a deferred charge on refunding, is being charged to operations through the year 2028 using the straight-line method. The outstanding principal balance of these Bonds at June 30, 2018, was \$16,470,000 with a premium balance of \$1,224,184.

### 2015 General Obligation Refunding Bonds

On October 6, 2015, the District issued 2015 General Obligation Refunding Bonds in the amount of \$13,100,000 with interest rates ranging from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. The Bonds were issued at a premium of \$1,841,849 to advance refund and defease a portion of the District's 2002 General Obligation Series 2009B Bonds maturing on and after August 1, 2020, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$12,005,000 of the old debt with a final maturity date of August 1, 2034. The Bonds are payable semiannually on January 1 and July 1 of each year.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,606,682. This difference, reported in the accompanying financial statements as a deferred charge on refunding, is being charged to operations through the year 2035 using the straight-line method. The outstanding principal balance of these Bonds at June 30, 2018, was \$12,635,000 with a premium balance of \$1,579,897.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### Debt Maturity

| Issue Date | Maturity Date | Interest Rate | Original Issue      | Bonds Outstanding July 1, 2017 | Accreted Interest Addition | Redeemed            | Bonds Outstanding June 30, 2018 |
|------------|---------------|---------------|---------------------|--------------------------------|----------------------------|---------------------|---------------------------------|
| 8/27/2009  | 8/1/2019      | 3.00-6.75%    | \$ 15,000,000       | \$ 855,000                     | \$ -                       | \$ 250,000          | \$ 605,000                      |
| 3/22/2012  | 8/1/2037      | 2.59-6.65%    | 15,001,122          | 16,935,480                     | 590,314                    | 165,000             | 17,360,794                      |
| 10/4/2012  | 7/1/2023      | 2.00-5.00%    | 14,470,000          | 12,140,000                     | -                          | 1,225,000           | 10,915,000                      |
| 11/13/2013 | 8/1/2039      | 2.52-6.62%    | 16,554,972          | 19,920,581                     | 1,250,258                  | -                   | 21,170,839                      |
| 3/18/2014  | 7/1/2028      | 1.00-5.00%    | 17,010,000          | 16,570,000                     | -                          | 100,000             | 16,470,000                      |
| 10/6/2015  | 8/1/2034      | 2.00-5.00%    | 13,100,000          | 12,780,000                     | -                          | 145,000             | 12,635,000                      |
|            |               |               | <u>\$91,136,094</u> | <u>\$ 79,201,061</u>           | <u>\$ 1,840,572</u>        | <u>\$ 1,885,000</u> | <u>\$ 79,156,633</u>            |

The Election 2002 Series B bonds mature through fiscal year 2020 as follows:

| Fiscal Year | Principal         | Current Interest to Maturity | Total             |
|-------------|-------------------|------------------------------|-------------------|
| 2019        | \$ 285,000        | \$ 23,125                    | \$ 308,125        |
| 2020        | 320,000           | 8,000                        | 328,000           |
| Total       | <u>\$ 605,000</u> | <u>\$ 31,125</u>             | <u>\$ 636,125</u> |

The Election 2002 Series C bonds mature through fiscal year 2038 as follows:

| Fiscal Year | Principal (including accreted interest to date) | Accreted Interest    | Current Interest to Maturity | Total                |
|-------------|---|----------------------|------------------------------|----------------------|
| 2019        | \$ 161,685                                      | \$ 3,315             | \$ 389,850                   | \$ 554,850           |
| 2020        | 201,235   | 13,765               | 389,850                      | 604,850              |
| 2021        | 235,021   | 29,979               | 389,850                      | 654,850              |
| 2022        | 320,000   | -                    | 384,250                      | 704,250              |
| 2023        | 385,000   | -                    | 370,950                      | 755,950              |
| 2024-2028   | 1,864,412                                       | 1,060,588            | 1,816,250                    | 4,741,250            |
| 2029-2033   | 3,928,289                                       | 5,521,711            | 1,816,250                    | 11,266,250           |
| 2034-2038   | 10,265,152                                      | 6,449,848            | 1,473,375                    | 18,188,375           |
| Total       | <u>\$ 17,360,794</u>                            | <u>\$ 13,079,206</u> | <u>\$ 7,030,625</u>          | <u>\$ 37,470,625</u> |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The 2012 refunding bonds mature through fiscal year 2024 as follows:

| <u>Fiscal Year</u> | <u>Principal</u>     | <u>Current Interest<br/>to Maturity</u> | <u>Total</u>         |
|--------------------|----------------------|---|----------------------|
| 2019               | \$ 1,370,000         | \$ 511,500                              | \$ 1,881,500         |
| 2020               | 1,535,000            | 438,875                                 | 1,973,875            |
| 2021               | 1,710,000            | 357,750                                 | 2,067,750            |
| 2022               | 1,895,000            | 267,625                                 | 2,162,625            |
| 2023               | 2,095,000            | 167,875                                 | 2,262,875            |
| 2024               | 2,310,000            | 57,750                                  | 2,367,750            |
| Total              | <u>\$ 10,915,000</u> | <u>\$ 1,801,375</u>                     | <u>\$ 12,716,375</u> |

The Election 2002 Series D bonds mature through fiscal year 2040 as follows:

| <u>Fiscal Year</u> | <u>Principal<br/>(including accreted<br/>interest to date)</u> | <u>Accreted<br/>Interest</u> | <u>Current Interest<br/>to Maturity</u> | <u>Total</u>         |
|--------------------|--|------------------------------|---|----------------------|
| 2019               | \$ 48,427  | \$ 1,573                     | \$ 71,663                               | \$ 121,663           |
| 2020               | 54,511   | 5,489                        | 71,663                                  | 131,663              |
| 2021               | 59,654   | 10,346                       | 71,663                                  | 141,663              |
| 2022               | 75,944   | 19,056                       | 71,663                                  | 166,663              |
| 2023               | 89,984   | 30,016                       | 71,662                                  | 191,662              |
| 2024-2028          | 1,058,676  | 736,324                      | 358,312                                 | 2,153,312            |
| 2029-2033          | 7,335,864  | 9,304,136                    | 358,312                                 | 16,998,312           |
| 2034-2038          | 8,331,315  | 18,278,685                   | 358,312                                 | 26,968,312           |
| 2039-2040          | 4,116,464  | 8,128,536                    | 107,494                                 | 12,352,494           |
|                    | <u>\$ 21,170,839</u>   | <u>\$ 36,514,161</u>         | <u>\$ 1,540,744</u>                     | <u>\$ 59,225,744</u> |

The 2014 refunding bonds mature through fiscal year 2029 as follows:

| <u>Fiscal Year</u> | <u>Principal</u>     | <u>Current Interest<br/>to Maturity</u> | <u>Total</u>         |
|--------------------|----------------------|---|----------------------|
| 2019               | \$ 110,000           | \$ 808,900                              | \$ 918,900           |
| 2020               | 115,000              | 804,400                                 | 919,400              |
| 2021               | 130,000              | 800,800                                 | 930,800              |
| 2022               | 140,000              | 796,700                                 | 936,700              |
| 2023               | 155,000              | 790,800                                 | 945,800              |
| 2024-2028          | 12,125,000           | 2,786,475                               | 14,911,475           |
| 2029               | 3,695,000            | 92,375                                  | 3,787,375            |
| Total              | <u>\$ 16,470,000</u> | <u>\$ 6,880,450</u>                     | <u>\$ 23,350,450</u> |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The 2015 refunding bonds mature through fiscal year 2035 as follows:

| <u>Fiscal Year</u> | <u>Principal</u>     | <u>Current Interest<br/>to Maturity</u> | <u>Total</u>         |
|--------------------|----------------------|---|----------------------|
| 2019               | \$ 150,000           | \$ 597,350                              | \$ 747,350           |
| 2020               | 155,000              | 594,300                                 | 749,300              |
| 2021               | 495,000              | 582,850                                 | 1,077,850            |
| 2022               | 535,000              | 559,575                                 | 1,094,575            |
| 2023               | 585,000              | 531,575                                 | 1,116,575            |
| 2024-2028          | 3,775,000            | 2,143,125                               | 5,918,125            |
| 2029-2033          | 4,940,000            | 1,114,100                               | 6,054,100            |
| 2034-2035          | 2,000,000            | 100,000                                 | 2,100,000            |
| Total              | <u>\$ 12,635,000</u> | <u>\$ 6,222,875</u>                     | <u>\$ 18,857,875</u> |

### Note Payable

Assembly Bill 318 appropriated \$30 million to the Board of Governors of the California Community Colleges as an emergency apportionment to finance, among other things, activities described in Article 5 of Chapter 5, Part 46 of the Education Code. The balance available to the District is \$12,103,200. The financing does not constitute a borrowing, but is instead an advance apportionment subject to repayment with interest. During the 2015-2016 year, the District was able to negotiate and obtain a refinancing of a lower interest rate associated with this advance. The interest rate paid by the District prior to this refinance ranged 1.377 percent to 5.214 percent. After the refinancing, the interest rate on the remaining balance is 2.307 percent, resulting in a savings of \$966,000 in interest payments for the District. At June 30, 2018, the District had received \$17,896,800 with \$9,731,161 outstanding.

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Current Interest<br/>to Maturity</u> | <u>Total</u>         |
|--------------------|---------------------|---|----------------------|
| 2019               | \$ 957,343          | \$ 224,498                              | \$ 1,181,841         |
| 2020               | 979,429             | 202,412                                 | 1,181,841            |
| 2021               | 1,002,025           | 179,817                                 | 1,181,842            |
| 2022               | 1,025,141           | 156,700                                 | 1,181,841            |
| 2023               | 1,048,791           | 133,050                                 | 1,181,841            |
| 2024-2028          | 4,419,611           | 307,071                                 | 4,726,682            |
| 2029               | 298,821             | 6,894                                   | 305,715              |
| Total              | <u>\$ 9,731,161</u> | <u>\$ 1,210,442</u>                     | <u>\$ 10,941,603</u> |

### Compensated Absences

At June 30, 2018, the liability for compensated absences was \$1,091,760.

### Claims Liability

At June 30, 2018, the liability for claims liability was \$815,091. See Note 11 for additional information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

For the fiscal year ended June 30, 2018, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| <u>OPEB Plan</u>                          | <u>Aggregate<br/>Net OPEB<br/>Liability</u> | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>OPEB<br/>Expense</u> |
|---|---|---|-------------------------|
| District Plan                             | \$ 8,835,181                                | \$ 672,378                                    | \$ (108,334)            |
| Medicare Premium Payment<br>(MPP) Program | 191,880                                     | -   | (27,035)                |
| Total                                     | <u>\$ 9,027,061</u>                         | <u>\$ 672,378</u>                             | <u>\$ (135,369)</u>     |

The details of each plan are as follows:

#### **District Plan**

##### *Plan Administration*

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

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Compton Community College District Retirement Board of Authority.

##### *Plan Membership*

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

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 68         |
| Active Plan members  | <u>182</u> |
|  | <u>250</u> |

#### **Compton Community College District Futuris Trust**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *Benefits Provided*

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

### *Contributions*

The contribution requirements of Plan members and the District are established and may be amended by the District 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 by management and the District's governing board. For fiscal year 2016-2017, the District contributed \$1,203,237 to the Plan, of which \$453,237 was used for current premiums, and \$750,000 was transferred to the District's OPEB irrevocable trust.

### **Investment**

#### *Investment Policy*

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2017:

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

#### *Rate of Return*

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.23 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**COMPTON COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**Net OPEB Liability of the District**

The District's net OPEB liability of \$8,835,181 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

|   |                     |
|---|---------------------|
| Total OPEB liability  | \$ 11,679,424       |
| Plan fiduciary net position   | <u>2,844,243</u>    |
| District's net OPEB liability   | <u>\$ 8,835,181</u> |
|   |                     |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>24%</u>          |

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                             |              |
|-----------------------------|--------------|
| Inflation                   | 2.75 percent |
| Salary increases            | 2.75 percent |
| Investment rate of return   | 6.30 percent |
| Healthcare cost trend rates | 4.00 percent |

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

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

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



# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

### Discount Rate

The discount rate used to measure the total OPEB liability was 6.30 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### Changes in the Net OPEB Liability

|                                    | Increase (Decrease)            |                                       |                                    |
|------------------------------------|--------------------------------|---------------------------------------|------------------------------------|
|                                    | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balance at June 30, 2016           | \$ 10,836,781                  | \$ 1,821,266                          | \$ 9,015,515                       |
| Service cost                       | 608,696                        | -                                     | 608,696                            |
| Interest                           | 687,184                        | -                                     | 687,184                            |
| Contributions - employer           | -                              | 1,203,237                             | (1,203,237)                        |
| Net investment income              | -                              | 295,644                               | (295,644)                          |
| Benefit payments                   | (453,237)                      | (453,237)                             | -                                  |
| Administrative expense             | -                              | (22,667)                              | 22,667                             |
| Net change in total OPEB liability | 842,643                        | 1,022,977                             | (180,334)                          |
| Balance at June 30, 2017           | \$ 11,679,424                  | \$ 2,844,243                          | \$ 8,835,181                       |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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There were no changes in benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 5.80 percent to 6.30 percent since the previous valuation.

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

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

| <u>Discount Rate</u>         | <u>Net OPEB<br/>Liability</u> |
|------------------------------|-------------------------------|
| 1% decrease (5.3%)           | \$ 10,380,963                 |
| Current discount rate (6.3%) | 8,835,181                     |
| 1% increase (7.3%)           | 7,550,186                     |

### *Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates*

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

| <u>Healthcare Cost Trend Rates</u>        | <u>Net OPEB<br/>Liability</u> |
|---|-------------------------------|
| 1% decrease (3.0%)                        | \$ 7,532,225                  |
| Current healthcare cost trend rate (4.0%) | 8,835,181                     |
| 1% increase (5.0%)                        | 10,363,028                    |

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

At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$672,378.

## **Medicare Premium Payment (MPP) Program**

### **Plan Description**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

### **Benefits Provided**

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

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

### **Contributions**

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

### **OPEB Liabilities and OPEB Expense Related to the OPEB**

At June 30, 2018, the District reported a liability of \$191,880 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating community college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0456 percent and 0.0468, respectively, resulting in a net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of (\$27,035).

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Actuarial Methods and Assumptions

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

|   |                                       |                                       |
|---|---------------------------------------|---------------------------------------|
| Measurement Date                        | June 30, 2017                         | June 30, 2016                         |
| Valuation Date                          | June 30, 2016                         | June 30, 2016                         |
| Experience Study                        | July 1, 2010 through<br>June 30, 2016 | July 1, 2010 through<br>June 30, 2015 |
| Actuarial Cost Method                   | Entry age normal                      | Entry age normal                      |
| Investment Rate of Return               | 3.58%                                 | 2.85%                                 |
| Medicare Part A Premium Cost Trend Rate | 3.70%                                 | 3.70%                                 |
| Medicare Part B Premium Cost Trend Rate | 4.10%                                 | 4.10%                                 |

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

| Discount Rate                 | Net OPEB<br>Liability |
|-------------------------------|-----------------------|
| 1% decrease (2.58%)           | \$ 212,425            |
| Current discount rate (3.58%) | 191,880               |
| 1% increase (4.58%)           | 171,896               |

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

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

| Medicare Costs Trend Rate                                       | Net OPEB<br>Liability |
|---|-----------------------|
| 1% decrease (2.7% Part A and 3.1% Part B)                       | \$ 173,393            |
| Current Medicare costs trend rate (3.7% Part A and 4.1% Part B) | 191,880               |
| 1% increase (4.7% Part A and 5.1% Part B)                       | 210,183               |

### Aggregate Net Pension Obligation

At June 30, 2018, the District's aggregate net pension liability was \$38,591,413. See Note 12 for additional information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

#### **Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts and liability; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The District obtains coverage for these risks as a member of a joint powers authority. The District has coverage up to \$50,000,000 for liability and tort risks. This coverage is subject to a \$50,000 self-insured retention. The District carries replacement coverage on its buildings and furniture and equipment with limits of \$250,250,000 (total pool value) with a \$50,000 self-insurance retention. A property and equipment audit performed by the Joint Powers Authority is used to identify the aforementioned exposures. However, claims against the property coverage would use current replacement value to respond to a covered event.

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

During fiscal year ended June 30, 2018, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2017-2018, the District participated in the Protected Insurance Program for Schools (PIPS) 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 K-12 and community college districts that can meet the JPA's selection criteria.

| Insurance Program / Company Name                    | Type of Coverage      | Limits |             |
|---|-----------------------|--------|-------------|
| Protected Insurance Program for Schools (PIPS)      |                       |        |             |
| Joint Powers Authority                              | Workers' Compensation | \$     | 155,000,000 |
| Statewide Association of Community Colleges (SWACC) | General Liability     | \$     | 50,000,000  |
| Statewide Association of Community Colleges (SWACC) | Property              | \$     | 250,250,000 |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### Claims Liability

The District records an estimated liability for workers' compensation claims against the District. Prior to July 1, 2014, the District was self-insured for workers' compensation for the first \$500,000 of each claim. Effective July 1, 2014, the District contracted with the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority (PIPS) for workers' compensation, which is administered by Keenen & Associates. The claims liability balance at June 30, 2018, is based on the ultimate cost of the reported claims including future claim adjustment expense and an estimate for claims incurred, but not reported, based on historical experience. The amount of the liability is based on Bay Actuarial Consultants report dated June 29, 2017. The projected liability for unpaid losses reported in the Statement of Net Position is \$815,091 and was calculated using the expected confidence level discounted at three percent. Changes in the reported liability are shown in the following table:

|   | Workers'<br>Compensation |
|---|--------------------------|
| Liability Balance, July 1, 2016                 | \$ 1,272,247             |
| Claims and changes in estimates                 | (87,708)                 |
| Claims payments                                 | (195,540)                |
| Liability Balance, June 30, 2017                | 988,999                  |
| Claims payments                                 | (173,908)                |
| Liability Balance, June 30, 2018                | \$ 815,091               |
| Assets Available to Pay Claims at June 30, 2018 | \$ 4,097,383             |

### 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.

For the fiscal year ended June 30, 2018, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

| Pension Plan | Collective Net<br>Pension Liability | Collective<br>Deferred<br>Outflows of<br>Resources | Collective<br>Deferred<br>Inflows of<br>Resources | Collective<br>Pension Expense |
|--------------|-------------------------------------|--|---|-------------------------------|
| CalSTRS      | \$ 23,297,882                       | \$ 6,612,901                                       | \$ 2,132,683                                      | \$ 2,207,021                  |
| CalPERS      | 15,293,531                          | 4,914,459  | 445,104   | 2,811,618                     |
| Total        | \$ 38,591,413                       | \$ 11,527,360                                      | \$ 2,577,787                                      | \$ 5,018,639                  |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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.



# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

|   | STRP Defined Benefit Program      |                                |
|---|-----------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012 | On or after<br>January 1, 2013 |
| Hire date   |                                   |                                |
| Benefit formula   | 2% at 60                          | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                | 5 years of service             |
| Benefit payments  | Monthly for life                  | Monthly for life               |
| Retirement age  | 60                                | 62                             |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4%                       | 2.0% - 2.4%                    |
| Required employee contribution rate                       | 10.25%                            | 9.205%                         |
| Required employer contribution rate                       | 14.43%                            | 14.43%                         |
| Required State contribution rate                          | 9.328%                            | 9.328%                         |

### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were \$1,995,316.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|   |                      |
|---|----------------------|
| Total net pension liability, including State share:                               |                      |
| District's proportionate share of net pension liability                           | \$ 23,297,882        |
| State's proportionate share of net pension liability associated with the District | 13,782,830           |
| Total   | <u>\$ 37,080,712</u> |

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0252 percent and 0.0263 percent, respectively, resulting in a net decrease in the proportionate share of 0.0011 percent.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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For the year ended June 30, 2018, the District recognized pension expense of \$2,207,021. In addition, the District recognized pension expense and revenue of \$1,387,374 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date   | \$ 1,995,316                         | \$ -                                |
| Net change in proportionate share of net pension liability   | 215,222                              | 1,105,842                           |
| Differences between projected and actual earnings on the pension plan investments                    | -                                    | 620,488                             |
| Differences between expected and actual experience in the measurement of the total pension liability | 86,158                               | 406,353                             |
| Changes of assumptions   | 4,316,205                            | -                                   |
| Total  | <u>\$ 6,612,901</u>                  | <u>\$ 2,132,683</u>                 |

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

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2019                   | \$ (515,835)                                   |
| 2020                   | 390,333  |
| 2021                   | 56,284   |
| 2022                   | (551,270)                                      |
| Total                  | <u>\$ (620,488)</u>                            |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2019                   | \$ 470,094                                     |
| 2020                   | 470,094  |
| 2021                   | 470,094  |
| 2022                   | 470,096  |
| 2023                   | 612,288  |
| Thereafter             | 612,724  |
| Total                  | <u>\$ 3,105,390</u>                            |

### Actuarial Methods and Assumptions

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

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2016                      |
| Measurement date          | June 30, 2017                      |
| Experience study          | July 1, 2010 through June 30, 2015 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 7.10%                              |
| Investment rate of return | 7.10%                              |
| Consumer price inflation  | 2.75%                              |
| Wage growth               | 3.50%                              |

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

### Discount Rate

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

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

| Discount Rate                 | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.10%)           | \$ 34,208,688         |
| Current discount rate (7.10%) | 23,297,882            |
| 1% increase (8.10%)           | 14,443,024            |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### California Public Employees' Retirement System (CalPERS)

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

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

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

|   | School Employer Pool (CalPERS)    |                                |
|---|-----------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012 | On or after<br>January 1, 2013 |
| Hire date   |                                   |                                |
| Benefit formula   | 2% at 55                          | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                | 5 years of service             |
| Benefit payments  | Monthly for life                  | Monthly for life               |
| Retirement age  | 55                                | 62                             |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5%                       | 1.0% - 2.5%                    |
| Required employee contribution rate                       | 7.00%                             | 6.50%                          |
| Required employer contribution rate                       | 15.531%                           | 15.531%                        |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the total District contributions were \$1,299,191.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,293,531. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0641 percent and 0.0659 percent, respectively, resulting in a net decrease in the proportionate share of 0.0018 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$2,811,618. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date   | \$ 1,299,191                         | \$ -                                |
| Net change in proportionate share of net pension liability   | 304,451                              | 265,042                             |
| Differences between projected and actual earnings on the pension plan investments                    | 529,052                              | -                                   |
| Differences between expected and actual experience in the measurement of the total pension liability | 547,904                              | -                                   |
| Changes of assumptions   | 2,233,861                            | 180,062                             |
| Total  | <u>\$ 4,914,459</u>                  | <u>\$ 445,104</u>                   |

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2019                   | \$ (14,336)                                    |
| 2020                   | 610,410  |
| 2021                   | 222,685  |
| 2022                   | (289,707)                                      |
| Total                  | <u>\$ 529,052</u>                              |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the EARS L of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS L for the measurement period is 3.9 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2019                   | \$ 955,226                                     |
| 2020                   | 983,638  |
| 2021                   | 702,248  |
| Total                  | <u>\$ 2,641,112</u>                            |

### Actuarial Methods and Assumptions

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>            | <u>Assumed Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------------|---------------------------------|---|
| Global equity                 | 47%                             | 5.38%   |
| Global debt securities        | 19%                             | 2.27%   |
| Inflation assets              | 6%                              | 1.39%   |
| Private equity                | 12%                             | 6.63%   |
| Real estate                   | 11%                             | 5.21%   |
| Infrastructure and Forestland | 3%                              | 5.36%   |
| Liquidity                     | 2%                              | -0.90%  |

### Discount Rate

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

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

| <u>Discount Rate</u>          | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (6.15%)           | \$ 22,501,686                |
| Current discount rate (7.15%) | 15,293,531                   |
| 1% increase (8.15%)           | 9,313,764                    |



# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **CalSTRS/CalPERS Irrevocable Trust**

During the 2016 fiscal year, the District established an irrevocable trust with Benefit Trust Company, through Keenan & Associates, for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. District contribution rates for these plans are expected to rise significantly through the 2021 fiscal year. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting and, therefore, are not netted against the net pension liability shown on the Statement of Net Position. Instead, the activity within this trust is recorded as a fiduciary fund of the District as of June 30, 2018. For the 2018 fiscal year, the District contributed a total of \$200,000 into this trust.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018 which amounted to \$1,120,839 (9.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

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

The District is a member of the Statewide Association of Community Colleges (SWACC) and the Protected Insurance Program for Schools and Community Colleges (PIPS) Joint Powers Authority. The District pays annual premiums for its property liability and excess workers' compensation coverage. The relationship between the District and each Joint Powers Authority (JPA) is such that they are not component units 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.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2018, the District made premium and claim payments of \$293,178 and \$611,059 to SWACC and PIPS, respectively.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *NOTE 14 - COMMITMENTS AND CONTINGENCIES*

#### **Grants**

The District received 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 the General Fund or other applicable funds. 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, 2018.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

#### **Line of Credit**

As mentioned above in Note 10, the District was appropriated \$30 million from Assembly Bill 318 through the Board of Governors of the California Community Colleges. As of June 30, 2018, the District has a balance available to them of \$12,103,200. While these funds are available to the District, the District currently has no plans to further drawdown funding from this appropriation.

#### **Construction Commitments**

The District is currently in the midst of various construction projects funded primarily through the General Obligation Bonds as well as State approved construction grants.

| <u>Project</u>                      | <u>Remaining<br/>Construction<br/>Commitment</u> | <u>Estimated<br/>Completion</u> |
|-------------------------------------|--|---------------------------------|
| Instructional Building #1           | \$ 308,495                                       | FY 2022                         |
| Instructional Building #2           | 1,139,320  | FY 2022                         |
| Public Safety Building              | 3,899,952  | FY 2019                         |
| Student Services Building           | 1,229,085  | FY 2022                         |
| Master Planning                     | 48,022   | FY 2019                         |
| Project Support Services            | 212,108  | FY 2022                         |
| Weight Room                         | 465,500  | FY 2019                         |
| Child Development Center Playground | 134,000  | FY 2019                         |
|                                     | <u>\$ 7,436,482</u>                              |                                 |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **NOTE 15 - ACCREDITATION**

The Compton Community College District's accreditation was revoked as a community college district effective July 14, 2006. As a result, the educational and student financial aid programs have since been administered through the El Camino Community College District (El Camino CCD) as the El Camino College Compton Center. This revocation of accreditation was the result of deficiencies in the education programs, student support programs, governance, and fiscal stability.

On June 7, 2017, the Accrediting Commission for Community and Junior Colleges (ACCJC) granted initial accreditation status to Compton College; the action established Compton College as an accredited college. This action came after the ACCJC, Western Association of Schools and Colleges, reviewed the Institutional Self Evaluation Report (ISER) submitted by Compton Center and the report prepared by the evaluation team that visited the Center March 6-9, 2017. The purpose of the Commission's review was to determine whether the Center meets Eligibility Requirements, Accreditation Standards, and Commission policies. The Commission acted to Grant Initial Accreditation to Compton College. Granting Initial Accreditation indicates that the Commission has determined that the institute is in substantial compliance with its Eligibility Requirements, Accreditation Standards, and Commission policies.

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

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

| Primary Government   |                      |
|--|----------------------|
| Net Position - Beginning   | \$ 55,749,675        |
| Inclusion of aggregate net OPEB liability from the adoption of GASB Statement No. 75 | (2,281,430)          |
| Net Position - Beginning, as Restated  | <u>\$ 53,468,245</u> |

### **NOTE 17 - SUBSEQUENT EVENT**

On August 27, 2018, Compton College received notification from the Accrediting Commission for Community and Junior Colleges that its Substantive Change Proposal had been approved. This document outlined the transition of control of Compton College to Compton Community College District.

On August 29, 2018, the California Community Colleges Chancellor issued Executive Order 2018-01 declaring Compton College will operate as an independent college under the authority of the District Board of Trustees effective June 7, 2019, at 11:59 p.m. On October 16, 2018, the District Board of Trustees approved Resolution No. 10-16-2018A, terminating the agreement dated November 30, 2016, between the District and El Camino Community College District effective June 7, 2019, at 11:59 p.m. At this time, Compton College will operate as an independent college under the authority of the District Board of Trustees, and the partnership with El Camino Community College District will end.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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On October 17, 2018, the District issued Election 2002 General Obligation Bonds, Series 2018E in the amount of \$12,440,677. The Bonds are comprised of \$4,490,000 in current interest bonds and \$7,950,677 of capital appreciation bonds with interest rates ranging from 4.00 percent to 5.00 percent. The proceeds from the Bonds will be used to finance the acquisition, construction, modernization, and equipping District sites and facilities, and pay the costs of issuing the Bonds. The Bonds will be repaid by the District from the proceeds of *ad valorem* property taxes, through August 1, 2040.

On October 17, 2018, the District issued Election 2014 General Obligation Bonds, Series 2018A in the amount of \$38,000,000. The Bond issuance is comprised of current interest bonds with interest rates ranging from 4.00 percent to 5.00 percent. The proceeds from the Bonds will be used to finance the acquisition, construction, modernization and equipping District sites and facilities, and pay the costs of issuing the Bonds. The Bonds will be repaid by the District, from the proceeds of *ad valorem* property taxes, through August 1, 2043.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# COMPTON COMMUNITY COLLEGE DISTRICT

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

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|  | 2018                 |
|--|----------------------|
| <b>Total OPEB Liability</b>  |                      |
| Service cost   | \$ 608,696           |
| Interest   | 687,184              |
| Benefit payments   | (453,237)            |
| <b>Net changes in total OPEB liability</b>   | 842,643              |
| <b>Total OPEB Liability - beginning</b>  | 10,836,781           |
| <b>Total OPEB Liability - ending (a)</b>   | <u>\$ 11,679,424</u> |
| <br><b>Plan fiduciary net position</b>   |                      |
| Contributions - employer   | \$ 1,203,237         |
| Net investment income  | 295,644              |
| Benefit payments   | (453,237)            |
| Administrative expense   | (22,667)             |
| <b>Net change in plan fiduciary net position</b>                                     | 1,022,977            |
| <b>Plan fiduciary net position - beginning</b>                                       | 1,821,266            |
| <br><b>Plan fiduciary net position - ending (b)</b>                                  | <u>\$ 2,844,243</u>  |
| <br><b>District's net OPEB liability - ending (a) - (b)</b>                          | <u>\$ 8,835,181</u>  |
| <br><b>Plan fiduciary net position as a percentage of the total OPEB liability</b>   | <u>24.35%</u>        |
| <br><b>Covered-employee payroll</b>  | <u>\$ 22,192,701</u> |
| <br><b>District's net OPEB liability as a percentage of covered-employee payroll</b> | <u>39.81%</u>        |

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

See accompanying note to required supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF OPEB INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2018

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|   | 2018   |
|---|--------|
| Annual money-weighted rate of return, net of investment expense | 12.23% |

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

See accompanying note to required supplementary information.

## COMPTON COMMUNITY COLLEGE DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

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|  | <u>2018</u>            |
|--|------------------------|
| Year ended June 30,  |                        |
| District's proportion of the net OPEB liability  | <u>0.0456%</u>         |
| District's proportionate share of the net OPEB liability   | <u>\$ 191,880</u>      |
| District's covered-employee payroll  | <u>N/A<sup>1</sup></u> |
| District's proportionate share of the net OPEB liability as a percentage<br>of it's covered-employee payroll | <u>N/A<sup>1</sup></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability                                      | <u>0.01%</u>           |

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

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

See accompanying note to required supplementary information.



# COMPTON COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

|   | 2018          | 2017          |
|---|---------------|---------------|
| <b>CalSTRS</b>  |               |               |
| District's proportion of the net pension liability  | 0.0252%       | 0.0263%       |
| District's proportionate share of the net pension liability   | \$ 23,297,882 | \$ 21,272,244 |
| State's proportionate share of the net pension liability associated with the District                       | 13,782,830    | 12,109,909    |
| Total   | \$ 37,080,712 | \$ 33,382,153 |
| District's covered-employee payroll   | \$ 13,597,782 | \$ 13,665,051 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 171.34%       | 155.67%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 69%           | 70%           |
| <b>CalPERS</b>  |               |               |
| District's proportion of the net pension liability  | 0.0641%       | 0.0659%       |
| District's proportionate share of the net pension liability   | \$ 15,293,531 | \$ 13,018,832 |
| District's covered-employee payroll   | \$ 8,169,859  | \$ 8,205,368  |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 187.19%       | 158.66%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 72%           | 74%           |

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

See accompanying note to required supplementary information.

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| <u>2016</u>          | <u>2015</u>          |
|----------------------|----------------------|
| <u>0.0259%</u>       | <u>0.0268%</u>       |
| \$ 17,432,301        | \$ 15,664,559        |
| <u>9,219,766</u>     | <u>9,458,937</u>     |
| <u>\$ 26,652,067</u> | <u>\$ 25,123,496</u> |
| <u>\$ 12,752,399</u> | <u>\$ 11,939,418</u> |
| <u>136.70%</u>       | <u>131.20%</u>       |
| <u>74%</u>           | <u>77%</u>           |
| <u>0.0618%</u>       | <u>0.0629%</u>       |
| \$ 9,114,629         | \$ 7,143,796         |
| \$ 6,862,365         | \$ 6,605,812         |
| <u>132.82%</u>       | <u>108.14%</u>       |
| <u>79%</u>           | <u>83%</u>           |

# COMPTON COMMUNITY COLLEGE DISTRICT

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

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>CalSTRS</b>   |                      |                      |
| Contractually required contribution                                  | \$ 1,995,316         | \$ 1,710,601         |
| Contributions in relation to the contractually required contribution | <u>1,995,316</u>     | <u>1,710,601</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered-employee payroll                                  | <u>\$ 13,827,554</u> | <u>\$ 13,597,782</u> |
| Contributions as a percentage of covered-employee payroll            | <u>14.43%</u>        | <u>12.58%</u>        |
| <b>CalPERS</b>   |                      |                      |
| Contractually required contribution                                  | \$ 1,299,191         | \$ 1,134,630         |
| Contributions in relation to the contractually required contribution | <u>1,299,191</u>     | <u>1,134,630</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered-employee payroll                                  | <u>\$ 8,365,147</u>  | <u>\$ 8,169,859</u>  |
| Contributions as a percentage of covered-employee payroll            | <u>15.531%</u>       | <u>13.888%</u>       |

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

See accompanying note to required supplementary information.

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| 2016               | 2015               |
|--------------------|--------------------|
| \$ 1,466,260       | \$ 1,132,413       |
| 1,466,260          | 1,132,413          |
| <u>\$ -</u>        | <u>\$ -</u>        |
| <br>\$ 13,665,051  | <br>\$ 12,752,399  |
| <br>10.73%         | <br>8.88%          |
| <br><br>\$ 972,090 | <br><br>\$ 807,769 |
| 972,090            | 807,769            |
| <u>\$ -</u>        | <u>\$ -</u>        |
| <br>\$ 8,205,368   | <br>\$ 6,862,365   |
| <br>11.847%        | <br>11.771%        |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **NOTE 1 - PURPOSE OF SCHEDULES**

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

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

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

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 5.80 percent to 6.30 percent since the previous valuation.

#### **Schedule of OPEB Investment Returns**

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

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

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

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

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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

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

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

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

#### **Schedule of District Contributions for Pensions**

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

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***SUPPLEMENTARY INFORMATION***

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# COMPTON COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2018

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Compton Community College District (the District) is located in the city of Compton, Los Angeles County, California. Compton Community College was established in 1927 as a component of the Compton Union High School District. At that time, State law authorized high school and unified school districts to offer education through a junior college accredited program. In 1950, voters approved a bond issue separating the college from the high school district. The District administers operations of one College campus.

### BOARD OF TRUSTEES

| <u>MEMBER</u>                | <u>POSITION</u> | <u>TERM EXPIRES</u> |
|------------------------------|-----------------|---------------------|
| Ms. Nicole Jones             | President       | December 2018       |
| Ms. Sonia Lopez              | Vice President  | December 2020       |
| Ms. LoWanda Green            | Clerk           | December 2018       |
| Dr. Deborah Sims LeBlanc     | Member          | December 2018       |
| Mr. Andres Ramos             | Member          | December 2018       |
| Mr. Gene Farrell             | Special Trustee |                     |
| Mr. Joshua Castellanos Ramos | Student Trustee | May 2018            |

### ADMINISTRATION

|                               |   |
|-------------------------------|---|
| Dr. Keith Curry               | President/Chief Executive Officer       |
| Dr. Stephanie Atkinson-Alston | Vice President, Academic Affairs        |
| Mr. Steven Haigler            | Vice President, Administrative Services |
| Ms. Elizabeth Martinez        | Vice President, Student Services        |
| Ms. Barbara Perez             | Vice President, Compton College         |
| Ms. Rachelle Sasser           | Vice President, Human Resources         |
| Dr. Abiodun Osanyinpeju       | Dean, Student Learning, Division 1      |
| Dr. Rodney Murray             | Dean, Student Learning, Division 2      |
| Dr. Chelvi Subramaniam        | Dean, Student Success, Division 3       |

See accompanying note to supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

| Program   | CFDA<br>Number | Program Entitlements |               |                      |
|---|----------------|----------------------|---------------|----------------------|
|   |                | Current<br>Year      | Prior<br>Year | Total<br>Entitlement |
| U.S. DEPARTMENT OF EDUCATION                          |                |                      |               |                      |
| Upward Bound Math and Science                         | 84.047M        | \$ 296,938           | \$ 118,661    | \$ 415,599           |
| U.S. DEPARTMENT OF AGRICULTURE                        |                |                      |               |                      |
| Child and Adult Care Food Care Program                | 10.558         | 43,863               | -             | 43,863               |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES          |                |                      |               |                      |
| Temporary Assistance for Needy Families (TANF)        | 93.558         | 93,517               | -             | 93,517               |
| Temporary Assistance for Needy Families (TANF) - DPSS | 93.558         | 114,999              | -             | 114,999              |
| Foster and Kinship Care Education (FKCE)              | 93.658         | 52,180               | -             | 52,180               |
| Youth Empowerment Strategies for Success              |                |                      |               |                      |
| - Independent Living                                  | 93.674         | 22,500               | -             | 22,500               |
| Child Care Mandatory and Matching Funds of the        |                |                      |               |                      |
| Child Care and Development Fund                       | 93.596         | 74,653               | -             | 74,653               |
| Child Care and Development Block Grant                | 93.575         | 34,315               | -             | 34,315               |
| Total Federal Programs                                |                |                      |               |                      |

See accompanying note to supplementary information.



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| Program Revenues  |                        |                   | Program<br>Expenditures |
|-------------------|------------------------|-------------------|-------------------------|
| Cash<br>Received  | Accounts<br>Receivable | Total<br>Revenue  |                         |
| \$ 170,845        | \$ 38,430              | \$ 209,275        | \$ 209,275              |
| 31,641            | 12,222                 | 43,863            | 43,863                  |
| 71,073            | 22,444                 | 93,517            | 93,517                  |
| 95,294            | 19,705                 | 114,999           | 114,999                 |
| 31,308            | 19,222                 | 50,530            | 50,530                  |
| 2,340             | 20,160                 | 22,500            | 22,500                  |
| 64,463            | -                      | 64,463            | 64,463                  |
| 29,632            | -                      | 29,632            | 29,632                  |
| <u>\$ 496,596</u> | <u>\$ 132,183</u>      | <u>\$ 628,779</u> | <u>\$ 628,779</u>       |

# COMPTON COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

| Program   | Program Entitlements |               |                      |
|---|----------------------|---------------|----------------------|
|   | Current<br>Year      | Prior<br>Year | Total<br>Entitlement |
| Adult Education Consortium                          | \$ 375,000           | \$ 456,328    | \$ 831,328           |
| Basic Skills  | 351,301              | -             | 351,301              |
| Board of Financial Assistance Program (SFAA)        | 276,702              | -             | 276,702              |
| Cal Grant   | 868,665              | 35,579        | 904,244              |
| CCC Completion Grant                                | 91,500               | -             | 91,500               |
| CalWORKs  | 530,498              | -             | 530,498              |
| Campus Safety                                       | 15,995               | -             | 15,995               |
| Cooperative Agencies Resources for Education (CARE) | 620,775              | -             | 620,775              |
| Disabled Students Program Services                  | 395,674              | -             | 395,674              |
| Extended Opportunity Program and Services           | 1,173,523            | -             | 1,173,523            |
| Equal Employment Opportunity                        | 50,000               | 63,505        | 113,505              |
| Foster and Kinship Care Education                   | 64,415               | -             | 64,415               |
| Full Time Student Success Grant                     | 216,500              | 102,687       | 319,187              |
| Guided Pathways                                     | 831,951              | -             | 831,951              |
| Hunger-Free Campus Support                          | 12,851               | -             | 12,851               |
| Instructional Equipment                             | 96,224               | 266,149       | 362,373              |
| Nonresident Dreamer Emergency Aid                   | 82,186               | -             | 82,186               |
| Nursing Education                                   | 91,200               | -             | 91,200               |
| Special Trustee                                     | 325,000              | 125,123       | 450,123              |
| Strong Workforce                                    | 727,419              | 716,398       | 1,443,817            |
| Student Equity                                      | 834,188              | 241,550       | 1,075,738            |
| Student Success and Support Program (Credit)        | 1,105,544            | 87,789        | 1,193,333            |
| General Child Care and Development Program          | 182,530              | -             | 182,530              |
| California State Preschool Program                  | 448,428              | -             | 448,428              |
| Child and Adult Care Food Program                   | 2,591                | -             | 2,591                |
| Total State Programs                                |                      |               |                      |

See accompanying note to supplementary information.

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| Program Revenues     |                        |                     |                     |                         |
|----------------------|------------------------|---------------------|---------------------|-------------------------|
| Cash<br>Received     | Accounts<br>Receivable | Unearned<br>Revenue | Total<br>Revenue    | Program<br>Expenditures |
| \$ 831,328           | \$ -                   | \$ 605,646          | \$ 225,682          | \$ 225,682              |
| 351,301              | -                      | 252,088             | 99,213              | 99,213                  |
| 276,702              | -                      | -                   | 276,702             | 276,702                 |
| 911,394              | -                      | 7,150               | 904,244             | 904,244                 |
| 91,500               | -                      | 15,750              | 75,750              | 75,750                  |
| 530,498              | -                      | 581                 | 529,917             | 529,729                 |
| 15,995               | -                      | 15,995              | -                   | -                       |
| 620,775              | -                      | -                   | 620,775             | 620,775                 |
| 395,674              | -                      | -                   | 395,674             | 395,674                 |
| 1,173,523            | -                      | -                   | 1,173,523           | 1,173,523               |
| 113,505              | -                      | 80,688              | 32,817              | 32,817                  |
| 64,415               | -                      | -                   | 64,415              | 64,415                  |
| 319,187              | -                      | -                   | 319,187             | 319,187                 |
| 207,988              | -                      | 207,988             | -                   | -                       |
| 12,851               | -                      | 12,851              | -                   | -                       |
| 362,373              | -                      | 314,699             | 47,674              | 47,674                  |
| 82,186               | -                      | 1,186               | 81,000              | 81,000                  |
| 51,646               | 39,554                 | -                   | 91,200              | 91,200                  |
| 450,123              | -                      | 290,724             | 159,399             | 159,399                 |
| 1,443,817            | -                      | 889,860             | 553,957             | 553,957                 |
| 1,075,738            | -                      | 215,580             | 860,158             | 860,158                 |
| 1,193,333            | -                      | 60,547              | 1,132,786           | 1,132,786               |
| 157,617              | -                      | -                   | 157,617             | 157,617                 |
| 299,180              | 3,529                  | -                   | 302,709             | 302,709                 |
| 1,866                | 725                    | -                   | 2,591               | 2,591                   |
| <u>\$ 11,034,515</u> | <u>\$ 43,808</u>       | <u>\$ 2,971,333</u> | <u>\$ 8,106,990</u> | <u>\$ 8,106,802</u>     |

# COMPTON COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

|   | <b>**Revised<br/>Reported<br/>Data</b> | <b>Audit<br/>Adjustments</b> | <b>Audited<br/>Data</b> |
|---|--|------------------------------|-------------------------|
| <b>CATEGORIES</b>   |  |                              |                         |
| <b>A. Summer Intersession (Summer 2017 only)</b>                    |  |                              |                         |
| 1. Noncredit*   | 3.20                                   | -                            | 3.20                    |
| 2. Credit   | 668.13                                 | -                            | 668.13                  |
| <b>B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b> |  |                              |                         |
| 1. Noncredit*   | -                                      | -                            | -                       |
| 2. Credit   | 558.93                                 | -                            | 558.93                  |
| <b>C. Primary Terms (Exclusive of Summer Intersession)</b>          |  |                              |                         |
| 1. Census Procedure Courses   |  |                              |                         |
| (a) Weekly Census Contact Hours                                     | 3,496.65                               | -                            | 3,496.65                |
| (b) Daily Census Contact Hours                                      | 594.96                                 | -                            | 594.96                  |
| 2. Actual Hours of Attendance Procedure Courses                     |  |                              |                         |
| (a) Noncredit*  | 15.32                                  | -                            | 15.32                   |
| (b) Credit  | 160.92                                 | -                            | 160.92                  |
| 3. Alternative Attendance Accounting Procedure Courses              |  |                              |                         |
| (a) Weekly Census Contact Hours                                     | 355.02                                 | -                            | 355.02                  |
| (b) Daily Census Contact Hours                                      | 127.08                                 | -                            | 127.08                  |
| <b>D. Total FTES</b>  | <b>5,980.21</b>                        | <b>-</b>                     | <b>5,980.21</b>         |
| <b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>       |  |                              |                         |
| <b>E. In-Service Training Courses (FTES)</b>                        | -                                      | -                            | -                       |
| <b>H. Basic Skills Courses and Immigrant Education</b>              |  |                              |                         |
| 1. Noncredit*   | 3.64                                   | -                            | 3.64                    |
| 2. Credit   | 359.42                                 | -                            | 359.42                  |

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

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

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2018

|   |      | ECS 84362 A<br>Instructional Salary Cost<br>AC 0100 - 5900 and AC 6110 |                  |                      | ECS 84362 B<br>Total CEE<br>AC 0100 - 6799 |                  |                      |                 |
|---|------|--|------------------|----------------------|--|------------------|----------------------|-----------------|
|   |      | Object/TOP<br>Codes  | Reported<br>Data | Audit<br>Adjustments | Revised<br>Data                            | Reported<br>Data | Audit<br>Adjustments | Revised<br>Data |
| <u>Academic Salaries</u>                          |      |  |                  |                      |  |                  |                      |                 |
| <b>Instructional Salaries</b>                     |      |  |                  |                      |  |                  |                      |                 |
| Contract or Regular                               | 1100 | \$ 6,669,081   | \$ -             | \$ 6,669,081         | \$ 6,669,081                               | \$ -             | \$ 6,669,081         |                 |
| Other   | 1300 | 3,991,595  | -                | 3,991,595            | 4,048,968                                  | -                | 4,048,968            |                 |
| <b>Total Instructional Salaries</b>               |      | 10,660,676   | -                | 10,660,676           | 10,718,049                                 | -                | 10,718,049           |                 |
| <b>Noninstructional Salaries</b>                  |      |  |                  |                      |  |                  |                      |                 |
| Contract or Regular                               | 1200 | -  | -                | -                    | 2,539,129                                  | -                | 2,539,129            |                 |
| Other   | 1400 | -  | -                | -                    | 308,750                                    | -                | 308,750              |                 |
| <b>Total Noninstructional Salaries</b>            |      | -  | -                | -                    | 2,847,879                                  | -                | 2,847,879            |                 |
| <b>Total Academic Salaries</b>                    |      | 10,660,676   | -                | 10,660,676           | 13,565,928                                 | -                | 13,565,928           |                 |
| <u>Classified Salaries</u>                        |      |  |                  |                      |  |                  |                      |                 |
| <b>Noninstructional Salaries</b>                  |      |  |                  |                      |  |                  |                      |                 |
| Regular Status                                    | 2100 | -  | -                | -                    | 5,032,335                                  | -                | 5,032,335            |                 |
| Other   | 2300 | -  | -                | -                    | 553,619                                    | -                | 553,619              |                 |
| <b>Total Noninstructional Salaries</b>            |      | -  | -                | -                    | 5,585,954                                  | -                | 5,585,954            |                 |
| <b>Instructional Aides</b>                        |      |  |                  |                      |  |                  |                      |                 |
| Regular Status                                    | 2200 | 493,964  | -                | 493,964              | 649,991                                    | -                | 649,991              |                 |
| Other   | 2400 | 135,096  | -                | 135,096              | 135,096                                    | -                | 135,096              |                 |
| <b>Total Instructional Aides</b>                  |      | 629,060  | -                | 629,060              | 785,087                                    | -                | 785,087              |                 |
| <b>Total Classified Salaries</b>                  |      | 629,060  | -                | 629,060              | 6,371,041                                  | -                | 6,371,041            |                 |
| Employee Benefits                                 | 3000 | 4,325,069  | -                | 4,325,069            | 8,158,780                                  | -                | 8,158,780            |                 |
| Supplies and Material                             | 4000 | -  | -                | -                    | 591,671                                    | -                | 591,671              |                 |
| Other Operating Expenses                          | 5000 | -  | -                | -                    | 4,870,909                                  | -                | 4,870,909            |                 |
| Equipment Replacement                             | 6420 | -  | -                | -                    | -  | -                | -                    |                 |
| <b>Total Expenditures<br/>Prior to Exclusions</b> |      | 15,614,805   | -                | 15,614,805           | 33,558,329                                 | -                | 33,558,329           |                 |

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued  
FOR THE YEAR ENDED JUNE 30, 2018

|   | Object/TOP<br>Codes | ECS 84362 A<br>Instructional Salary Cost<br>AC 0100 - 5900 and AC 6110 |                      |                 | ECS 84362 B<br>Total CEE<br>AC 0100 - 6799 |                      |                 |
|---|---------------------|--|----------------------|-----------------|--|----------------------|-----------------|
|   |                     | Reported<br>Data   | Audit<br>Adjustments | Revised<br>Data | Reported<br>Data                           | Audit<br>Adjustments | Revised<br>Data |
| <b><u>Exclusions</u></b>  |                     |  |                      |                 |  |                      |                 |
| <b>Activities to Exclude</b>  |                     |  |                      |                 |  |                      |                 |
| Instructional Staff - Retirees' Benefits and Retirement Incentives    | 5900                | \$ 323,130   | \$ -                 | \$ 323,130      | \$ 323,130                                 | \$ -                 | \$ 323,130      |
| Student Health Services Above Amount Collected                        | 6441                | -  | -                    | -               | -  | -                    | -               |
| Student Transportation  | 6491                | -  | -                    | -               | 89,779                                     | -                    | 89,779          |
| Noninstructional Staff - Retirees' Benefits and Retirement Incentives | 6740                | -  | -                    | -               | 243,408                                    | -                    | 243,408         |
| <b>Objects to Exclude</b>   |                     |  |                      |                 |  |                      |                 |
| Rents and Leases  | 5060                | -  | -                    | -               | 377,396                                    | -                    | 377,396         |
| Lottery Expenditures  |                     |  |                      |                 |  |                      |                 |
| Academic Salaries   | 1000                | -  | -                    | -               | -  | -                    | -               |
| Classified Salaries   | 2000                | -  | -                    | -               | 798,625                                    | -                    | 798,625         |
| Employee Benefits   | 3000                | -  | -                    | -               | -  | -                    | -               |
| Supplies and Materials  | 4000                | -  | -                    | -               | -  | -                    | -               |
| Software  | 4100                | -  | -                    | -               | -  | -                    | -               |
| Books, Magazines, and Periodicals                                     | 4200                | -  | -                    | -               | -  | -                    | -               |
| Instructional Supplies and Materials                                  | 4300                | -  | -                    | -               | -  | -                    | -               |
| Noninstructional Supplies and Materials                               | 4400                | -  | -                    | -               | -  | -                    | -               |
| <b>Total Supplies and Materials</b>                                   |                     | -  | -                    | -               | -  | -                    | -               |

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued  
FOR THE YEAR ENDED JUNE 30, 2018**

|   | Object/TOP<br>Codes | ECS 84362 A<br>Instructional Salary Cost<br>AC 0100 - 5900 and AC 6110 |                      |                 | ECS 84362 B<br>Total CEE<br>AC 0100 - 6799 |                      |                 |
|---|---------------------|--|----------------------|-----------------|--|----------------------|-----------------|
|   |                     | Reported<br>Data   | Audit<br>Adjustments | Revised<br>Data | Reported<br>Data                           | Audit<br>Adjustments | Revised<br>Data |
| Other Operating Expenses and Services                           | 5000                | \$ -   | \$ -                 | \$ -            | \$ -                                       | \$ -                 | \$ -            |
| Capital Outlay  | 6000                |  |                      |                 |  |                      |                 |
| Library Books   | 6300                | -  | -                    | -               | 57,226                                     | -                    | 57,226          |
| Equipment   | 6400                | -  | -                    | -               | -  | -                    | -               |
| Equipment - Additional  | 6410                | -  | -                    | -               | 115,160                                    | -                    | 115,160         |
| Equipment - Replacement   | 6420                | -  | -                    | -               | -  | -                    | -               |
| <b>Total Equipment</b>  |                     | -  | -                    | -               | 115,160                                    | -                    | 115,160         |
| <b>Total Capital Outlay</b>                                     |                     | -  | -                    | -               | 172,386                                    | -                    | 172,386         |
| Other Outgo   | 7000                | -  | -                    | -               | 1,748,690                                  | -                    | 1,748,690       |
| <b>Total Exclusions</b>   |                     | 323,130  | -                    | 323,130         | 3,753,414                                  | -                    | 3,753,414       |
| <b>Total for ECS 84362,<br/>50 Percent Law</b>                  |                     | \$ 15,291,675  | \$ -                 | \$ 15,291,675   | \$ 29,804,915                              | \$ -                 | \$ 29,804,915   |
| <b>Percent of CEE (Instructional Salary<br/>Cost/Total CEE)</b> |                     | 51.31%   |                      | 51.31%          | 100.00%                                    |                      | 100.00%         |
| <b>50% of Current Expense of Education</b>                      |                     |  |                      |                 | \$ 14,902,458                              |                      | \$ 14,902,458   |

See accompanying note to supplementary information.

## **COMPTON COMMUNITY COLLEGE DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.



**COMPTON COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)  
EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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| <b>Activity Classification</b>    | <b>Object Code</b>   |  |   | <b>Unrestricted</b>                  |              |
|-----------------------------------|----------------------|--|---|--------------------------------------|--------------|
| EPA Proceeds:                     | 8630                 |  |   |                                      | \$ 5,210,465 |
| <b>Activity Classification</b>    | <b>Activity Code</b> | <b>Salaries and Benefits<br/>(Obj 1000-3000)</b> | <b>Operating Expenses<br/>(Obj 4000-5000)</b> | <b>Capital Outlay<br/>(Obj 6000)</b> | <b>Total</b> |
| Instructional Activities          | 0100-5900            | \$ 5,210,465                                     | \$ -  | \$ -                                 | \$ 5,210,465 |
| <b>Total Expenditures for EPA</b> |                      | \$ 5,210,465                                     | \$ -  | \$ -                                 | \$ 5,210,465 |
| <b>Revenues Less Expenditures</b> |                      |  |   |                                      | \$ -         |

See accompanying note to supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

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

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

#### Total Fund Balance and Retained Earnings:

|                            |                |
|----------------------------|----------------|
| General Funds              | \$ 13,981,955  |
| Special Revenue Funds      | 89,082         |
| Capital Project Funds      | 11,002,832     |
| Debt Service Funds         | 3,436,921      |
| Internal Service Funds     | 3,285,572      |
| Student Financial Aid Fund | <u>422,162</u> |

#### Total Fund Balance and Retained Earnings

#### - All District Funds

\$ 32,218,524

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:

192,474,562

Accumulated depreciation is:

(43,469,688)

149,004,874

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 obligation is recognized when it is incurred.

(1,151,555)

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

3,140,825

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

|  |                  |
|--|------------------|
| Pension contributions subsequent to measurement date   | 3,294,507        |
| Net change in proportionate share of net pension liability   | 519,673          |
| Differences between projected and actual earnings on pension plan investments                        | 529,052          |
| Differences between expected and actual experience in the measurement of the total pension liability | 634,062          |
| Changes of assumptions   | <u>6,550,066</u> |

#### Total Deferred Outflows of Resources Related to Pensions

11,527,360

See accompanying note to supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

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

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

|  |                  |                |
|--|------------------|----------------|
| Net change in proportionate share of net pension liability   | \$ (1,370,884)   |                |
| Differences between projected and actual earnings on pension plan investments                        | (620,488)        |                |
| Differences between expected and actual experience in the measurement of the total pension liability | (406,353)        |                |
| Changes of assumptions   | <u>(180,062)</u> |                |
| Total Deferred Inflows of Resources Related to Pensions  |                  | \$ (2,577,787) |

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

672,378

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

Long-term obligations at year-end consist of:

|                                  |            |
|----------------------------------|------------|
| Bonds payable                    | 71,468,943 |
| Bond premium                     | 4,014,108  |
| Notes payable                    | 9,731,161  |
| Compensated absences             | 1,091,760  |
| Aggregate net OPEB liability     | 9,027,061  |
| Aggregate net pension obligation | 38,591,413 |

In addition, the District issued 'capital appreciation' general obligation bonds.

The accretion of interest on those bonds to date is the following:

|                  |                      |
|------------------|----------------------|
| <u>7,687,690</u> | <u>(141,612,136)</u> |
|                  | <u>\$ 51,222,483</u> |

**Total Net Position**

See accompanying note to supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2018

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### ***NOTE 1 - PURPOSE OF SCHEDULES***

#### **District Organization**

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

#### **Schedule of Federal Awards**

The accompanying Schedule of Federal Awards includes the Federal 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. This schedule is not intended to be prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is presented at the request of District management as the District was not subject to these requirements for the 2017-2018 fiscal year due to the District not exceeding the Federal expenditure threshold (\$750,000) to become subject to Single Audit.

#### **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 I 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 Audited Financial Statements**

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

#### **Proposition 30 Education Protection Account (EPA) Expenditure Report**

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

# **COMPTON COMMUNITY COLLEGE DISTRICT**

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

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### **Reconciliation of Governmental Funds to the Statement of Net Position**

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

VALUE THE *difference*

**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  
Compton Community College District  
Compton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Compton Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2018.

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

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

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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



Rancho Cucamonga, California  
December 4, 2018





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

**VALUE THE** *difference*

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Trustees  
Compton Community College District  
Compton, California

### **Report on State Compliance**

We have audited Compton Community College District's (the District) compliance with the types of compliance requirements as identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### **Unmodified Opinion for Each of the Programs**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018.

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

|             |   |
|-------------|---|
| Section 421 | Salaries of Classroom Instructors (50 Percent Law)              |
| Section 423 | Apportionment for Instructional Service Agreements/Contracts    |
| Section 424 | State General Apportionment Funding System                      |
| Section 425 | Residency Determination for Credit Courses                      |
| Section 426 | Students Actively Enrolled                                      |
| Section 427 | Dual Enrollment (CCAP and Non-CCAP)                             |
| Section 428 | Student Equity  |
| Section 429 | Student Success and Support Program (SSSP) Funds                |
| Section 430 | Scheduled Maintenance Program                                   |
| Section 431 | Gann Limit Calculation  |
| Section 435 | Open Enrollment   |
| Section 439 | Proposition 39 Clean Energy Fund                                |
| Section 440 | Intersession Extension Programs                                 |
| Section 444 | Apprenticeship Related and Supplemental Instruction (RSI) Funds |
| Section 475 | Disabled Student Programs and Services (DSPS)                   |
| Section 479 | To Be Arranged Hours (TBA)                                      |
| Section 490 | Proposition 1D and 51 State Bond Funded Projects                |
| Section 491 | Education Protection Account Funds                              |

The District report no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

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

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

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

A handwritten signature in black ink, appearing to read "Valerie June Day" followed by a stylized "C.O.P." or similar initials.

Rancho Cucamonga, California  
December 4, 2018

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

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# COMPTON COMMUNITY COLLEGE DISTRICT

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

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### FINANCIAL STATEMENTS

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

### STATE AWARDS

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

**COMPTON COMMUNITY COLLEGE DISTRICT**

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

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None reported.

**COMPTON COMMUNITY COLLEGE DISTRICT**

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

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None reported.

## COMPTON COMMUNITY COLLEGE DISTRICT

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

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

#### *Financial Statement Findings*

None reported.

#### *State Awards Findings*

None reported.

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***UNAUDITED SUPPLEMENTARY INFORMATION***

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# COMPTON COMMUNITY COLLEGE DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEETS

JUNE 30, 2018

|  | General<br>Unrestricted | Line of Credit<br>General<br>Unrestricted | General<br>Restricted |
|--|-------------------------|---|-----------------------|
| <b>ASSETS</b>                                  |                         |   |                       |
| Cash and cash equivalents                      | \$ 25,000               | \$ -                                      | \$ 159                |
| Investments                                    | 14,680,332              | 1,124,141                                 | 4,554,485             |
| Accounts receivable                            | 406,025                 | 6,218                                     | 667,150               |
| Student loans receivable                       | 1,737,034               | -   | -                     |
| Prepaid expenses                               | 37,394                  | -   | 2,525                 |
| <b>Total Assets</b>                            | <b>\$ 16,885,785</b>    | <b>\$ 1,130,359</b>                       | <b>\$ 5,224,319</b>   |
| <b>LIABILITIES AND FUND BALANCES</b>           |                         |   |                       |
| <b>LIABILITIES</b>                             |                         |   |                       |
| Accounts payable                               | \$ 4,207,833            | \$ -                                      | \$ 679,934            |
| Unearned revenue                               | 924,947                 | -   | 3,445,794             |
| <b>Total Liabilities</b>                       | <b>5,132,780</b>        | <b>-</b>                                  | <b>4,125,728</b>      |
| <b>FUND BALANCES</b>                           |                         |   |                       |
| Nonspendable                                   | 62,394                  | -   | -                     |
| Restricted                                     | -                       | -   | 1,098,591             |
| Undesignated                                   | 11,690,611              | 1,130,359                                 | -                     |
| <b>Total Fund Balances</b>                     | <b>11,753,005</b>       | <b>1,130,359</b>                          | <b>1,098,591</b>      |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 16,885,785</b>    | <b>\$ 1,130,359</b>                       | <b>\$ 5,224,319</b>   |

See accompanying note to unaudited supplementary information.

| <b>Compton<br/>Recovery<br/>Fund</b> | <b>Child<br/>Development</b> | <b>Bond Interest<br/>and<br/>Redemption</b> | <b>Capital<br/>Outlay<br/>Projects</b> | <b>Revenue<br/>Bond<br/>Construction</b> | <b>Total<br/>Governmental<br/>Fund<br/>(Memorandum<br/>Only)</b> |
|--------------------------------------|------------------------------|---|--|--|--|
| \$ -                                 | \$ -                         | \$ -  | \$ -                                   | \$ -                                     | \$ 25,159  |
| 3,186,767                            | 97,083                       | 3,436,921                                   | 1,441,648                              | 9,777,764                                | 38,299,141   |
| 16,480                               | 33,983                       | -   | 607,310                                | 53,698                                   | 1,790,864  |
| -                                    | -                            | -   | -                                      | -  | 1,737,034  |
| -                                    | -                            | -   | 7,633                                  | -  | 47,552   |
| <u>\$ 3,203,247</u>                  | <u>\$ 131,066</u>            | <u>\$ 3,436,921</u>                         | <u>\$ 2,056,591</u>                    | <u>\$ 9,831,462</u>                      | <u>\$ 41,899,750</u>   |
|                                      |                              |   |  |  |  |
| \$ 137,768                           | \$ 41,984                    | \$ -  | \$ 33,856                              | \$ 264,441                               | \$ 5,365,816   |
| -                                    | -                            | -   | 586,924                                | -  | 4,957,665  |
| <u>137,768</u>                       | <u>41,984</u>                | <u>-</u>                                    | <u>620,780</u>                         | <u>264,441</u>                           | <u>10,323,481</u>  |
|                                      |                              |   |  |  |  |
| -                                    | -                            | -   | 7,633                                  | -  | 70,027   |
| 3,065,479                            | 89,082                       | 3,436,921                                   | 1,428,178                              | 9,567,021                                | 18,685,272   |
| -                                    | -                            | -   | -                                      | -  | 12,820,970   |
| <u>3,065,479</u>                     | <u>89,082</u>                | <u>3,436,921</u>                            | <u>1,435,811</u>                       | <u>9,567,021</u>                         | <u>31,576,269</u>  |
| <u>\$ 3,203,247</u>                  | <u>\$ 131,066</u>            | <u>\$ 3,436,921</u>                         | <u>\$ 2,056,591</u>                    | <u>\$ 9,831,462</u>                      | <u>\$ 41,899,750</u>   |

# COMPTON COMMUNITY COLLEGE DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES

#### IN FUND BALANCES

#### FOR THE YEAR ENDED JUNE 30, 2018

|  | Line of Credit       |                     |                     |
|--|----------------------|---------------------|---------------------|
|  | General              | General             | General             |
|  | Unrestricted         | Unrestricted        | Restricted          |
| <b>REVENUES</b>  |                      |                     |                     |
| Federal revenues   | \$ -                 | \$ -                | \$ 490,821          |
| State revenues   | 30,936,489           | -                   | 6,502,532           |
| Local revenues   | 7,357,373            | 17,435              | 884,155             |
| <b>Total Revenues</b>                                    | <b>38,293,862</b>    | <b>17,435</b>       | <b>7,877,508</b>    |
| <b>EXPENDITURES</b>                                      |                      |                     |                     |
| Current Expenditures                                     |                      |                     |                     |
| Academic salaries  | 13,769,315           | -                   | 1,432,795           |
| Classified salaries                                      | 6,625,894            | -                   | 2,245,752           |
| Employee benefits  | 8,127,858            | -                   | 1,173,040           |
| Books and supplies                                       | 592,412              | -                   | 731,504             |
| Services and operating expenditures                      | 5,679,653            | -                   | 782,430             |
| Capital outlay   | 215,655              | -                   | 647,253             |
| Debt service - principal                                 | 935,755              | -                   | -                   |
| Debt service - interest and other                        | 246,086              | -                   | -                   |
| <b>Total Expenditures</b>                                | <b>36,192,628</b>    | <b>-</b>            | <b>7,012,774</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> | <b>2,101,234</b>     | <b>17,435</b>       | <b>864,734</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                      |                     |                     |
| Operating transfers in                                   | -                    | -                   | 6,238               |
| Operating transfers out                                  | (712,309)            | -                   | -                   |
| Other uses   | (144,319)            | -                   | (810,689)           |
| <b>Total Other Financing Sources (Uses)</b>              | <b>(856,628)</b>     | <b>-</b>            | <b>(804,451)</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>1,244,606</b>     | <b>17,435</b>       | <b>60,283</b>       |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>                   | <b>10,508,399</b>    | <b>1,112,924</b>    | <b>1,038,308</b>    |
| <b>FUND BALANCE, END OF YEAR</b>                         | <b>\$ 11,753,005</b> | <b>\$ 1,130,359</b> | <b>\$ 1,098,591</b> |

See accompanying note to unaudited supplementary information.

| <b>Compton<br/>Recovery<br/>Fund</b> | <b>Child<br/>Development</b> | <b>Bond Interest<br/>and<br/>Redemption</b> | <b>Capital<br/>Outlay<br/>Projects</b> | <b>Revenue<br/>Bond<br/>Construction</b> | <b>Total<br/>Governmental<br/>Fund<br/>(Memorandum<br/>Only)</b> |
|--------------------------------------|------------------------------|---|--|--|--|
| \$ -                                 | \$ 137,958                   | \$ -  | \$ -                                   | \$ -                                     | \$ 628,779   |
| 4,520,000                            | 463,349                      | 35,958                                      | 759,183                                | -  | 43,217,511   |
| 18,011                               | 149,149                      | 4,554,889                                   | 59,327                                 | 161,241                                  | 13,201,580   |
| 4,538,011                            | 750,456                      | 4,590,847                                   | 818,510                                | 161,241                                  | 57,047,870   |
| -                                    | -                            | -   | -                                      | -  | 15,202,110   |
| 12,418                               | 409,723                      | -   | -                                      | -  | 9,293,787  |
| 5,739                                | 161,178                      | -   | -                                      | -  | 9,467,815  |
| -                                    | 36,398                       | -   | -                                      | -  | 1,360,314  |
| 976,432                              | 2,364                        | -   | 25,859                                 | 145,702                                  | 7,612,440  |
| 477,943                              | 125,000                      | -   | 929,667                                | 1,528,625                                | 3,924,143  |
| -                                    | -                            | 1,885,000                                   | -                                      | -  | 2,820,755  |
| -                                    | -                            | 2,485,819                                   | -                                      | -  | 2,731,905  |
| 1,472,532                            | 734,663                      | 4,370,819                                   | 955,526                                | 1,674,327                                | 52,413,269   |
| 3,065,479                            | 15,793                       | 220,028                                     | (137,016)                              | (1,513,086)                              | 4,634,601  |
| -                                    | 3,758                        | -   | -                                      | -  | 9,996  |
| -                                    | -                            | -   | -                                      | -  | (712,309)  |
| -                                    | -                            | -   | -                                      | -  | (955,008)  |
| -                                    | 3,758                        | -   | -                                      | -  | (1,657,321)  |
| 3,065,479                            | 19,551                       | 220,028                                     | (137,016)                              | (1,513,086)                              | 2,977,280  |
| -                                    | 69,531                       | 3,216,893                                   | 1,572,827                              | 11,080,107                               | 28,598,989   |
| \$ 3,065,479                         | \$ 89,082                    | \$ 3,436,921                                | \$ 1,435,811                           | \$ 9,567,021                             | \$ 31,576,269  |

# COMPTON COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUND

### BALANCE SHEET

JUNE 30, 2018

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|                           | <u>Internal<br/>Service Fund</u> |
|---------------------------|----------------------------------|
| <b>ASSETS</b>             |                                  |
| Cash and cash equivalents | 250,000                          |
| Investments               | 3,836,789                        |
| Accounts receivable       | <u>14,433</u>                    |
| <b>Total Assets</b>       | <u><b>\$ 4,101,222</b></u>       |
| <br><b>LIABILITIES</b>    |                                  |
| Accounts payable          | \$ 559                           |
| Claim liabilities         | <u>815,091</u>                   |
| <b>Total Liabilities</b>  | <u><b>815,650</b></u>            |
| <br><b>NET POSITION</b>   |                                  |
| Restricted                | <u>3,285,572</u>                 |
| <b>Total Net Position</b> | <u><b>\$ 4,101,222</b></u>       |

See accompanying note to unaudited supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

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|  | <u>Internal<br/>Service Fund</u> |
|--|----------------------------------|
| <b>OPERATING REVENUES</b>                      |                                  |
| Contracted services                            | \$ 919,096                       |
| <b>OPERATING EXPENSES</b>                      |                                  |
| Services and other operating expenditures      | <u>898,169</u>                   |
| <b>Operating Income</b>                        | <u>20,927</u>                    |
| <b>NONOPERATING REVENUES</b>                   |                                  |
| Interest income                                | 41,941                           |
| Operating transfers in                         | <u>400,000</u>                   |
| <b>Total Nonoperating<br/>        Revenues</b> | <u>441,941</u>                   |
| <b>CHANGE IN NET POSITION</b>                  | 462,868                          |
| <b>TOTAL NET POSITION, BEGINNING OF YEAR</b>   | <u>2,822,704</u>                 |
| <b>TOTAL NET POSITION, END OF YEAR</b>         | <u><u>\$ 3,285,572</u></u>       |

See accompanying note to unaudited supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

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|  | <u>Internal<br/>Service Fund</u> |
|--|----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                  |
| Cash received from user charges  | \$ 918,173                       |
| Cash payments to vendors   | <u>(1,071,641)</u>               |
| Net Cash Flows From  |                                  |
| Operating Activities   | <u>(153,468)</u>                 |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                     |                                  |
| Transfers from other funds   | <u>400,000</u>                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                  |
| Interest on investments  | <u>41,941</u>                    |
| Net increase in cash and cash equivalents  | 288,473                          |
| Cash and cash equivalents - Beginning  | <u>3,798,316</u>                 |
| Cash and cash equivalents - Ending   | <u><u>\$ 4,086,789</u></u>       |
| <b>RECONCILIATION OF OPERATING INCOME TO<br/>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b> |                                  |
| Operating income   | \$ 20,927                        |
| Adjustments to reconcile operating income to<br>net cash used by operating activities:     |                                  |
| Changes in assets and liabilities:   |                                  |
| Receivables  | (923)                            |
| Accrued liabilities  | <u>(173,472)</u>                 |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>  | <u><u>\$ (153,468)</u></u>       |
| <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>                                 |                                  |
| Cash in banks  | \$ 250,000                       |
| Cash in county treasury  | <u>3,836,789</u>                 |
| <b>Total Cash and Cash Equivalents</b>   | <u><u>\$ 4,086,789</u></u>       |

See accompanying note to unaudited supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS BALANCE SHEETS JUNE 30, 2018

|  | Associated<br>Students<br>Trust | Student<br>Representation<br>Fee | Student<br>Financial<br>Aid |
|--|---------------------------------|----------------------------------|-----------------------------|
| <b>ASSETS</b>                                  |                                 |                                  |                             |
| Cash and cash equivalents                      | \$ 217,291                      | \$ -                             | \$ -                        |
| Investments                                    | -                               | 43,080                           | 503,768                     |
| Accounts receivable                            | 138,532                         | 204                              | 9,080                       |
| Due from other funds                           | -                               | -                                | -                           |
| <b>Total Assets</b>                            | <b>\$ 355,823</b>               | <b>\$ 43,284</b>                 | <b>\$ 512,848</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>           |                                 |                                  |                             |
| <b>LIABILITIES</b>                             |                                 |                                  |                             |
| Accounts payable                               | \$ 4,010                        | \$ -                             | \$ 44,920                   |
| Due to other funds                             | 26,888                          | -                                | -                           |
| Unearned revenue                               | -                               | -                                | 45,766                      |
| Due to student groups                          | 79,118                          | -                                | -                           |
| <b>Total Liabilities</b>                       | <b>110,016</b>                  | <b>-</b>                         | <b>90,686</b>               |
| <b>FUND BALANCES</b>                           |                                 |                                  |                             |
| Restricted                                     | -                               | -                                | 422,162                     |
| Unreserved                                     |                                 |                                  |                             |
| Undesignated                                   | 245,807                         | 43,284                           | -                           |
| <b>Total Fund Balances</b>                     | <b>245,807</b>                  | <b>43,284</b>                    | <b>422,162</b>              |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 355,823</b>               | <b>\$ 43,284</b>                 | <b>\$ 512,848</b>           |

See accompanying note to unaudited supplementary information.



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| <b>GASB<br/>Statement No. 74<br/>OPEB<br/>Trust</b> | <b>Pension<br/>Stabilization<br/>Trust</b> | <b>Scholarship<br/>and<br/>Loan</b> | <b>Scholarship<br/>Agency</b> | <b>Total</b>        |
|---|--|-------------------------------------|-------------------------------|---------------------|
| \$ -  | \$ -                                       | \$ -                                | \$ 33,931                     | \$ 251,222          |
| 3,279,914   | 1,436,482                                  | 72,305                              | -                             | 5,335,549           |
| -   | -  | 419                                 | -                             | 148,235             |
| -   | -  | -                                   | 26,888                        | 26,888              |
| <u>\$ 3,279,914</u>                                 | <u>\$ 1,436,482</u>                        | <u>\$ 72,724</u>                    | <u>\$ 60,819</u>              | <u>\$ 5,761,894</u> |
|   |  |                                     |                               |                     |
| \$ -  | \$ -                                       | \$ 26,359                           | \$ -                          | \$ 75,289           |
| -   | -  | -                                   | -                             | 26,888              |
| -   | -  | -                                   | -                             | 45,766              |
| -   | -  | 8,748                               | 60,819                        | 148,685             |
| <u>-</u>  | <u>-</u>                                   | <u>35,107</u>                       | <u>\$ 60,819</u>              | <u>296,628</u>      |
|   |  |                                     |                               |                     |
| 3,279,914   | 1,436,482                                  | -                                   |                               | 5,138,558           |
| -   | -  | 37,617                              |                               | 326,708             |
| <u>3,279,914</u>                                    | <u>1,436,482</u>                           | <u>37,617</u>                       |                               | <u>5,465,266</u>    |
|   |  |                                     |                               |                     |
| <u>\$ 3,279,914</u>                                 | <u>\$ 1,436,482</u>                        | <u>\$ 72,724</u>                    |                               | <u>\$ 5,761,894</u> |

# COMPTON COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS

### STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

|   | Associated<br>Students<br>Trust | Student<br>Representation<br>Fee | Student<br>Financial<br>Aid |
|---|---------------------------------|----------------------------------|-----------------------------|
| <b>REVENUES</b>   |                                 |                                  |                             |
| State revenues  | \$ -                            | \$ -                             | \$ 1,376,889                |
| Local revenues  | 58,266                          | 6,854                            | 4,805                       |
| <b>Total Revenues</b>                                   | <u>58,266</u>                   | <u>6,854</u>                     | <u>1,381,694</u>            |
| <b>EXPENDITURES</b>                                     |                                 |                                  |                             |
| Current Expenditures                                    |                                 |                                  |                             |
| Services and operating expenditures                     | 17,486                          | -                                | -                           |
| <b>EXCESS REVENUES OVER EXPENDITURES</b>                | <u>40,780</u>                   | <u>6,854</u>                     | <u>1,381,694</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                                 |                                  |                             |
| Operating transfers in                                  | -                               | -                                | 102,313                     |
| Other uses - student aid                                | -                               | -                                | (1,482,494)                 |
| <b>Total Other Financing Sources (Uses)</b>             | <u>-</u>                        | <u>-</u>                         | <u>(1,380,181)</u>          |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <u>40,780</u>                   | <u>6,854</u>                     | <u>1,513</u>                |
| <b>FUND BALANCE, BEGINNING OF YEAR,<br/>AS RESTATED</b> | <u>205,027</u>                  | <u>36,430</u>                    | <u>420,649</u>              |
| <b>FUND BALANCE, END OF YEAR</b>                        | <u>\$ 245,807</u>               | <u>\$ 43,284</u>                 | <u>\$ 422,162</u>           |

See accompanying note to unaudited supplementary information.

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| <b>GASB<br/>Statement No. 74<br/>Pension<br/>Trust</b> | <b>Pension<br/>Stabilization<br/>Trust</b> | <b>Scholarship<br/>and<br/>Loan</b> | <b>Total</b> |
|--|--|-------------------------------------|--------------|
| \$ -   | \$ -                                       | \$ -                                | \$ 1,376,889 |
| 463,839  | 27,696                                     | 1,165                               | 562,625      |
| 463,839  | 27,696                                     | 1,165                               | 1,939,514    |
| 28,168   | 3,839                                      | -                                   | 49,493       |
| 435,671  | 23,857                                     | 1,165                               | 1,890,021    |
| -  | 200,000                                    | -                                   | 302,313      |
| -  | -  | -                                   | (1,482,494)  |
| -  | 200,000                                    | -                                   | (1,180,181)  |
| 435,671  | 223,857                                    | 1,165                               | 709,840      |
| 2,844,243  | 1,212,625                                  | 36,452                              | 4,755,426    |
| \$ 3,279,914   | \$ 1,436,482                               | \$ 37,617                           | \$ 5,465,266 |

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Fund Financial Statements**

The accompanying financial statements report the governmental fund activities of Compton Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.

Proprietary and fiduciary fund activities are reported on the full accrual basis of accounting.