

**COMPTON
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

COMPTON COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2017

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FINANCIAL SECTION



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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 17 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15 and the other required supplementary schedules on pages 65 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents 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 information on pages 98 through 105 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 5, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vauriney, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 5, 2017



Serving the Communities of
Compton, Lynwood, Paramount and
Willowbrook, as well as portions of
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and South Gate

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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, 2017. 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) of the Western Association of Schools and Colleges was being withdrawn. In anticipation of this action, the legislature passed and Governor Schwarzenegger signed legislation known as Assembly Bill 318 (AB 318). AB 318 put in place several operational parameters unique to the Compton Community College District. The first provides for access to \$30 million in the form of a loan that is to be repaid over 20 years from the date the District withdraws the funds. To date, the District has withdrawn approximately \$17.9 million, and the current annual repayment obligation is approximately \$1.2 million. The District partnered with El Camino Community College District to ensure that Compton students could continue to have access to accredited educational services. El Camino Community College District provides accredited instructional and student services to students on the Compton campus through the El Camino College Compton Community Educational Center. ACCJC granted initial accreditation status to El Camino College Compton Center at its June 7, 2017, meeting. The action established Compton College as an accredited college within the El Camino Community College District. The District and El Camino Community College District are currently working on substantive change proposal to ACCJC requesting the District assume authority over Compton College. The District anticipates the change in authority of Compton College to be completed sometime in 2019.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. 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

In accordance with the new GASB standards, the District financials present significant financial obligations. The District budgeted for and paid additional principal payment of \$500,000 on its outstanding Note Payable to the State of California.

This past year, 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 budgeted for and contributed to its Pension Trust Stabilization Fund \$750,000 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 \$500,000 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.

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.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 Bond, Measure CC.

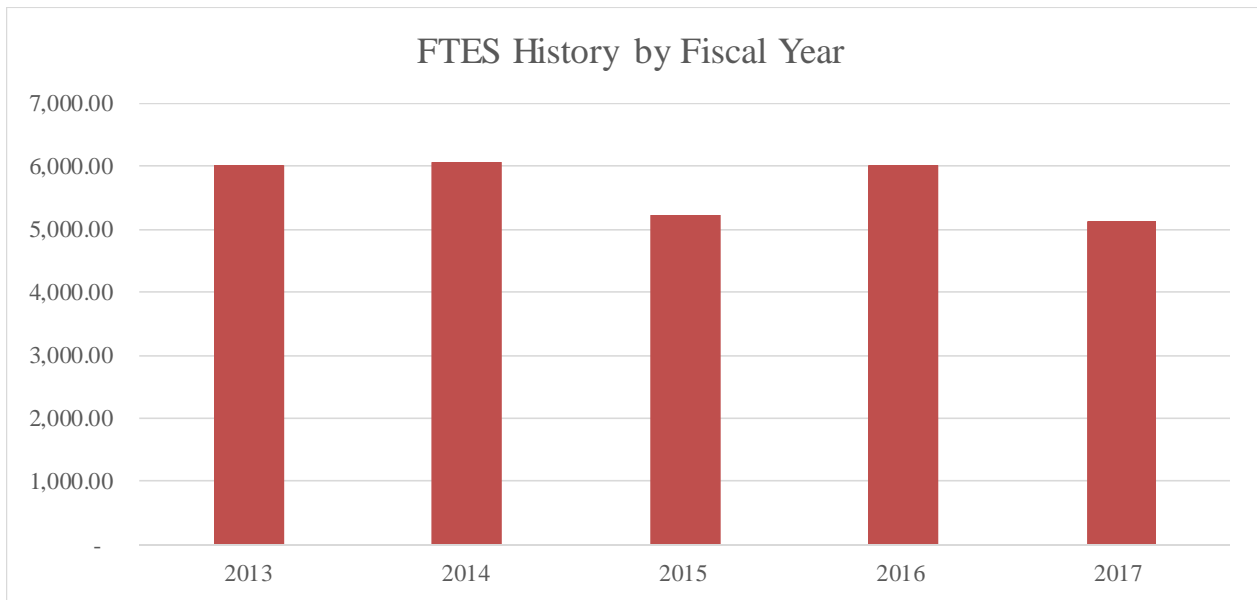
- Instructional Building #1
- Instructional Building #2

Additionally, the projects listed below are in progress and funded solely by the District's voter approved General Obligation Bond, Measure CC.

- Music (Little Theater) Building Renovation
- Police Safety Facility
- Tartar Village/Swing Space (Portable Modular Buildings)

Full-Time Equivalent Students Growth/Declines

Over the past five years, Full-Time Equivalent Students (FTES) decreased 889 FTES (or 14.82 percent). The trend shows that FTES has increased and decreased over the past five years. The District closely monitors FTES and has enrollment management plans in place to stabilize FTES.



COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017**

A summary of the Statement of Net Position as of June 30, 2017 and June 30, 2016, is below:

Table 1

	2017	2016	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and investments	\$ 37,883,303	\$ 44,649,231	\$ (6,765,928)	-15.2%
Accounts receivable, net	2,632,068	2,715,281	(83,213)	-3.1%
Other current assets	141,133	131,722	9,411	7.1%
Total Current Assets	40,656,504	47,496,234	(6,839,730)	-14.4%
Noncurrent Assets				
Capital assets, net of accumulated depreciation	151,897,925	149,863,898	2,034,027	1.4%
TOTAL ASSETS	192,554,429	197,360,132	(4,805,703)	-2.4%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	3,463,572	3,786,319	(322,747)	-8.5%
Deferred outflows of resources related to pensions	7,839,357	5,829,747	2,009,610	34.5%
Total Deferred Outflows of Resources	11,302,929	9,616,066	1,686,863	17.5%
LIABILITIES				
Current Liabilities				
Accounts payable	4,045,319	4,886,816	(841,497)	-17.2%
Accrued interest payable	1,190,131	1,222,731	(32,600)	-2.7%
Unearned revenue	3,779,844	2,309,362	1,470,482	63.7%
Due to fiduciary funds	-	500,000	(500,000)	100.0%
Current portion of long-term obligations	2,820,755	2,828,380	(7,625)	-0.3%
Total Current Liabilities	11,836,049	11,747,289	88,760	0.8%
Noncurrent Liabilities				
Bonds payable	81,820,700	82,466,436	(645,736)	-0.8%
Notes payable	9,731,161	11,166,916	(1,435,755)	-12.9%
Aggregate net pension liability	34,291,076	26,546,930	7,744,146	29.2%
Other long-term obligations	8,962,708	9,166,143	(203,435)	-2.2%
Total Noncurrent Liabilities	134,805,645	129,346,425	5,459,220	4.2%
TOTAL LIABILITIES	146,641,694	141,093,714	5,547,980	3.9%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	1,465,989	6,148,520	(4,682,531)	-76.2%
NET POSITION				
Net investment in capital assets	88,583,022	92,367,733	(3,784,711)	-4.1%
Restricted for:				
Debt service	2,026,762	2,255,997	(229,235)	-10.2%
Capital projects	1,572,827	1,560,234	12,593	0.8%
Educational programs	1,038,308	1,024,039	14,269	1.4%
Other activities	69,531	88,223	(18,692)	-21.2%
Unrestricted	(37,540,775)	(37,562,262)	21,487	-0.1%
TOTAL NET POSITION	\$ 55,749,675	\$ 59,733,964	\$ (3,984,289)	-6.7%

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- 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 2016-2017. Cash assets had decreases between fiscal years 2017 and 2016 due to the purchase of capital assets of \$8.0 million, the payment on principal capital debt of \$3.8 million, and increase in net noncapital financing activities.
- 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 \$1.2 million net student fee receivable.
- Capital assets had a net increase of \$2.0 million. Depreciation expense of \$6.0 million was recognized during 2016-2017. The capital asset section of this discussion and analysis provides greater detail.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2017. Total accounts payable are \$4.0 million; \$742 thousand of the balance was accrued in the Capital Projects Fund and the Bond Fund related to construction projects, and \$1.7 million is for amounts 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 all ne 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 \$81.8 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 of which no funds have been issued and remain available. The District has made withdrawals from the line of credit totaling \$17.9 million, and \$10.7 million represents the outstanding balance.

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, 2017

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and June 30, 2016, is summarized below:

Table 2

	2017	2016	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees (net)	\$ 993,181	\$ 1,406,778	\$ (413,597)	-29.4%
Other operating revenues	945,181	962,097	(16,916)	-1.8%
TOTAL OPERATING REVENUES	1,938,362	2,368,875	(430,513)	-18.2%
TOTAL OPERATING EXPENSES	53,312,904	50,417,783	2,895,121	5.7%
OPERATING LOSS	(51,374,542)	(48,048,908)	(3,325,634)	6.9%
NONOPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	28,175,919	27,988,208	187,711	0.7%
Local property taxes	8,531,613	8,250,119	281,494	3.4%
State taxes and other revenues	1,396,877	4,282,458	(2,885,581)	-67.4%
Grants and contracts, noncapital:				
Federal	674,505	724,132	(49,627)	-6.9%
State	9,561,575	8,346,698	1,214,877	14.6%
Interest and investment income	424,207	365,594	58,613	16.0%
Interest expense	(3,234,425)	(4,671,831)	1,437,406	-30.8%
Transfer to fiduciary funds	(1,450,000)	(500,000)	(950,000)	100.0%
Other nonoperating revenue	1,657,604	1,469,386	188,218	12.8%
NET NONOPERATING REVENUES	45,737,875	46,254,764	(516,889)	-1.1%
OTHER REVENUES				
State apportionments, capital	1,652,378	2,592,023	(939,645)	-36.3%
CHANGE IN NET POSITION	(3,984,289)	797,879	(4,782,168)	-599.4%
NET POSITION, BEGINNING OF YEAR	59,733,964	58,936,085	797,879	1.4%
NET POSITION, END OF YEAR	\$ 55,749,675	\$ 59,733,964	\$ (3,984,289)	-6.7%

- State apportionments have increased 0.7 percent while net position decreased by 6.7 percent. The decrease in net position is related to decreases in other State revenues and increase in contributions to the District's OPEB and Pension Stabilization trusts. Additionally, the long-term obligations of the District increased by \$5.5 million or 4.2 percent.
- 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 66 percent of operating expenses in fiscal years 2017 and 2016. Supplies, materials, and other operating expenses accounted for 16 percent of the operating expense in fiscal years 2017 and 2016. The balance of operating expenses is for financial aid, utilities, and depreciation expense.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- 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. 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.

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 and Employee Benefits	Supplies, Materials, Other Expenses and Services	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional Activities	\$ 16,489,568	\$ 392,188	\$ 552,152	\$ -	\$ -	\$ 17,433,908
Instructional Administrative and Instructional Governance	1,744,936	178,253	38,565	-	-	1,961,754
Instructional Support Services	1,192,463	24,823	139,012	-	-	1,356,298
Admissions and Records	682,730	15,368	3,140	-	-	701,238
Student Counseling and Guidance	1,157,689	28,524	932	-	-	1,187,145
Other Student Services	6,492,030	1,119,893	35,841	-	-	7,647,764
Operation and Maintenance of Plant	1,736,976	929,944	347,447	-	-	3,014,367
Planning, Policymaking, and Coordination	403,873	575,214	5,684	-	-	984,771
General Institutional Support Services	3,600,234	2,834,750	63,018	-	-	6,498,002
Community Services and Economic Development	374,577	53,290	3,846	-	-	431,713
Ancillary Services and Auxiliary Operation	763,168	1,955,705	-	-	-	2,718,873
Physical Property and Related Acquisitions	107,543	441,359	793,252	-	-	1,342,154
Student Aid	-	-	-	2,011,421	-	2,011,421
Depreciation	-	-	-	-	5,960,496	5,960,496
Total	\$ 34,745,787	\$ 8,549,311	\$ 1,982,889	\$ 2,011,421	\$ 5,960,496	\$ 53,249,904

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also 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.

The Statement of Cash Flows for the fiscal years ended June 30, 2017 and June 30, 2016, is summarized below:

Table 4

	<u>2017</u>	<u>2016</u>
Cash Provided by (Used in)		
Operating activities	\$ (42,755,251)	\$ (42,448,786)
Noncapital financing activities	44,423,129	50,472,393
Capital and related financing activities	(8,823,216)	(11,466,539)
Investing activities	<u>389,410</u>	<u>341,124</u>
Net Change in Cash and Cash Equivalents	(6,765,928)	(3,101,808)
Cash Balance, Beginning of Year	<u>44,649,231</u>	<u>47,751,039</u>
Cash Balance, End of Year	<u>\$ 37,883,303</u>	<u>\$ 44,649,231</u>

Capital Assets

At June 30, 2017, the District has \$189.3 million in a broad range of capital assets, including land, construction in progress, buildings, and furniture and equipment. At June 30, 2017, the District's net capital assets were \$151.9 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 to the financial statements provides additional information on capital assets.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Debt Obligations

At June 30, 2017, the District has \$137.6 million in debt obligations of which \$83.7 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 \$10.7 million outstanding. This note is repaid in annual installments, in accordance with obligation requirements.

The District is also obligated for vacation, claims, early retirement payments, other postemployment benefits, and pension obligations to its qualified employees.

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

As of June 30, 2017, the aggregate net pension obligation was \$34.3 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.

Economic Factors That May Affect the Future

The largest component of operational revenue the District receives is from the State of California. The most important element of the State funding is the total compensation revenue (apportionment), which accounts for 82 percent of the District's 2016-2017 Unrestricted General Fund revenues.

Apportionment revenue is directly tied to the generation and reporting of FTES. Over the last five years, the District has incurred decreases in FTES, marking its lowest point in fiscal year 2017 at 5,110 FTES.

However, the District's 2016-2017 funded apportionment reflects funded FTES at 6,006, an amount in excess of the District's actual FTES count (5,110) in accordance with provisions of CCR Section 58776. This provided funding at an amount equal to the based funding level of the 2015-2016 year (6,006). During the initial year of a decline in FTES, community college districts are eligible to receive "stability" funding in an amount equal to the revenue loss associated with a decline in FTES for that year.

Looking to fiscal year 2017-2018, the District anticipates growth in actual FTES. The District budgeted for funding based on attaining 6,060 FTES.

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

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 thus not subject to a single audit.

Looking to fiscal year 2017-2018, 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, 2017**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 225,159
Investments	37,658,144
Accounts receivable	1,405,482
Student receivables, net	1,226,586
Prepaid expenses	141,133
Total Current Assets	<u>40,656,504</u>
Noncurrent Assets	
Nondepreciable capital assets	13,084,367
Depreciable capital assets, net of depreciation	138,813,558
Total Noncurrent Assets	<u>151,897,925</u>
TOTAL ASSETS	<u>192,554,429</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,463,572
Deferred outflows of resources related to pensions	7,839,357
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,302,929</u>
LIABILITIES	
Current Liabilities	
Accounts payable	4,045,319
Accrued interest payable	1,190,131
Unearned revenue	3,779,844
Bonds payable	1,885,000
Notes payable	935,755
Total Current Liabilities	<u>11,836,049</u>
Noncurrent Liabilities	
Compensated absences payable	1,020,709
Claims liability	988,999
Bonds payable	81,820,700
Notes payable	9,731,161
Net other postemployment benefit (OPEB) obligation	6,953,000
Aggregate net pension obligation	34,291,076
Total Noncurrent Liabilities	<u>134,805,645</u>
TOTAL LIABILITIES	<u>146,641,694</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,465,989
NET POSITION	
Net investment in capital assets	88,583,022
Restricted for:	
Debt service	2,026,762
Capital projects	1,572,827
Educational programs	1,038,308
Other activities	69,531
Unrestricted	(37,540,775)
TOTAL NET POSITION	<u>\$ 55,749,675</u>

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, 2017

OPERATING REVENUES

Student Tuition and Fees	\$ 5,015,876
Less: Scholarship discount and allowance	<u>(4,022,695)</u>
Net tuition and fees	<u>993,181</u>
Other Operating Revenues	<u>945,181</u>
TOTAL OPERATING REVENUES	<u>1,938,362</u>

OPERATING EXPENSES

Salaries	24,398,039
Employee benefits	10,410,748
Supplies, materials, and other operating expenses and services	8,549,311
Student financial aid	2,011,421
Equipment, maintenance, and repairs	1,982,889
Depreciation	<u>5,960,496</u>
TOTAL OPERATING EXPENSES	<u>53,312,904</u>

OPERATING LOSS

(51,374,542)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	28,175,919
Local property taxes, levied for general purposes	4,383,402
Taxes levied for other specific purposes	4,148,211
Federal grants	674,505
State grants	9,561,575
State taxes and other revenues	1,396,877
Investment income	389,158
Interest expense on capital related debt	(3,234,425)
Investment income on capital asset-related debt, net	35,049
Transfer to fiduciary funds	(1,450,000)
Other nonoperating revenue	<u>1,657,604</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>45,737,875</u>

LOSS BEFORE OTHER REVENUES

(5,636,667)

OTHER REVENUES

State revenues, capital	<u>1,652,378</u>
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CHANGE IN NET POSITION

(3,984,289)

NET POSITION, BEGINNING OF YEAR

59,733,964

NET POSITION, END OF YEAR

\$ 55,749,675

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 1,234,356
Payments to vendors for supplies and services	(9,370,590)
Payments to or on behalf of employees	(33,552,777)
Payments to students for scholarships and grants	(2,011,421)
Other operating receipts	945,181
Net Cash Flows From Operating Activities	(42,755,251)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	27,938,782
Grant and contracts	10,379,228
Property taxes - nondebt related	4,383,402
State taxes and other apportionments	1,772,144
Other nonoperating payments	(50,427)
Net Cash Flows From Noncapital Financing Activities	44,423,129

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(8,416,346)
Current year bond principal accretion	1,729,794
State revenue, capital projects	1,652,378
Deferred charges on bond refunding	322,747
Property taxes - related to capital debt	4,148,211
Principal paid on capital debt	(3,818,910)
Interest paid on capital debt	(4,476,139)
Interest received on capital asset-related debt	35,049
Net Cash Flows From Capital Financing Activities	(8,823,216)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	389,410
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NET CHANGE IN CASH AND CASH EQUIVALENTS

(6,765,928)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

44,649,231

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 37,883,303

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, 2017

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

Operating Loss	<u>\$ (51,374,542)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	5,960,496
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	59,714
Accrued interest payable	(32,600)
Prepaid expenses	(9,411)
Accounts payable and accrued liabilities	322,040
Unearned revenue	1,470,482
Claims liabilities	(283,248)
Compensated absences	(61,623)
Deferred outflows of resources related to pensions	(2,009,610)
Deferred inflows of resources related to pensions	(4,682,531)
Aggregate net pension obligation	7,744,146
Net OPEB obligation	141,436
Total Adjustments	<u>8,619,291</u>
Net Cash Flows From Operating Activities	<u><u>\$ (42,755,251)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 225,159
Cash in county treasury	37,658,144
Total Cash and Cash Equivalents	<u><u>\$ 37,883,303</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	\$ 1,113,876
Board of governors fee waivers	4,022,695
Total Non Cash Transactions	<u><u>\$ 5,136,571</u></u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

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

	Retiree OPEB Trust	Trust Funds	Agency
ASSETS			
Cash and cash equivalents	\$ -	\$ 173,492	\$ 29,389
Investments	2,844,243	1,327,387	-
Accounts receivable	-	146,759	-
Due from trust funds	-	-	26,888
Total Assets	<u>2,844,243</u>	<u>1,647,638</u>	<u>\$ 56,277</u>
LIABILITIES			
Accounts payable	-	30,369	\$ -
Due to agency funds	-	26,888	-
Due to student groups	-	99,847	56,277
Total Liabilities	<u>-</u>	<u>157,104</u>	<u>\$ 56,277</u>
NET POSITION			
Restricted for postemployment benefits other than pensions	2,844,243	-	
Restricted	-	1,212,625	
Unrestricted	-	277,909	
Total Net Position	<u>\$ 2,844,243</u>	<u>\$ 1,490,534</u>	

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

COMPTON COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Retiree OPEB Trust	Trust Funds
ADDITIONS		
District contributions	\$ 750,000	\$ -
Interest and investment income	84,461	-
Net realized and unrealized gain	211,183	-
Local revenues	-	99,396
Total Additions	<u>1,045,644</u>	<u>99,396</u>
DEDUCTIONS		
Administrative expenses	22,667	-
Services and operating expenditures	-	39,368
Total Deductions	<u>22,667</u>	<u>39,368</u>
OTHER FINANCING SOURCES		
Transfer from primary government	-	700,000
Change in Net Position	1,022,977	760,028
Net Position - Beginning of Year, as restated (See Note 17)	<u>1,821,266</u>	<u>730,506</u>
Net Position - End of Year	<u>\$ 2,844,243</u>	<u>\$ 1,490,534</u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 16 for additional information.

Financial Reporting Entity

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.

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, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. 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.

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

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- 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. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

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 \$1,685,023 at June 30, 2017.

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, 2017

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 entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Charge on Refunding

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

Deferred Outflows/Inflows of Resources

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

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, 2017

Pensions

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-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 entity-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.

Noncurrent Liabilities

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 entity-wide financial statements report \$4,707,428 of restricted net position.

State Apportionments

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

Property Taxes

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

The voters of the District passed 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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

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

As a result of implementing GASB Statement No. 74, the District has restated the beginning net position in the fiduciary funds' Statement of Net Position, effectively increasing the District's fiduciary net position as of July 1, 2016, by \$1,821,266. This increase results from accounting for the District's OPEB trust account within the District's fiduciary funds.

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

New Accounting Pronouncements

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

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

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

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

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

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

General Authorizations

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

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

Authorized Under Debt Agreements

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

COMPTON COMMUNITY COLLEGE DISTRICT

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

Primary government	\$ 37,883,303
Fiduciary funds	4,374,511
Total Deposits and Investments	<u>\$ 42,257,814</u>
Cash on hand and in banks	\$ 202,840
Cash in revolving	225,200
Investments	41,829,774
Total Deposits and Investments	<u>\$ 42,257,814</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:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	\$ 37,772,906	\$ 37,548,051	672
Mutual Funds	4,056,868	4,056,868	N/A
Total	<u>\$ 41,829,774</u>	<u>\$ 41,604,919</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, 2017.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. 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, 2017, the District and fiduciary funds had bank balances of \$552,636 and \$208,835, respectively. Of these balances, the District had \$335,657 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, 2017

The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	\$ 37,548,051	\$ -	\$ 37,548,051
Mutual Funds	4,056,868	4,056,868	-
Total	<u>\$ 41,604,919</u>	<u>\$ 4,056,868</u>	<u>\$ 37,548,051</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 376,525	\$ -
State Government		
Apportionment	297,890	-
Categorical aid	245,077	-
Lottery	255,868	-
Other State sources	79,370	-
Local Sources		
Interest	133,658	2,515
Other local sources	17,094	144,244
Total	<u>\$ 1,405,482</u>	<u>\$ 146,759</u>
Student receivables	\$ 2,911,609	
Less: Allowance for bad debt	(1,685,023)	
Student receivables, net	<u>\$ 1,226,586</u>	

COMPTON COMMUNITY COLLEGE DISTRICT

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

NOTE 6 - CAPITAL ASSETS

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 2,324,000	\$ -	\$ -	\$ 2,324,000
Construction in progress	4,409,876	6,488,713	138,222	10,760,367
Total Capital Assets Not Being Depreciated	<u>6,733,876</u>	<u>6,488,713</u>	<u>138,222</u>	<u>13,084,367</u>
Capital Assets Being Depreciated				
Buildings and improvements	100,007,760	372,852	-	100,380,612
Site improvements	67,036,534	915,557	-	67,952,091
Furniture and equipment	7,574,000	355,623	-	7,929,623
Total Capital Assets Being Depreciated	<u>174,618,294</u>	<u>1,644,032</u>	<u>-</u>	<u>176,262,326</u>
Total Capital Assets	<u>181,352,170</u>	<u>8,132,745</u>	<u>138,222</u>	<u>189,346,693</u>
Less Accumulated Depreciation				
Buildings and improvements	18,162,201	2,068,339	-	20,230,540
Site improvements	6,411,476	3,741,173	-	10,152,649
Furniture and equipment	6,914,595	150,984	-	7,065,579
Total Accumulated Depreciation	<u>31,488,272</u>	<u>5,960,496</u>	<u>-</u>	<u>37,448,768</u>
Net Capital Assets	<u>\$ 149,863,898</u>	<u>\$ 2,172,249</u>	<u>\$ 138,222</u>	<u>\$ 151,897,925</u>

Depreciation expense for the year was \$5,960,496.

Interest expense on capital related debt for the year ended June 30, 2017, was \$4,476,139. Of this amount, \$1,241,714 was capitalized.

COMPTON COMMUNITY COLLEGE DISTRICT

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

NOTE 7 - ACCOUNTS PAYABLE

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

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 1,713,990	\$ -
Construction	741,982	-
Vendor payables	1,589,347	30,369
Total	<u>\$ 4,045,319</u>	<u>\$ 30,369</u>

NOTE 8 - UNEARNED REVENUE

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

	Primary Government
Federal financial assistance	\$ 1,914
State categorical aid	1,978,881
Other State	619,662
Student fees	757,160
Other local	422,227
Total	<u>\$ 3,779,844</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, 2017, there were no balances due between the primary government and the fiduciary funds.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2017 fiscal year, the amount transferred between the primary government and the fiduciary funds amounted to \$1,450,000.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 79,396,267	\$ 1,729,794	\$ 1,925,000	\$ 79,201,061	\$ 1,885,000
Bond premium	4,995,169	-	490,530	4,504,639	-
Note payable	12,070,296	-	1,403,380	10,666,916	935,755
Total Bonds and Notes Payable	96,461,732	1,729,794	3,818,910	94,372,616	2,820,755
Other Liabilities					
Compensated absences	1,082,332	-	61,623	1,020,709	-
Claims liability	1,272,247	-	283,248	988,999	-
Aggregate net pension obligation	26,546,930	7,744,146	-	34,291,076	-
Net OPEB obligation	6,811,564	1,617,650	1,476,214	6,953,000	-
Total Other Liabilities	35,713,073	9,361,796	1,821,085	43,253,784	-
Total Long-Term Obligations	\$ 132,174,805	\$ 11,091,590	\$ 5,639,995	\$ 137,626,400	\$ 2,820,755

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. Other postemployment benefits are paid from the General Fund. The aggregate pension liability is paid from the resources of the fund from which the employee liability was created.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, \$91,136,094 had been issued, and \$37,711,061 was outstanding with a premium balance of \$598,626.

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, 2017, was \$12,140,000 with a premium balance of \$867,679.

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, 2017, was \$16,570,000 with a premium balance of \$1,360,205.

COMPTON COMMUNITY COLLEGE DISTRICT

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

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, 2017, was \$12,780,000 with a premium balance of \$1,678,129.

Debt Maturity

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2017
8/27/2009	8/1/2019	3.00-6.75%	\$ 15,000,000	\$ 1,075,000	\$ -	\$ 220,000	\$ 855,000
3/22/2012	8/1/2037	2.59-6.65%	15,001,122	16,536,995	558,485	160,000	16,935,480
10/4/2012	7/1/2023	2.00-5.00%	14,470,000	13,235,000	-	1,095,000	12,140,000
11/13/2013	8/1/2039	2.52-6.62%	16,554,972	18,789,272	1,171,309	40,000	19,920,581
3/18/2014	7/1/2028	1.00-5.00%	17,010,000	16,660,000	-	90,000	16,570,000
10/6/2015	8/1/2034	2.00-5.00%	13,100,000	13,100,000	-	320,000	12,780,000
			<u>\$ 91,136,094</u>	<u>\$ 79,396,267</u>	<u>\$ 1,729,794</u>	<u>\$ 1,925,000</u>	<u>\$ 79,201,061</u>

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	\$ 250,000	\$ 36,032	\$ 286,032
2019	285,000	23,125	308,125
2020	320,000	8,000	328,000
Total	<u>\$ 855,000</u>	<u>\$ 67,157</u>	<u>\$ 922,157</u>

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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
2018	\$ 162,115	\$ 2,885	\$ 389,850	\$ 554,850
2019	155,253	9,747	389,850	554,850
2020	192,551	22,449	389,850	604,850
2021	224,002	40,998	389,850	654,850
2022	320,000	-	384,250	704,250
2023-2027	1,763,729	826,271	1,823,950	4,413,950
2028-2032	3,186,419	4,468,581	1,816,250	9,471,250
2033-2037	6,891,411	8,298,589	1,735,625	16,925,625
2038	4,040,000	-	101,000	4,141,000
Total	\$ 16,935,480	\$ 13,669,520	\$ 7,420,475	\$ 38,025,475

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	\$ 1,225,000	\$ 576,375	\$ 1,801,375
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
2023-2024	4,405,000	225,625	4,630,625
Total	\$ 12,140,000	\$ 2,377,750	\$ 14,517,750

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

Fiscal Year	Principal (including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2018	\$ -	\$ -	\$ 71,662	\$ 71,662
2019	45,426	4,574	71,662	121,662
2020	51,133	8,867	71,662	131,662
2021	55,958	14,042	71,662	141,662
2022	71,238	23,762	71,662	166,662
2023-2027	755,638	529,362	358,313	1,643,313
2028-2032	5,656,376	7,458,624	358,313	13,473,313
2033-2037	7,765,604	16,784,396	358,313	24,908,313
2038-2040	5,519,208	12,940,792	179,157	18,639,157
Total	\$ 19,920,581	\$ 37,764,419	\$ 1,612,406	\$ 59,297,406

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 100,000	\$ 811,600	\$ 911,600
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
2023-2027	8,885,000	3,307,650	12,192,650
2028-2029	7,090,000	362,000	7,452,000
Total	<u>\$ 16,570,000</u>	<u>\$ 7,692,050</u>	<u>\$ 24,262,050</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 145,000	\$ 600,300	\$ 745,300
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
2023-2027	3,480,000	2,324,500	5,804,500
2025-2032	4,820,000	1,339,300	6,159,300
2033-2035	3,000,000	225,000	3,225,000
Total	<u>\$ 12,780,000</u>	<u>\$ 6,823,175</u>	<u>\$ 19,603,175</u>

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the District had received \$17,896,800 with \$10,666,916 outstanding.

Fiscal Year	Current Interest		Total
	Principal	to Maturity	
2018	\$ 935,755	\$ 246,086	\$ 1,181,841
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
2023-2027	4,863,468	419,271	5,282,739
2028-2029	903,755	27,744	931,499
Total	<u>\$ 10,666,916</u>	<u>\$ 1,456,528</u>	<u>\$ 12,123,444</u>

Compensated Absences

At June 30, 2017, the liability for compensated absences was \$1,020,709.

Claims Liability

At June 30, 2017, the liability for claims liability was \$988,999. See Note 12 for additional information.

Aggregate Net Pension Obligation

At June 30, 2017, the District's aggregate net pension liability was \$34,291,076. See Note 13 for additional information.

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$1,721,216, and contributions made by the District during the year were \$1,203,237. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$395,071 and \$(498,637), respectively. In addition, the change in value of the irrevocable OPEB trust was \$272,977, which resulted in an increase to the net OPEB obligation of \$141,436. As of June 30, 2017, the net OPEB obligation was \$6,953,000. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Plan Description

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

Management of the Plan with vested in the Compton Community College District Retirement Board of Authority, which consists of locally appointed Plan members.

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

Inactive Plan members or beneficiaries currently receiving benefit payments	79
Active Plan members	205
	<hr/>
	284
	<hr/> <hr/>

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 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 Teachers Association (CCCFE – Certificated Unit), the local California Service Employees Association (CCCFE – Classified Unit), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually by Compton Community College District 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. Plan members are not required to contribute to the Plan.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%
Total	<u>100%</u>

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

Net OPEB Liability of the District

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

Total OPEB liability	\$ 16,073,283
Plan fiduciary net position	2,844,243
District's net OPEB liability	<u>13,229,040</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>17.70%</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of March 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	5.80 percent
Health care cost trend rates	4.00 percent

Mortality rates were based on the 2009 CalSTRS Mortality tables for certificated employees and the 2009 CalPERS Mortality for Active Miscellaneous Employees tables for classified employees.

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Discount rate. The discount rate used to measure the total OPEB liability was 5.8 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

NOTE 12 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2017, 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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Workers' Compensation

The District is self-insured for the first \$500,000 of each workers' compensation claim. The District also participated in the Protected Insurance Program for Schools and Community Colleges Joint Powers Authority to provide excess workers' compensation coverage.

Claims Liability

The District records an estimated liability for workers' compensation claims against the District. Claims liability 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 \$988,999 and was calculated using the expected confidence level discounted at three percent. Changes in the reported liability are shown in the following table:

	Workers' Compensation
Liability Balance, July 1, 2015	\$ 1,509,000
Claims and changes in estimates	236,753
Claims payments	(473,506)
Liability Balance, June 30, 2016	1,272,247
Claims and changes in estimates	(87,708)
Claims payments	(195,540)
Liability Balance, June 30, 2017	<u>\$ 988,999</u>
Assets Available to Pay Claims at June 30, 2017	<u><u>\$ 3,811,826</u></u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 21,272,244	\$ 3,660,001	\$ 993,716	\$ 2,068,440
CalPERS	13,018,832	4,179,356	472,273	1,828,796
Total	<u>\$ 34,291,076</u>	<u>\$ 7,839,357</u>	<u>\$ 1,465,989</u>	<u>\$ 3,897,236</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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, 2017

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were \$1,710,601.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 21,272,244
State's proportionate share of net pension liability associated with the District	12,109,909
Total	<u><u>\$ 33,382,153</u></u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.0263 percent and 0.0259 percent, respectively, resulting in a net increase in the proportionate share of 0.0004 percent.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$2,068,440. In addition, the District recognized pension expense and revenue of \$1,170,550 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,710,601	\$ -
Net change in proportionate share of net pension liability	258,267	474,804
Differences between projected and actual earnings on the pension plan investments	1,691,133	-
Differences between expected and actual experience in the measurement of the total pension liability	-	518,912
Total	<u>\$ 3,660,001</u>	<u>\$ 993,716</u>

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

The deferred outflows of resources related to the difference between projected and actual 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 June 30,	Deferred Outflows of Resources
2018	\$ 36,895
2019	36,896
2020	983,061
2021	634,281
Total	<u>\$ 1,691,133</u>

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (146,622)
2019	(146,622)
2020	(146,622)
2021	(146,622)
2022	(146,620)
Thereafter	(2,341)
Total	<u>\$ (735,449)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 30,615,557
Current discount rate (7.60%)	21,272,244
1% increase (8.60%)	13,512,232

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the total District contributions were \$1,134,630.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,018,832. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.0659 percent and 0.0618 percent, respectively, resulting in a net increase in the proportionate share of 0.0041 percent.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$1,828,796. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,134,630	\$ -
Net change in proportionate share of net pension liability	464,688	81,135
Differences between projected and actual earnings on the pension plan investments	2,020,104	-
Differences between expected and actual experience in the measurement of the total pension liability	559,934	-
Changes of assumptions	-	391,138
Total	<u>\$ 4,179,356</u>	<u>\$ 472,273</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.

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

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 283,346
2019	283,347
2020	926,183
2021	527,228
Total	<u>\$ 2,020,104</u>

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 170,783
2019	176,490
2020	205,076
Total	<u>\$ 552,349</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 19,424,169
Current discount rate (7.65%)	13,018,832
1% increase (8.65%)	7,685,128

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017. For the 2017 fiscal year, the District contributed a total of \$700,000 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, 2017 which amounted to \$1,113,876 (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the 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, 2017, the District made premium payments of \$251,033 and \$501,666 to SWACC and PIPS, respectively.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 15 - 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, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

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, 2017, 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.

Operating Lease

The District has entered into an operating lease for copiers and printers with lease terms in excess of one year. This agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel the agreement prior to the expiration date. Expenditures for rent under leases for the year ended June 30, 2017, were \$217,879. Future minimum lease payments under this agreement are as follows:

Year Ending	Lease
June 30,	Payment
<u>2018</u>	<u>\$ 199,723</u>

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 Construction Commitment</u>	<u>Estimated Completion</u>
Instructional Building #1	\$ 379,680	2021
Master planning	55,000	2018
Little Theater	232,972	2018
Swing Space	377,438	2018
Police Services	214,487	2020
Little Theater Site concrete	11,885	2018
Project Support Services	1,780,097	2020
	<u>\$ 3,051,559</u>	

NOTE 16 - 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.

In June 2017, the Center received initial accreditation status by the Accrediting Commission for Community and Junior Colleges (ACCJC). The Center, therefore, becomes a college and has been renamed Compton College. The next step for the District is to submit a substantive change proposal to the ACCJC. This proposal outlines steps for change in control of the college. The District is drafting a schedule that will result in separation from El Camino CCD and an end to the partnership.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 17 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

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

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, in the current year. The implementation of this standard required a change in accounting principles and restatement of the beginning net position of the fiduciary funds by \$1,821,266.

	<u>Fiduciary</u>
Fiduciary Net Position - Beginning	\$ 730,506
Restatement of Retiree OPEB Trust for implementation of GASB Statement No. 74	<u>1,821,266</u>
Fiduciary Net Position - Beginning, as Restated	<u><u>\$ 2,551,772</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

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

	<u>2017</u>
Total Net OPEB Liability*	
Annual required contribution	\$ 1,721,216
Interest on the net OPEB liability	395,071
Adjustment to the annual required contribution	(498,637)
Change in value of the irrevocable trust assets	(272,977)
District contributions to the irrevocable trust	(750,000)
Pay-as-you-go contributions	<u>(453,237)</u>
Net Changes in Total OPEB Liability	141,436
Total OPEB Liability - Beginning	<u>6,811,564</u>
Total OPEB Liability - Ending	<u><u>\$ 6,953,000</u></u>
Plan Fiduciary Net Position**	
Contributions - employer	\$ 750,000
Net investment income	295,644
Administrative expense	<u>(22,667)</u>
Net Change in Plan Fiduciary Net Position	1,022,977
Plan Fiduciary Net Position - Beginning	<u>1,821,266</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 2,844,243</u></u>

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

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

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

See accompanying note to required supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

	<u>2017</u>
Actuarially determined contribution	\$ 1,721,216
Contributions in relations to the actuarially determined contribution	<u>(1,203,237)</u>
Contribution deficiency (excess)	\$ 517,979
Covered-employee payroll	\$ 15,420,000
Contribution as a percentage of covered-employee payroll	7.80%

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

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

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

See accompanying note to required supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
March 1, 2011	\$ -	\$ 15,723,057	\$ 15,723,057	0%	N/A	N/A
March 1, 2013	167,167	15,366,693	15,199,526	1%	N/A	N/A
March 1, 2015	482,834	16,073,283	15,590,449	3%	N/A	N/A

* Entry age normal method

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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0263%</u>	<u>0.0259%</u>	<u>0.0268%</u>
District's proportionate share of the net pension liability	\$ 21,272,244	\$ 17,432,301	\$ 15,664,559
State's proportionate share of the net pension liability associated with the District	<u>12,109,909</u>	<u>9,219,766</u>	<u>9,458,937</u>
Total	<u>\$ 33,382,153</u>	<u>\$ 26,652,067</u>	<u>\$ 25,123,496</u>
District's covered-employee payroll	<u>\$ 13,665,051</u>	<u>\$ 12,752,399</u>	<u>\$ 11,939,418</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>155.67%</u>	<u>136.70%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.0659%</u>	<u>0.0618%</u>	<u>0.0629%</u>
District's proportionate share of the net pension liability	<u>\$ 13,018,832</u>	<u>\$ 9,114,629</u>	<u>\$ 7,143,796</u>
District's covered-employee payroll	<u>\$ 8,205,368</u>	<u>\$ 6,862,365</u>	<u>\$ 6,605,812</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>158.66%</u>	<u>132.82%</u>	<u>108.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 1,710,601	\$ 1,466,260	\$ 1,132,413
Contributions in relation to the contractually required contribution	<u>1,710,601</u>	<u>1,466,260</u>	<u>1,132,413</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 13,597,782</u>	<u>\$ 13,665,051</u>	<u>\$ 12,752,399</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 1,134,630	\$ 972,090	\$ 807,769
Contributions in relation to the contractually required contribution	<u>1,134,630</u>	<u>972,090</u>	<u>807,769</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 8,169,859</u>	<u>\$ 8,205,368</u>	<u>\$ 6,862,365</u>
Contributions as a percentage of covered-employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

See accompanying note to required supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB 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. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

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

Valuation Date: Actuarially determined contribution rates are calculated as of March 1, 2015, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Initial UAAL: Level percentage of payroll, closed Residual UAAL: Level dollar, open
Amortization period	Initial UAAL: 30 year Residual UAAL: 24 year
Asset Valuation method	Because plan assets are primarily short-term, no smoothing formula was used
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	5.80 percent
Retirement age	Certificated: 2009 CalSTRS Retirement Rates Classified: 2009 CalPERS Retirement Rates for School Employees
Mortality	Certificated: 2009 CalSTRS Mortality Classified: 2009 CalPERS Mortality for Active Miscellaneous Employees

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

Schedule of OPEB Investment Returns

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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

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

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2017

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>
Mr. Andres Ramos	President	December 2021
Dr. Deborah Sims LeBlanc	Vice President	December 2021
Ms. Nicole Jones	Clerk	December 2019
Ms. LoWanda Green	Member	December 2021
Ms. Sonia Lopez	Member	December 2019
Mr. Gene Farrell	Special Trustee	
Mr. Joshua Castellanos Ramos	Student Trustee	

ADMINISTRATION

Dr. Keith Curry	President/Chief Executive Officer
Ms. Barbara Perez	Vice President, Compton College
Mr. Steven Haigler	Vice President, Administrative Services
Ms. Rachelle Sasser	Vice President, Human Resources
Ms. Elizabeth Martinez	Vice President, Student Services
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, 2017**

Program	CFDA Number	Program Entitlements		
		Current Year	Prior Year	Total Entitlement
U.S. DEPARTMENT OF EDUCATION				
Upward Bound Math and Science	84.047M	\$ 242,694	\$ 109,855	\$ 352,549
U.S. DEPARTMENT OF AGRICULTURE				
Child and Adult Food Care Program	10.558	-	-	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF)	93.558	93,528	-	93,528
Temporary Assistance for Needy Families (TANF) - DPSS	93.558	130,000	-	130,000
Foster and Kinship Care Education (FKCE)	93.658	54,110	-	54,110
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	95,088	-	95,088
Child Development Training Consortium	93.575	7,500	-	7,500
Total Federal Programs				

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ -	\$ 290,841	\$ -	\$ 233,888	\$ 233,888
35,730	8,322	-	44,052	44,052
93,528	-	-	93,528	93,528
117,767	10,942	-	128,709	128,709
12,820	41,290		54,110	54,110
-	22,500	-	22,500	22,500
95,088	-	-	95,088	95,088
1,914	2,630	1,914	2,630	2,630
<u>\$ 356,847</u>	<u>\$ 376,525</u>	<u>\$ 1,914</u>	<u>\$ 674,505</u>	<u>\$ 674,505</u>

COMPTON COMMUNITY COLLEGE DISTRICT

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

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Adult Education Consort	\$ 249,000	\$ 301,000	\$ 550,000
Basic Skills	90,000	6,529	96,529
Board of Financial Assistance Program	260,414	-	260,414
Cal Grant	892,000	-	892,000
CalWORKs	521,557	-	521,557
Cooperative Agencies Resources for Education (CARE)	643,396	-	643,396
CTEA IT Programs	167,746	-	167,746
Disabled Students Program Services	404,757	-	404,757
Extended Opportunity Program and Services	1,216,287	8,813	1,225,100
Equal Employment Opportunity	363	63,142	63,505
Foster and Kinship Care Education	120,912	-	120,912
Full Time Student Success Grant	234,987	36,419	271,406
Instructional Equipment	400,000	-	400,000
Nursing Education	91,200	-	91,200
Special Trustee	325,000	17,743	342,743
Strong Workforce	716,398	-	716,398
Student Equity	851,212	452,374	1,303,586
Student Success and Support Program (Credit)	1,163,730	93,488	1,257,218
Proposition 39 Energy Grants/Tiny House Project	50,000	(2,062)	47,938
General Child Care and Development Program	134,091	-	134,091
California State Preschool Program	259,204	-	259,204
Child and Adult Care Food Program	2,604	-	2,604
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 550,000	\$ -	\$ 457,178	\$ 92,822	\$ 91,972
96,529	-	-	96,529	96,529
260,414	-	-	260,414	260,414
892,020	-	35,579	856,441	856,441
521,557	-	-	521,557	521,557
643,398	-	7,830	635,568	635,568
29,179	128,714	-	157,893	157,893
404,757	-	-	404,757	404,757
1,225,100	-	15,386	1,209,714	1,209,714
63,505	-	63,505	-	-
20,612	46,190	-	66,802	66,802
271,287	-	102,687	168,600	168,600
400,000	-	266,149	133,851	133,851
82,080	9,120	-	91,200	91,200
342,743	-	125,123	217,620	217,620
716,398	-	716,398	-	-
1,062,036	-	101,257	960,779	960,779
1,257,218	-	87,789	1,169,429	1,169,429
-	47,938	-	47,938	47,938
134,091	-	-	134,091	134,091
246,089	13,115	-	259,204	251,502
2,604	-	-	2,604	2,604
<u>\$ 9,221,617</u>	<u>\$ 245,077</u>	<u>\$ 1,978,881</u>	<u>\$ 7,487,813</u>	<u>\$ 7,479,261</u>

COMPTON COMMUNITY COLLEGE DISTRICT

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

CATEGORIES	**Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit*	2.76	-	2.76
2. Credit	186.59	-	186.59
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,761.37	-	3,761.37
(b) Daily Census Contact Hours	585.68	-	585.68
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	18.52	-	18.52
(b) Credit	134.10	-	134.10
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	367.98	-	367.98
(b) Daily Census Contact Hours	52.79	-	52.79
D. Total FTES	<u>5,109.79</u>	<u>-</u>	<u>5,109.79</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	3.26	-	3.26
2. Credit	465.76	-	465.76

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

** Annual report revised as of October 31, 2017.

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, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 6,849,152	\$ -	\$ 6,849,152	\$ 6,849,152	\$ -	\$ 6,849,152
Other	1300	4,070,290	-	4,070,290	4,070,290	-	4,070,290
Total Instructional Salaries		10,919,442	-	10,919,442	10,919,442	-	10,919,442
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,538,216	-	2,538,216
Other	1400	-	-	-	332,137	-	332,137
Total Noninstructional Salaries		-	-	-	2,870,353	-	2,870,353
Total Academic Salaries		10,919,442	-	10,919,442	13,789,795	-	13,789,795
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	4,914,174	-	4,914,174
Other	2300	-	-	-	621,343	-	621,343
Total Noninstructional Salaries		-	-	-	5,535,517	-	5,535,517
Instructional Aides							
Regular Status	2200	586,805	-	586,805	586,805	-	586,805
Other	2400	144,393	-	144,393	144,393	-	144,393
Total Instructional Aides		731,198	-	731,198	731,198	-	731,198
Total Classified Salaries		731,198	-	731,198	6,266,715	-	6,266,715
Employee Benefits	3000	4,916,865	-	4,916,865	9,063,445	-	9,063,445
Supplies and Material	4000	-	-	-	512,305	-	512,305
Other Operating Expenses	5000	221,235	-	221,235	3,246,604	-	3,246,604
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		16,788,740	-	16,788,740	32,878,864	-	32,878,864

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, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 490,895	\$ -	\$ 490,895	\$ 490,895	\$ -	\$ 490,895
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	390,782	-	390,782
Objects to Exclude							
Rents and Leases	5060	-	-	-	409,011	-	409,011
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	1,006,983	-	1,006,983
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued*
 FOR THE YEAR ENDED JUNE 30, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		490,895	-	490,895	2,297,671	-	2,297,671
Total for ECS 84362, 50 Percent Law		\$ 16,297,845	\$ -	\$ 16,297,845	\$ 30,581,193	\$ -	\$ 30,581,193
Percent of CEE (Instructional Salary Cost/Total CEE)		53.29%		53.29%	100.00%		100.00%
50% of Current Expense of Education					\$ 15,290,597		\$ 15,290,597

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Activity Classification	Object Code	Unrestricted			
EPA Proceeds:	8630				\$ 5,009,636
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ 5,009,636	\$ -	\$ -	\$ 5,009,636
Total Expenditures for EPA		\$ 5,009,636	\$ -	\$ -	\$ 5,009,636
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

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

Total Fund Balance and Retained Earnings:

General Funds	\$ 12,659,631
Special Revenue Funds	69,531
Capital Project Funds	12,652,934
Debt Service Funds	3,216,893
Internal Service Funds	2,822,704
Fiduciary Funds	4,755,426

**Total Fund Balance and Retained Earnings
- All District Funds**

\$ 36,177,119

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:

189,346,693

Accumulated depreciation is:

(37,448,768)

151,897,925

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

(4,334,777)

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 sis recognized when it is incurred.

(1,190,131)

Certain costs related to the refunding of long-term obligations are recorded as expenditures in the year of issuance in the governmental funds, but are capitalized in the Statement of Net Position and amortized over the life of the related long-term obligations.

3,463,572

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	2,845,231
Net change in proportionate share of the net pension liability	722,955
Differences between projected and actual earnings on pension plan investments	3,711,237
Differences between expected and actual experience in the measurement of the total pension liability	<u>559,934</u>

Total Deferred Outflows of Resources Related to Pensions

7,839,357

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:

Differences between expected and actual experience in the measurement of the total pension liability	(518,912)
Net change in proportionate share of the net pension liability	(555,939)
Changes in assumptions	<u>(391,138)</u>

Total Deferred Inflows of Resources Related to Pensions

(1,465,989)

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Long-term obligations at year end consist of:

Bonds payable	\$ 73,353,943
Bond premium	4,504,639
Notes payable	10,666,916
Compensated absences	1,020,709
Aggregate net pension obligation	34,291,076
Other postemployment benefits	6,953,000

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

The accretion of interest on those bonds to date is the following:	<u>5,847,118</u>	<u>\$ (136,637,401)</u>
Total Net Position		<u><u>\$ 55,749,675</u></u>

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of 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 2016-2017 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

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 Fund Financial Statements

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS



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

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

Board of Trustees
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 17 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vaurinek, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 5, 2017



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

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

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

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

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

Vaurine, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 5, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMPTON COMMUNITY COLLEGE DISTRICT

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

FINANCIAL STATEMENTS

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

STATE AWARDS

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

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

COMPTON COMMUNITY COLLEGE DISTRICT

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

None reported.

COMPTON COMMUNITY COLLEGE DISTRICT

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

None reported.

UNAUDITED SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEETS

JUNE 30, 2017

	<u>General Unrestricted</u>	<u>Line of Credit General Unrestricted</u>	<u>General Restricted</u>
ASSETS			
Cash and cash equivalents	\$ 25,000	\$ -	\$ 159
Investments	12,147,217	1,107,281	3,136,097
Accounts receivable	474,583	5,643	801,230
Student loans receivable	1,226,586	-	-
Due from other funds	-	-	-
Prepaid expenses	140,692	-	441
Total Assets	<u><u>\$ 14,014,078</u></u>	<u><u>\$ 1,112,924</u></u>	<u><u>\$ 3,937,927</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,748,519	\$ -	\$ 510,786
Due to other funds	-	-	-
Unearned revenue	757,160	-	2,388,833
Total Liabilities	<u><u>3,505,679</u></u>	<u><u>-</u></u>	<u><u>2,899,619</u></u>
FUND BALANCES			
Nonspendable	165,692	-	-
Restricted	-	-	1,038,308
Undesignated	10,342,707	1,112,924	-
Total Fund Balances	<u><u>10,508,399</u></u>	<u><u>1,112,924</u></u>	<u><u>1,038,308</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 14,014,078</u></u>	<u><u>\$ 1,112,924</u></u>	<u><u>\$ 3,937,927</u></u>

See accompanying note to unaudited supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ 25,159
210,178	3,216,893	2,216,191	11,467,735	33,501,592
25,153	-	9,912	62,741	1,379,262
-	-	-	-	1,226,586
-	-	-	209,940	209,940
-	-	-	-	141,133
<u>\$ 235,331</u>	<u>\$ 3,216,893</u>	<u>\$ 2,226,103</u>	<u>\$ 11,740,416</u>	<u>\$ 36,483,672</u>
\$ 31,878	\$ -	\$ 81,673	\$ 660,309	\$ 4,033,165
-	-	209,940	-	209,940
133,922	-	361,663	-	3,641,578
<u>165,800</u>	<u>-</u>	<u>653,276</u>	<u>660,309</u>	<u>7,884,683</u>
-	-	-	-	165,692
69,531	3,216,893	1,572,827	11,080,107	16,977,666
-	-	-	-	11,455,631
<u>69,531</u>	<u>3,216,893</u>	<u>1,572,827</u>	<u>11,080,107</u>	<u>28,598,989</u>
<u>\$ 235,331</u>	<u>\$ 3,216,893</u>	<u>\$ 2,226,103</u>	<u>\$ 11,740,416</u>	<u>\$ 36,483,672</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Unrestricted	Line of Credit General Unrestricted	General Restricted
REVENUES			
Federal revenues	\$ -	\$ -	\$ 532,734
State revenues	31,279,805	-	6,353,549
Local revenues	6,466,462	12,116	652,770
Total Revenues	<u>37,746,267</u>	<u>12,116</u>	<u>7,539,053</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	14,037,141	-	1,294,664
Classified salaries	6,563,986	-	2,199,218
Employee benefits	7,878,371	-	1,128,251
Books and supplies	512,944	-	473,388
Services and operating expenditures	5,230,450	-	982,617
Capital outlay	642,104	-	547,533
Debt service - principal	1,403,380	-	-
Debt service - interest and other	391,590	-	-
Total Expenditures	<u>36,659,966</u>	<u>-</u>	<u>6,625,671</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,086,301</u>	<u>12,116</u>	<u>913,382</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	17,578
Operating transfers out	(2,067,578)	-	-
Other uses	(145,761)	-	(916,691)
Total Other Financing Sources (Uses)	<u>(2,213,339)</u>	<u>-</u>	<u>(899,113)</u>
NET CHANGE IN FUND BALANCES	(1,127,038)	12,116	14,269
FUND BALANCE, BEGINNING OF YEAR	11,635,437	1,100,808	1,024,039
FUND BALANCE, END OF YEAR	<u>\$ 10,508,399</u>	<u>\$ 1,112,924</u>	<u>\$ 1,038,308</u>

See accompanying note to unaudited supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
\$ 141,771	\$ -	\$ -	\$ -	\$ 674,505
384,259	35,043	1,652,378	-	39,705,034
10,254	4,183,260	68,593	209,944	11,603,399
<u>536,284</u>	<u>4,218,303</u>	<u>1,720,971</u>	<u>209,944</u>	<u>51,982,938</u>
10,263	-	-	-	15,342,068
354,390	-	-	-	9,117,594
154,011	-	-	-	9,160,633
33,005	-	-	-	1,019,337
678	-	139,413	289,621	6,642,779
-	-	1,568,965	5,977,096	8,735,698
-	1,925,000	-	-	3,328,380
-	2,555,138	-	-	2,946,728
<u>552,347</u>	<u>4,480,138</u>	<u>1,708,378</u>	<u>6,266,717</u>	<u>56,293,217</u>
<u>(16,063)</u>	<u>(261,835)</u>	<u>12,593</u>	<u>(6,056,773)</u>	<u>(4,310,279)</u>
-	-	-	-	17,578
-	-	-	-	(2,067,578)
<u>(2,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,065,081)</u>
<u>(2,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,115,081)</u>
(18,692)	(261,835)	12,593	(6,056,773)	(7,425,360)
88,223	3,478,728	1,560,234	17,136,880	36,024,349
<u>\$ 69,531</u>	<u>\$ 3,216,893</u>	<u>\$ 1,572,827</u>	<u>\$ 11,080,107</u>	<u>\$ 28,598,989</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2017**

	<u>Internal Service Fund</u>
ASSETS	
Cash and cash equivalents	\$ 200,000
Investments	3,598,316
Accounts receivable	13,510
Total Assets	<u><u>\$ 3,811,826</u></u>
 LIABILITIES	
Accounts payable	\$ 123
Claim liabilities	988,999
Total Liabilities	<u><u>989,122</u></u>
 NET POSITION	
Restricted	2,822,704
Total Net Position	<u><u>\$ 3,811,826</u></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, 2017**

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Contracted services	\$ 917,997
OPERATING EXPENSES	
Services and other operating expenditures	<u>808,494</u>
Operating Income	<u>109,503</u>
NONOPERATING REVENUES	
Interest income	29,258
Operating transfers in	<u>600,000</u>
Total Nonoperating Revenues	<u>629,258</u>
CHANGE IN NET POSITION	738,761
TOTAL NET POSITION, BEGINNING OF YEAR	<u>2,083,943</u>
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 2,822,704</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, 2017**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 912,552
Cash payments to vendors	<u>(1,107,869)</u>
Net Cash Flows From Operating Activities	<u>(195,317)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>600,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>29,258</u>
Net increase in cash and cash equivalents	433,941
Cash and cash equivalents - Beginning	3,364,375
Cash and cash equivalents - Ending	<u><u>\$ 3,798,316</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 109,503
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Receivables	(5,445)
Accrued liabilities	(299,375)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (195,317)</u></u>
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	\$ 200,000
Cash in county treasury	3,598,316
Total Cash and Cash Equivalents	<u><u>\$ 3,798,316</u></u>

See accompanying note to unaudited supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2017**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 173,492	\$ -	\$ -
Investments	-	36,277	558,236
Accounts receivable	146,157	153	12,710
Due from other funds	-	-	-
Total Assets	\$ 319,649	\$ 36,430	\$ 570,946
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,010	\$ -	\$ 12,031
Due to other funds	26,888	-	-
Unearned revenue	-	-	138,266
Due to student groups	83,724	-	-
Total Liabilities	114,622	-	150,297
FUND BALANCES			
Restricted	-	-	420,649
Unreserved			
Undesignated	205,027	36,430	-
Total Fund Balances	205,027	36,430	420,649
Total Liabilities and Fund Balances	\$ 319,649	\$ 36,430	\$ 570,946

See accompanying note to unaudited supplementary information.

GASB Statement No. 74 OPEB Trust	GASB Statement No. 68 Pension Trust	Scholarship and Loan	Scholarship Agency	Total
\$ -	\$ -	\$ -	\$ 29,389	\$ 202,881
2,844,243	1,212,625	78,485	-	4,729,866
-	-	449	-	159,469
-	-	-	26,888	26,888
<u>\$ 2,844,243</u>	<u>\$ 1,212,625</u>	<u>\$ 78,934</u>	<u>\$ 56,277</u>	<u>\$ 5,119,104</u>
\$ -	\$ -	\$ 26,359	\$ -	\$ 42,400
-	-	-	-	26,888
-	-	-	-	138,266
-	-	16,123	56,277	156,124
-	-	42,482	<u>\$ 56,277</u>	<u>363,678</u>
2,844,243	1,212,625	-		4,477,517
-	-	36,452		277,909
<u>2,844,243</u>	<u>1,212,625</u>	<u>36,452</u>		<u>4,755,426</u>
<u>\$ 2,844,243</u>	<u>\$ 1,212,625</u>	<u>\$ 78,934</u>		<u>\$ 5,119,104</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
State revenues	\$ -	\$ -	\$ 1,025,041
Local revenues	77,854	6,680	1,132
Total Revenues	<u>77,854</u>	<u>6,680</u>	<u>1,026,173</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	30,607	7,383	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>47,247</u>	<u>(703)</u>	<u>1,026,173</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Other uses - student aid	-	-	(1,025,041)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,025,041)</u>
NET CHANGE IN FUND BALANCES	47,247	(703)	1,132
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	157,780	37,133	419,517
FUND BALANCE, END OF YEAR	<u>\$ 205,027</u>	<u>\$ 36,430</u>	<u>\$ 420,649</u>

See accompanying note to unaudited supplementary information.

GASB Statement No. 74 Pension Trust	GASB Statement No. 68 Pension Trust	Scholarship and Loan	Total
\$ -	\$ -	\$ -	\$ 1,025,041
295,644	14,003	859	396,172
<u>295,644</u>	<u>14,003</u>	<u>859</u>	<u>1,421,213</u>
<u>22,667</u>	<u>1,378</u>	<u>-</u>	<u>62,035</u>
<u>272,977</u>	<u>12,625</u>	<u>859</u>	<u>1,359,178</u>
750,000	700,000	-	1,450,000
-	-	-	(1,025,041)
<u>750,000</u>	<u>700,000</u>	<u>-</u>	<u>424,959</u>
<u>1,022,977</u>	<u>712,625</u>	<u>859</u>	<u>1,784,137</u>
<u>1,821,266</u>	<u>500,000</u>	<u>35,593</u>	<u>2,971,289</u>
<u>\$ 2,844,243</u>	<u>\$ 1,212,625</u>	<u>\$ 36,452</u>	<u>\$ 4,755,426</u>

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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.