

**EL CAMINO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010 AND 2009

EL CAMINO COMMUNITY COLLEGE DISTRICT

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EL CAMINO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the accompanying basic financial statements of El Camino Community College District (the District) as of and for the years ended June 30, 2010 and 2009. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the El Camino Community College District Foundation (the Foundation), which represents 100 percent of the assets, net assets, and revenues of the District's aggregate discretely presented component unit as of June 30, 2010 and June 30, 2009, and for the years then ended. Those statements were audited by other auditors whose reports dated September 14, 2010 and August 20, 2009, thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of El Camino Community College District and its discretely presented component unit as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations of El Camino Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 51 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 105 through 112 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vauvimek Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2010



EL CAMINO COMMUNITY COLLEGE DISTRICT

16007 Crenshaw Boulevard Torrance, California 90506-0001
Telephone (310)532-3670 or 1-877-ECAMINO

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the El Camino Community College District (the District) for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

Officially established as of July 1, 1946, and located centrally in the South Bay, the District encompasses five unified and high school districts, twelve elementary school districts, and nine cities, a population of almost one million. The District's primary service area includes the residents of Inglewood, Lennox, El Segundo, Hawthorne, Lawndale, Hermosa Beach, Manhattan Beach, Redondo Beach, and Torrance. We offer programs of the highest quality for El Camino students who continue on with their higher education studies; programs of remediation and re-entry; a leading community provider of programs for seniors; offer cultural and arts programs of national distinction; programs of exceptional depth in professional training, job training, and workforce development; and community service programs of personal interest.

FINANCIAL HIGHLIGHTS

This section provides an overview of the District's financial activities. The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 during fiscal year 2002-2003 using the Business-Type Activity (BTA) model. The California Community Colleges Chancellor's Office, through its Fiscal and Accountability Standards Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for these financial statements. Three years of prior data is presented in the Management's Discussion and Analysis and in the accompanying audited financial statements. This affords a comparative analysis of data.

The El Camino Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

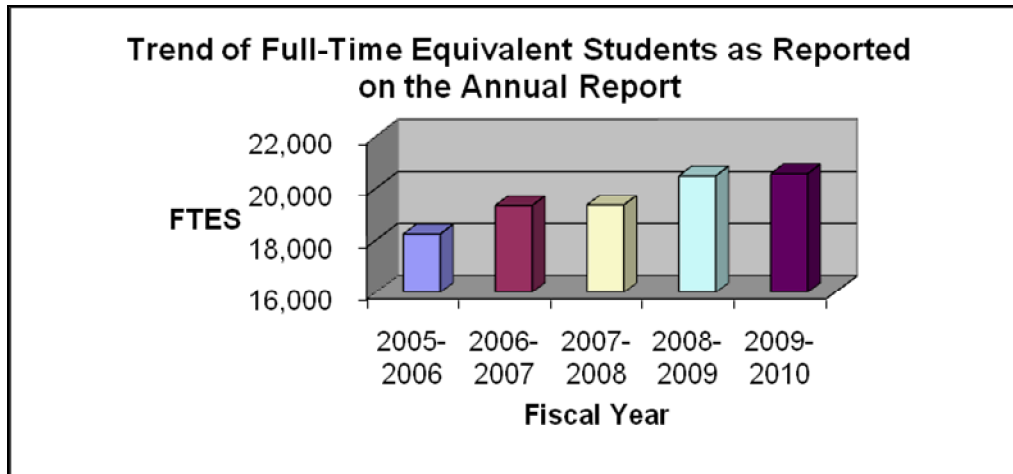
The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the BTA model for financial statement reporting purposes.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

SELECTED HIGHLIGHTS

- During 2009-2010, total full-time equivalent students (FTES) increased by 83 from prior year. Credit and non-credit FTES, along with other workload measures, are the basis for the District's State apportionment.



- In November 2002, the residents of the District passed a General Obligation Bond for \$394,516,464 to improve the existing facilities, construct new facilities, purchase equipment, and purchase property. The first series of bonds were issued for \$63,700,000 and spending, in accordance with the master facilities plan, was fully implemented in 2003-2004. The second series of bonds in the amount of \$150 million was issued in September 2006.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets, liabilities, and net assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their 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 assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2010 AND 2009**

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net assets; these net assets 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 assets that are available to the District for any lawful purpose of the District.

The Statement of Net Assets is summarized below:

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 129,476	\$ 144,986	\$ 167,482
Accounts receivable	23,686	25,345	23,244
Other current assets	1,026	995	1,362
Total Current Assets	<u>154,188</u>	<u>171,326</u>	<u>192,088</u>
NONCURRENT ASSETS			
Other assets - non current	5,880	5,882	4,588
Capital assets, net of depreciation	168,414	152,220	131,100
Total Noncurrent Assets	<u>174,294</u>	<u>158,102</u>	<u>135,688</u>
TOTAL ASSETS	<u>328,482</u>	<u>329,428</u>	<u>327,776</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued interest payable	14,525	15,223	18,900
Deferred revenue	8,018	8,990	7,270
Current portion of long-term obligations	4,592	5,722	5,932
Total Current Liabilities	<u>27,135</u>	<u>29,935</u>	<u>32,102</u>
NONCURRENT LIABILITIES			
Long-term obligations	191,308	193,796	197,773
Total Noncurrent Liabilities	<u>191,308</u>	<u>193,796</u>	<u>197,773</u>
TOTAL LIABILITIES	<u>218,443</u>	<u>223,731</u>	<u>229,875</u>
NET ASSETS			
Invested in capital assets, net of related debt	64,292	63,637	60,739
Restricted for:			
Debt service	5,853	7,276	10,843
Educational programs	2,563	1,900	1,741
Capital projects	4,622	3,797	2,620
Other activities	-	21	89
Unrestricted	32,709	29,066	21,869
TOTAL NET ASSETS	<u>\$ 110,039</u>	<u>\$ 105,697</u>	<u>\$ 97,901</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010 AND 2009

- Approximately 98 percent of the cash balance is cash deposited in the Los Angeles County Treasury. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash during fiscal year 2009-2010.
- The majority of the accounts receivable balance is from Federal and State source for grant entitlement programs. Also included is an account receivable for the third and fourth quarter lottery payment of \$1,237,779 and a receivable for apportionment in the amount of \$13,381,231. Student receivables are \$7,287,946 (gross) or \$3,147,830 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$22,682,050. Depreciation expense of \$6,499,290 was recognized during 2009-2010. 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, 2010. Total accounts payable are \$9,932,167; \$2,743,303 of the balance was accrued in the General Fund related to payables for vendors; \$2,750,538 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$4,296,790 are for amounts due to or on behalf of employees for wages and benefits.
- Long-term obligations include 2003 General Obligation Bonds, Series A, that have been issued in the amount of \$63,700,000, 2005 General Obligation Refunding Bonds that have been issued in the amount of \$40,252,335, and 2006 General Obligation Bonds, Series B, that have been issued in the amount of \$150,000,000. Additional information regarding long-term obligations is included in the Capital Asset and Debt Administration section of this discussion and analysis.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not, by the District, the operating and nonoperating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are nonoperating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2010 AND 2009**

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

(Amounts in thousands)

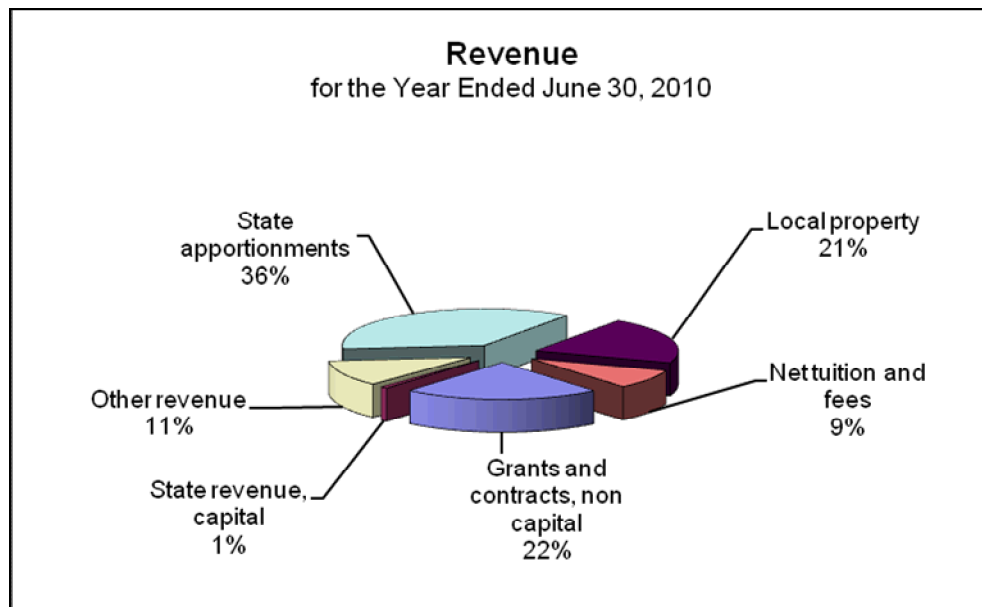
	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES			
Tuition and Fees	\$ 19,948	\$ 17,695	\$ 16,655
Less: Scholarship discount and allowance	(4,876)	(3,816)	(3,145)
Net tuition and fees	<u>15,072</u>	<u>13,879</u>	<u>13,510</u>
Auxiliary Enterprise Sales and Charges			
Bookstore	7,599	8,635	8,178
TOTAL OPERATING REVENUES	<u>22,671</u>	<u>22,514</u>	<u>21,688</u>
OPERATING EXPENSES			
Salaries	82,608	87,106	84,922
Employee benefits	23,958	23,908	19,704
Supplies, materials, and other operating expenses and services	51,360	49,185	43,278
Depreciation	6,499	4,428	2,689
TOTAL OPERATING EXPENSES	<u>164,425</u>	<u>164,627</u>	<u>150,593</u>
OPERATING LOSS	<u>(141,754)</u>	<u>(142,113)</u>	<u>(128,905)</u>
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	64,428	69,946	66,659
Local property taxes	36,420	36,847	35,091
Federal grants and contracts, noncapital	31,297	23,041	17,222
State grants and contracts, noncapital	8,249	10,217	12,847
State taxes and other revenues	3,337	2,967	3,099
Investment income	2,241	5,401	8,224
Interest expense on capital related debt	(8,122)	(8,340)	(8,550)
Interest income on capital asset-related debt, net	92	262	392
Transfer to agency fund	(301)	(301)	(301)
Other nonoperating revenue	7,083	6,021	4,715
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>144,724</u>	<u>146,061</u>	<u>139,398</u>
INCOME BEFORE OTHER REVENUES	<u>2,970</u>	<u>3,948</u>	<u>10,493</u>
OTHER REVENUE			
State revenues, capital	1,372	3,848	8,470
CHANGE IN NET ASSETS	4,342	7,796	18,963
NET ASSETS, BEGINNING OF YEAR	<u>105,697</u>	<u>97,901</u>	<u>78,938</u>
NET ASSETS, END OF YEAR	<u>\$ 110,039</u>	<u>\$ 105,697</u>	<u>\$ 97,901</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

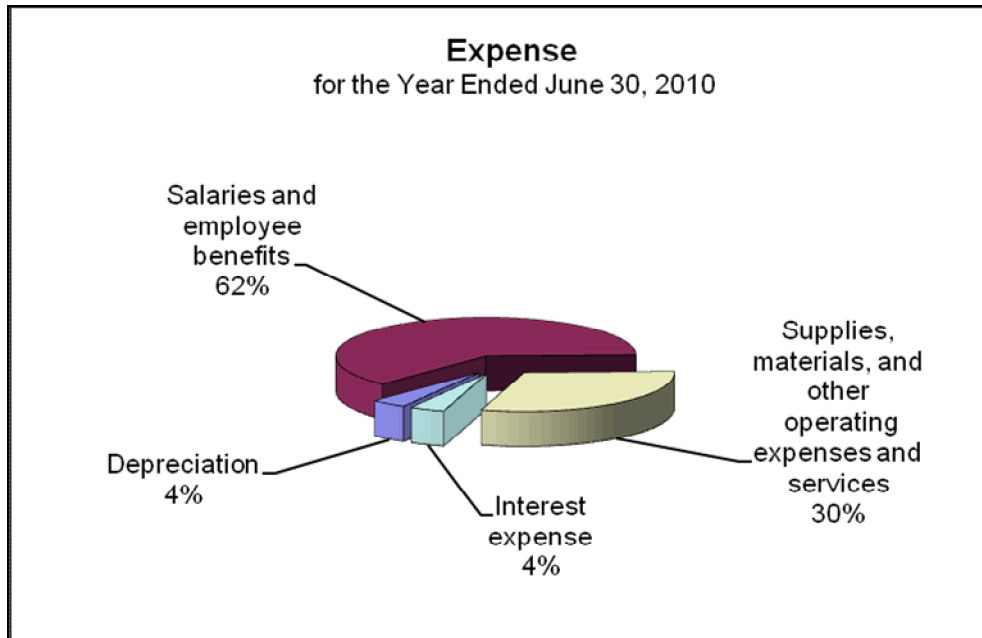
JUNE 30, 2010 AND 2009

- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Salaries and benefits make up 62 percent of total expenses as compared to other operating expenses (supplies, student financial aid, other services, capital outlay below the capitalization threshold, insurance, and utilities) which make up 30 percent of total expenses.
- State apportionment is generated based on the workload measures reported to the State by the District. The District has experienced increases in the various workload measures.
- Local property taxes are received through the Auditor-Controller's Office for Los Angeles County. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.
- State apportionments, capital, are the amount of capital outlay, deferred maintenance, architectural barrier removal, and hazardous substance funding received from the State through the Department of Finance. Approved State capital outlay projects are typically funded 50 percent by the State.



EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2010 AND 2009**

The Statement of Cash Flows for the years ended June 30, 2010, 2009, and 2008, is summarized below:

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows From			
Operating activities	\$ (130,322)	\$ (139,643)	\$ (129,806)
Noncapital financing activities	138,099	134,767	125,365
Capital and related financing activities	(25,954)	(23,749)	(39,680)
Investing activities	2,667	6,129	10,315
Net Change in Cash	<u>(15,510)</u>	<u>(22,496)</u>	<u>(33,806)</u>
Cash - Beginning of Year	<u>144,986</u>	<u>167,482</u>	<u>201,288</u>
Cash - End of Year	<u><u>\$ 129,476</u></u>	<u><u>\$ 144,986</u></u>	<u><u>\$ 167,482</u></u>

- Cash receipts from operating activities are from student tuition and auxiliary sales. Use of cash is payments to employees, vendors and students related to the instructional program.
- State apportionment received based on the workload measures generated by the District accounts for 45.1 percent of noncapital financing. Cash received from property taxes accounts for 18.0 percent of the cash generated in this section.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment).
- Cash from investing activities is interest earned on cash in bank and cash invested through the Los Angeles County pool and on investments with fiduciaries. Approximately \$2,241,371 was received from the Los Angeles County pool that paid an average rate of 1.42 percent.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2010 AND 2009**

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

(Amounts in thousands)

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instructional activities	\$ 43,531	\$ 11,866	\$ 1,718	\$ -	\$ 57,115
Academic support	7,669	2,043	1,515	-	11,227
Student services	12,000	3,236	1,494	-	16,730
Plant operations and maintenance	5,030	1,900	3,675	-	10,605
Institutional support services	9,227	3,586	6,079	-	18,892
Community services and economic development	1,337	366	1,429	-	3,132
Ancillary services and auxiliary operations	3,814	961	7,060	-	11,835
Student aid	-	-	27,090	-	27,090
Physical property and related acquisitions	-	-	1,300	-	1,300
Unallocated depreciation	-	-	-	6,499	6,499
Total	\$ 82,608	\$ 23,958	\$ 51,360	\$ 6,499	\$ 164,425

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010, the District had \$168,413,999 invested in capital assets net of accumulated depreciation. Total capital assets of \$224,653,785 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$56,239,786. Capital asset additions of \$22,693,280 occurred during 2009-2010, and depreciation expense of \$6,499,290 was recorded for the fiscal year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

Capital additions primarily comprise replacement and renovation of facilities, as well as investments in equipment, including information technology. Current year additions were funded by general obligation bond funds and State scheduled maintenance grant funding which were designated for capital purposes.

Construction in progress of \$44,155,310 at June 30, 2010, includes the construction of a new Math, Business, and Allied Health building, renovation of the Bookstore and Social Science buildings, and continuing infrastructure renovation.

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

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,050	\$ 1,050	\$ 1,050
Construction in progress	44,155	48,582	49,697
Site improvements, net	21,527	23,658	782
Buildings and improvements, net	99,355	76,491	76,899
Vehicles and equipment, net	2,327	2,439	2,672
Net Capital Assets	<u>\$ 168,414</u>	<u>\$ 152,220</u>	<u>\$ 131,100</u>

Obligations

At June 30, 2010, the District had \$189,261,454 in debt outstanding due to issuance of general obligation bonds. The general obligation bonds were issued to finance the acquisition, construction, and modernization of certain District property and facilities. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District received a bond rating of "AAA" for Standard and Poor's.

Note 11 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
2003 General Obligation Bond, Series A	\$ 6,680	\$ 8,175	\$ 9,625
Unamortized premium	1,095	1,369	1,643
2005 General Obligation Refunding Bonds	32,305	32,634	32,931
Unamortized premium	5,257	5,661	6,065
2006 General Obligation Bond, Series B	139,150	142,150	145,400
Unamortized premium	4,774	4,991	5,209
Compensated absences	3,189	2,821	2,832
Net OPEB obligation	3,450	1,717	-
Total	<u>\$ 195,900</u>	<u>\$ 199,518</u>	<u>\$ 203,705</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010 AND 2009

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In August 2006, El Camino Community College District entered into a partnership agreement with Compton Community College District beginning with the 2006-2007 fiscal year, creating the El Camino College Compton Education Center. El Camino Community College District anticipates operating the Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a separate community college.

Revenue generated from the partnership agreement (\$4.5 million) is considered annual one-time funds. Historically, the District used the additional State appropriations to fund annual or one-time activities that would impact enrollment management and program enhancement related costs. During fiscal year 2009-2010, the funds were also used to backfill State categorical programs. There is an accounting "fire wall" between the two districts (i.e., Compton Community College District (the CCCD)). While El Camino Community College District will be responsible for managing the Center, the CCCD is held financially responsible for all fiscal actions and, therefore, will not be merged into El Camino Community College District's current or future financial statements.

The District had achieved and surpassed its original restoration goal of 19,306 FTES during 2008-2009, reaching an enrollment of over 20,000 FTES. The State then reduced the District's apportionment from 19,300 FTES in 2008-2009 to 18,900 FTES in 2009-2010. This resulted in a loss of \$1,826,000 in State support in 2009-2010. Given the large scale reduction in the State funded portion of the District's budget, the District was proactive in identifying more than \$5,000,000 of budget reductions. The State-forced reductions resulted in the District's decline in the number of class offerings. These forced budget reductions have positioned the District for the future negative impact from the State. The District's policy of fiscal prudence, combined with the identification of budget reductions, has positioned the District during this time of economic uncertainty.

Step and column salary increases have been provided for in the 2010-2011 District budget. No additional salary increase has been negotiated for calendar year 2011.

The 2009-2010 California Public Employees' Retirement Systems (CalPERS) employer contribution rate was 9.709 percent of classified payroll for a total unrestricted General Fund cost of \$2,165,781. The District is budgeting \$2,571,629 for the 2010-2011 estimated contribution at a rate of 10.707 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the next years to a rate of approximately 15 percent in fiscal year 2014-2015. The 2009-2010 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 8.25 percent of certificated payroll for a total unrestricted General Fund cost of \$3,234,907. The District is budgeting \$3,726,815 for the 2010-2011 fiscal year. The CalSTRS employer contribution rate remains at 8.25 percent for the 2010-2011 fiscal year, but is expected to increase significantly by fiscal year 2014-2015. The District is awaiting word on changes to the employer contribution rates in the future.

The State enrollment fee for credit classes increased from \$20 to \$26 per unit, effective with the Fall 2009 semester. This fee increase did not negatively impact enrollment. It is unknown at this time if the enrollment fee will be raised by the State legislature in fiscal year 2010-2011.

District paid medical benefits are expected to increase by six percent in calendar year 2011. Medical benefit premium expenses are expected to continue to increase through future years. This increase is paid from the District's unrestricted General Fund.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

The District has growing concern over delays in general apportionment payments from the State of California. These delays translate into cash flow challenges. This could result in further increases in our Tax Revenue and Anticipation Note (TRAN) borrowing or other borrowing.

The District will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: El Camino Community College District, 16007 Crenshaw Boulevard, Torrance, California 90506.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,284,987	\$ 913,861
Investments	127,191,164	144,072,567
Accounts receivable	20,538,632	20,932,644
Student receivable, net	3,147,830	4,412,616
Prepaid expenses	1,128	1,265
Inventories	800,684	769,435
Deferred cost on issuance - current portion	223,380	223,380
Other current assets - current portion	181	121
Total Current Assets	<u>154,187,986</u>	<u>171,325,889</u>
NONCURRENT ASSETS		
Deferred cost on issuance - noncurrent portion	2,096,257	2,319,637
Other current assets - noncurrent portion	3,784,092	3,562,113
Nondepreciable capital assets	45,205,310	49,632,506
Depreciable capital assets, net of accumulated depreciation	123,208,689	102,587,503
Total Noncurrent Assets	<u>174,294,348</u>	<u>158,101,759</u>
TOTAL ASSETS	<u>328,482,334</u>	<u>329,427,648</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	9,932,167	11,769,340
Deficit cash balance	1,230,481	-
Accrued interest payable	3,362,091	3,452,623
Deferred revenue	8,018,038	8,990,112
Accrued compensated absences	100,000	100,000
Bonds payable - current	4,492,068	5,622,351
Total Current Liabilities	<u>27,134,845</u>	<u>29,934,426</u>
NONCURRENT LIABILITIES		
Accrued compensated absences payable	3,089,370	2,720,854
Bonds payable - noncurrent	184,769,386	189,357,934
Other long-term obligations	3,449,492	1,717,355
Total Noncurrent Liabilities	<u>191,308,248</u>	<u>193,796,143</u>
TOTAL LIABILITIES	<u>218,443,093</u>	<u>223,730,569</u>
NET ASSETS		
Invested in capital assets, net of related debt	64,291,839	63,636,922
Restricted for:		
Debt service	5,853,560	7,276,472
Educational programs	2,563,007	1,899,547
Capital projects	4,621,609	3,797,239
Other activities	-	21,332
Unrestricted	32,709,226	29,065,567
TOTAL NET ASSETS	<u>\$ 110,039,241</u>	<u>\$ 105,697,079</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 19,947,458	\$ 17,695,102
Less: Scholarship discounts and allowances	<u>(4,875,732)</u>	<u>(3,815,992)</u>
Net tuition and fees	<u>15,071,726</u>	<u>13,879,110</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	<u>7,598,938</u>	<u>8,634,656</u>
TOTAL OPERATING REVENUES	<u>22,670,664</u>	<u>22,513,766</u>
OPERATING EXPENSES		
Salaries	82,608,321	87,105,459
Employee benefits	23,958,039	23,907,465
Supplies, materials, and other operating expenses and services	24,269,882	29,407,466
Student financial aid	27,089,673	19,778,110
Depreciation	<u>6,499,290</u>	<u>4,428,455</u>
TOTAL OPERATING EXPENSES	<u>164,425,205</u>	<u>164,626,955</u>
OPERATING LOSS	<u>(141,754,541)</u>	<u>(142,113,189)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	64,428,197	69,945,465
Local property taxes, levied for general purposes	24,882,994	23,038,385
Taxes levied for other specific purposes	11,536,840	13,809,009
Federal grants and contracts, noncapital	31,296,857	23,041,324
State grants and contracts, noncapital	8,249,535	10,217,299
State taxes and other revenues	3,336,968	2,966,968
Investment income	2,241,370	5,400,818
Interest expense on capital related debt	(8,121,784)	(8,339,827)
Interest income on capital asset-related debt, net	91,781	261,588
Transfer to fiduciary fund	(301,000)	(301,000)
Other nonoperating revenue	<u>7,083,270</u>	<u>6,021,190</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>144,725,028</u>	<u>146,061,219</u>
INCOME BEFORE OTHER REVENUES	<u>2,970,487</u>	<u>3,948,030</u>
OTHER REVENUES		
State revenues, capital	<u>1,371,675</u>	<u>3,847,990</u>
CHANGE IN NET ASSETS	4,342,162	7,796,020
NET ASSETS, BEGINNING OF YEAR	<u>105,697,079</u>	<u>97,901,059</u>
NET ASSETS, END OF YEAR	<u>\$ 110,039,241</u>	<u>\$ 105,697,079</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 16,395,942	\$ 12,974,285
Payments to vendors for supplies and services	(22,822,844)	(32,367,107)
Payments to or on behalf of employees	(104,404,952)	(109,107,170)
Payments to students for scholarships and grants	(27,089,673)	(19,778,110)
Auxiliary enterprise sales and charges	7,598,938	8,634,656
Net Cash Flows From Operating Activities	<u>(130,322,589)</u>	<u>(139,643,446)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	62,304,965	64,454,486
Grants and contracts	39,635,719	34,089,396
Property taxes - nondebt related	24,882,994	23,038,385
State taxes and other revenues	4,430,532	7,368,657
Other nonoperating	6,845,307	5,816,753
Net Cash Flows From Noncapital Financing Activities	<u>138,099,517</u>	<u>134,767,677</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(25,337,135)	(27,658,806)
Proceeds from capital debt	866,330	902,759
State revenue, capital projects	1,371,675	3,847,990
Deferred cost on issuance	223,380	223,380
Property taxes - related to capital debt	11,536,840	13,809,009
Principal paid on capital debt	(5,690,000)	(5,900,000)
Unamortized premium	(895,161)	(895,161)
Interest paid on capital debt	(8,121,784)	(8,339,827)
Interest received on capital asset-related debt	91,781	261,588
Net Cash Flows From Capital Financing Activities	<u>(25,954,074)</u>	<u>(23,749,068)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,666,869	6,128,997
Net Cash Flows From Investing Activities	<u>2,666,869</u>	<u>6,128,997</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,510,277)	(22,495,840)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>144,986,428</u>	<u>167,482,268</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 129,476,151</u>	<u>\$ 144,986,428</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	<u>\$ (141,754,541)</u>	<u>\$ (142,113,189)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation expense and amortization expense	6,499,290	4,428,455
Changes in Operating Assets and Liabilities:		
Receivables, net	1,264,786	(1,272,484)
Inventories	(31,249)	343,363
Prepaid expenses	137	14,689
Other assets	(222,039)	(1,508,252)
Accounts payable and accrued liabilities	1,682,248	(1,626,891)
Deferred revenue	138,126	386,518
Funds held for others	-	(1,600)
Compensated absences	368,516	(11,410)
Net OPEB obligation	1,732,137	1,717,355
Total Adjustments	<u>11,431,952</u>	<u>2,469,743</u>
Net Cash Flows From Operating Activities	<u><u>\$ (130,322,589)</u></u>	<u><u>\$ (139,643,446)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 2,284,987	\$ 913,861
Cash in county treasury	127,191,164	144,072,567
Total Cash and Cash Equivalents	<u><u>\$ 129,476,151</u></u>	<u><u>\$ 144,986,428</u></u>
 NONCASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 1,759,613</u></u>	<u><u>\$ 1,961,271</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
	<u>Trust Funds</u>	<u>Trust Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,303,620	\$ 1,360,336
Investments	220,000	200,000
Accounts receivable, net	20,606	12,979
Prepaid expenses	34,539	22,285
Total Assets	<u>1,578,765</u>	<u>1,595,600</u>
LIABILITIES		
Accounts payable	24,959	28,219
Deferred revenue	265	-
Due to student groups	337,598	326,407
Total Liabilities	<u>362,822</u>	<u>354,626</u>
NET ASSETS		
Unreserved	1,215,943	1,240,974
Total Net Assets	<u>\$ 1,215,943</u>	<u>\$ 1,240,974</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
	<u>Trust</u>	<u>Trust</u>
ADDITIONS		
Federal revenues	\$ 63,414	\$ 61,827
Local revenues	<u>1,102,404</u>	<u>1,151,910</u>
Total Additions	<u>1,165,818</u>	<u>1,213,737</u>
DEDUCTIONS		
Services and operating expenditures	<u>1,491,849</u>	<u>1,480,072</u>
OTHER FINANCING SOURCES		
Transfers in from governmental funds	<u>301,000</u>	<u>301,000</u>
Change in Net Assets	(25,031)	34,665
Net Assets - Beginning	<u>1,240,974</u>	<u>1,206,309</u>
Net Assets - Ending	<u><u>\$ 1,215,943</u></u>	<u><u>\$ 1,240,974</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 383,905	\$ 363,236
Investments	5,710,533	5,105,080
Promises to give	1,678	1,000
Contributions receivable from split-interest agreements	187,202	176,807
Prepaid expenses	16,479	-
Total Current Assets	<u>6,299,797</u>	<u>5,646,123</u>
Noncurrent Assets		
Investments in California Community Colleges Scholarship Endowment	494,130	-
Other assets	4,500	4,500
Total Assets	<u>\$ 6,798,427</u>	<u>\$ 5,650,623</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	<u>\$ 38,509</u>	<u>\$ 42,147</u>
NET ASSETS		
Unrestricted	628,487	444,422
Temporarily restricted	3,807,043	3,624,667
Permanently restricted	<u>2,324,388</u>	<u>1,539,387</u>
TOTAL NET ASSETS	<u>6,759,918</u>	<u>5,608,476</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,798,427</u>	<u>\$ 5,650,623</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND PROGRAM REVENUES				
Contributions	\$ 102,189	\$ 490,730	\$ 614,952	\$ 1,207,871
Donated material and services	257,813	8,425	-	266,238
Investment income	16,215	156,886	-	173,101
Realized and unrealized gain (loss) on investments, net	19,729	454,372	-	474,101
Change in value of split-interest agreements	-	43,355	-	43,355
Other support	-	75,000	-	75,000
Total Support and Program Revenues	395,946	1,228,768	614,952	2,239,666
NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS	792,347	(789,463)	-	2,884
NET ASSETS RECLASSIFIED TO PERMANENTLY RESTRICTED	(25,000)	(147,933)	170,049	(2,884)
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS	1,163,293	291,372	785,001	2,239,666
EXPENSES				
Program activities	721,550	-	-	721,550
General and administrative	208,387	-	-	208,387
Fundraising	158,287	-	-	158,287
Total Expenses	1,088,224	-	-	1,088,224
CHANGE IN NET ASSETS	75,069	291,372	785,001	1,151,442
NET ASSETS, BEGINNING OF YEAR	553,418	3,515,671	1,539,387	5,608,476
NET ASSETS, END OF YEAR	\$ 628,487	\$ 3,807,043	\$ 2,324,388	\$ 6,759,918

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

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 193,837	\$ 574,958	\$ 897	\$ 769,692
138,579	62,564	-	201,143
13,963	167,429	-	181,392
(85,808)	(785,189)	-	(870,997)
-	(81,443)	-	(81,443)
-	35,000	-	35,000
<u>260,571</u>	<u>(26,681)</u>	<u>897</u>	<u>234,787</u>
<u>876,470</u>	<u>(876,470)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(1,458)</u>	<u>1,458</u>	<u>-</u>
<u>1,137,041</u>	<u>(904,609)</u>	<u>2,355</u>	<u>234,787</u>
908,151	-	-	908,151
214,571	-	-	214,571
90,536	-	-	90,536
<u>1,213,258</u>	<u>-</u>	<u>-</u>	<u>1,213,258</u>
(76,217)	(904,609)	2,355	(978,471)
<u>629,635</u>	<u>4,420,280</u>	<u>1,537,032</u>	<u>6,586,947</u>
<u>\$ 553,418</u>	<u>\$ 3,515,671</u>	<u>\$ 1,539,387</u>	<u>\$ 5,608,476</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,151,442	\$ (978,471)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Realized and unrealized gain (loss) on investments, net	(474,101)	870,997
Change in value of split-interest agreements	(43,355)	81,443
(Increase) decrease in:		
Promises to give	(678)	4,000
Contributions receivable from split-interest agreements	32,961	(75,140)
Prepaid expenses	(16,479)	5,580
Increase (decrease) in:		
Accounts payable	(3,638)	(41,748)
Net Cash Flows From Operating Activities	<u>646,152</u>	<u>(133,339)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,837,503)	(944,500)
Proceeds from sale of investment	6,212,020	185,000
Net Cash Flows From Investing Activities	<u>(625,483)</u>	<u>(759,500)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,669	(892,839)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>363,236</u>	<u>1,256,075</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 383,905</u>	<u>\$ 363,236</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

NOTE 1 - ORGANIZATION

The El Camino Community College District (the District) was established in 1946 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college located within Torrance, California. In August 2006, the District entered into a partnership agreement with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and non-credit offerings, as well as financial aid and related student support services. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *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 primary government, the District, and the following component units:

- **El Camino Community College District Foundation**

The El Camino Community College District Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The twenty-six member Board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB ASC Topic 958, *Accounting for Contributions Received and Contributions Made* and *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Financial statements for the Foundation can be obtained from the Foundation's Business Office at 16007 Crenshaw Blvd., Torrance, California 90506.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. 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 student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office's *Budget and Accounting Manual*.

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 and No. 38. The business-type activity model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand and demand deposits. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$4,140,116 and \$4,841,661 for the years ended June 30, 2010 and 2009, respectively.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Prepaid Expenses

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

Inventories

Inventories consist primarily of bookstore merchandise and supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is sold.

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. 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 normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; modular buildings, 20 years; land improvements, 10 years; equipment, 5 to 20 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.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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, 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. Credit for unused sick leave is applicable to all certificated 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.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (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 are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted - Net assets that are not subject to externally imposed constraints. Unrestricted net assets 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 \$13,038,176 of restricted net assets.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement Systems (CalPERS) on behalf of all community colleges in California.

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.

Property Taxes

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

The voters of the District passed a General Obligation Bond in November 2002 for the acquisition, construction, and remodeling of District capital assets. 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 billed and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Federal Financial Assistance Programs

The District participates in Federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the years ended June 30, 2010 and 2009, the District distributed \$3,242,163 and \$3,349,133, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the entity-wide financial statements.

Foundation Presentation

The El Camino Community College District Foundation (the Foundation) presents its financial statements in accordance with FASB ASC Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Foundation does not use fund accounting.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Investments are reported at fair value.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

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 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

General Authorizations

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

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

Authorized Under Debt Agreements

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

Primary government	\$ 129,476,151
Fiduciary funds	1,523,620
Total Deposits and Investments	<u>\$ 130,999,771</u>

Cash on hand and in banks	\$ 3,460,607
Cash in revolving fund	128,000
Investments	127,411,164
Total Deposits and Investments	<u>\$ 130,999,771</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 manages its exposure to interest rate risk by investing in the County investment pool.

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>Fair Value</u>	<u>Maturity Date</u>
County Pool - Los Angeles	<u>\$ 127,727,886</u>	536*

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2010. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2010</u>
County Pool - Los Angeles	<u>\$ 127,727,886</u>	Not Required	Not Rated

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of \$3,995,951 was exposed to custodial credit risk because 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 - ACCOUNTS RECEIVABLE

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

	<u>2010</u>	<u>2009</u>
Federal Government		
Categorical aid	\$ 1,538,199	\$ 1,992,807
State Government		
Apportionment	13,381,231	11,257,999
Categorical aid	434,028	1,160,034
Lottery	1,237,779	1,234,523
Other State sources	246,407	1,343,227
Local Sources		
Interest	427,393	852,892
Contract receivables	468,669	128,986
Other local sources	2,804,926	2,962,176
Total	<u>\$ 20,538,632</u>	<u>\$ 20,932,644</u>
Student receivables	\$ 7,287,946	\$ 9,254,277
Less reserve	<u>(4,140,116)</u>	<u>(4,841,661)</u>
Student receivables, net	<u>\$ 3,147,830</u>	<u>\$ 4,412,616</u>

Fiduciary Funds

	<u>2010</u>	<u>2009</u>
Other local sources	<u>\$ 20,606</u>	<u>\$ 12,979</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 5 - OTHER ASSETS

The District has deposited \$3,784,092 with the Southern California Community College District (SCCCD) JPA to pay for the future costs of retiree medical premiums.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
Construction in progress	48,582,506	22,063,001	26,490,197	44,155,310
Total Capital Assets Not Being Depreciated	<u>49,632,506</u>	<u>22,063,001</u>	<u>26,490,197</u>	<u>45,205,310</u>
Capital Assets Being Depreciated				
Site improvements	26,262,633	285,004	-	26,547,637
Buildings and improvements	116,798,286	26,205,192	-	143,003,478
Vehicles and equipment	9,278,310	630,280	11,230	9,897,360
Total Capital Assets Being Depreciated	<u>152,339,229</u>	<u>27,120,476</u>	<u>11,230</u>	<u>179,448,475</u>
Total Capital Assets	<u>201,971,735</u>	<u>49,183,477</u>	<u>26,501,427</u>	<u>224,653,785</u>
Less Accumulated Depreciation	<u>49,751,726</u>	<u>6,499,290</u>	<u>11,230</u>	<u>56,239,786</u>
Net Capital Assets	<u>\$ 152,220,009</u>	<u>\$ 42,684,187</u>	<u>\$ 26,490,197</u>	<u>\$ 168,413,999</u>

Depreciation expense for the year was \$6,499,290.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
Construction in progress	49,697,368	24,253,461	25,368,323	48,582,506
Total Capital Assets Not Being Depreciated	<u>50,747,368</u>	<u>24,253,461</u>	<u>25,368,323</u>	<u>49,632,506</u>
Capital Assets Being Depreciated				
Site improvements	3,295,705	22,966,928	-	26,262,633
Buildings and improvements	114,323,253	2,537,195	62,162	116,798,286
Vehicles and equipment	9,354,101	1,219,710	1,295,501	9,278,310
Total Capital Assets Being Depreciated	<u>126,973,059</u>	<u>26,723,833</u>	<u>1,357,663</u>	<u>152,339,229</u>
Total Capital Assets	<u>177,720,427</u>	<u>50,977,294</u>	<u>26,725,986</u>	<u>201,971,735</u>
Less Accumulated Depreciation	<u>46,620,015</u>	<u>4,428,455</u>	<u>1,296,744</u>	<u>49,751,726</u>
Net Capital Assets	<u>\$131,100,412</u>	<u>\$ 46,548,839</u>	<u>\$ 25,429,242</u>	<u>\$152,220,009</u>

Depreciation expense for the year was \$4,428,455.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010	2009
Accrued payroll and benefits	\$ 4,296,790	\$ 4,236,035
Instructional service agreements	29,855	169,544
Construction	2,589,916	5,233,771
Tax Revenue Anticipation Note	264,383	-
Other	2,751,223	2,129,990
Total	<u>\$ 9,932,167</u>	<u>\$ 11,769,340</u>

Fiduciary Funds

	2010	2009
Other liabilities	<u>\$ 24,959</u>	<u>\$ 28,219</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Discretely Presented Component Unit

The accounts payable of the Foundation consist primarily of amounts owed to vendors for supplies and services.

NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	<u>2010</u>	<u>2009</u>
Federal categorical	\$ 27,884	\$ 6,179
State categorical aid	2,420,333	3,552,239
Enrollment fees	5,017,519	4,958,089
Other local	552,302	473,605
Total	<u>\$ 8,018,038</u>	<u>\$ 8,990,112</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Balances owing between funds at year end were \$259,055 and \$300,000 for the years ended June 30 2010 and 2009, respectively. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2010 and 2009, have been eliminated in the consolidation process for financial statement presentation.

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 between funds of the District have been eliminated in the consolidation process.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 10 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2009, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$14,775,000, which matured on June 30, 2010 and yield 0.85 percent interest. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2010. By April 2010, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

<u>Issue Date</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2010</u>
07/01/09	0.85%	06/30/10	\$ -	\$ 14,775,000	\$ 14,775,000	\$ -

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>	<u>Due in One Year</u>
General Obligation Bonds					
2003 General Obligation Bonds, Series A	\$ 8,175,000	\$ -	\$ 1,495,000	\$ 6,680,000	\$1,560,000
Unamortized premium	1,368,980	-	273,796	1,095,184	-
2005 General Obligation Refunding Bonds	32,634,047	866,330	1,195,000	32,305,377	1,132,068
Unamortized premium	5,660,906	-	404,350	5,256,556	-
2006 General Obligation Bonds, Series B	142,150,000	-	3,000,000	139,150,000	1,800,000
Unamortized premium	4,991,352	-	217,015	4,774,337	-
Total General Obligation Bonds	194,980,285	866,330	6,585,161	189,261,454	4,492,068
Other Liabilities					
Compensated absences, net	2,820,854	368,516	-	3,189,370	100,000
Net OPEB obligation	1,717,355	1,935,502	203,365	3,449,492	-
Total Other Liabilities	4,538,209	2,304,018	203,365	6,638,862	100,000
Total Long-Term Obligations	\$199,518,494	\$3,170,348	\$6,788,526	\$195,900,316	\$4,592,068

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
General Obligation Bonds					
2003 General Obligation Bonds, Series A	\$ 9,625,000	\$ -	\$ 1,450,000	\$ 8,175,000	\$1,495,000
Unamortized premium	1,642,776	-	273,796	1,368,980	-
2005 General Obligation Refunding Bonds	32,931,288	902,759	1,200,000	32,634,047	1,127,351
Unamortized premium	6,065,256	-	404,350	5,660,906	-
2006 General Obligation Bonds, Series B	145,400,000	-	3,250,000	142,150,000	3,000,000
Unamortized premium	5,208,367	-	217,015	4,991,352	-
Total General Obligation Bonds	<u>200,872,687</u>	<u>902,759</u>	<u>6,795,161</u>	<u>194,980,285</u>	<u>5,622,351</u>
Other Liabilities					
Compensated absences, net	2,832,264	-	11,410	2,820,854	100,000
Net OPEB obligation	-	1,935,502	218,147	1,717,355	-
Total Other Liabilities	<u>2,832,264</u>	<u>1,935,502</u>	<u>229,557</u>	<u>4,538,209</u>	<u>100,000</u>
Total Long-Term Obligations	<u>\$203,704,951</u>	<u>\$2,838,261</u>	<u>\$7,024,718</u>	<u>\$199,518,494</u>	<u>\$5,722,351</u>

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The accrued vacation will be paid by the fund for which the employee worked. The OPEB obligation will be paid by the General Fund.

Bonded Debt

2003 General Obligation Bonds, Series A

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was \$394,516,464. At June 30, 2010, \$67,132,335 had been issued and \$6,680,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2010, the unamortized premium and issuance costs were \$1,095,184 and \$513,658, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

2005 General Obligation Refunding Bonds

During August 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$40,252,335. The bonds issued included \$25,045,000 of current interest bonds and \$15,207,335 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$23,395,000. The bonds mature beginning on August 1, 2006 through August 1, 2022, with interest yields ranging from 3.00 percent to 4.12 percent. At June 30, 2010, the principal balance outstanding (including accreted interest to date) was \$32,305,377 and unamortized premium and issuance costs were \$5,256,556 and \$409,189, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The bonds are being used to advance refund a portion of the outstanding General Obligation Bonds, Election of 2002, Series 2003A. The amount of the advance refund for these bonds was \$36,820,000. Funds have been placed in an irrevocable escrow account for the future redemption of these bonds. At June 30, 2010, the balance of the funds in the escrow account was \$38,380,784. As the advance refunding has met the requirements of an in-substance defeasance, the debt obligations of \$36,820,000 for the bonds have been removed as long-term obligations of the District.

2006 General Obligation Bonds, Series B

During September 2006, the District issued the 2006 General Obligation Bonds, Series B in the amount of \$150,000,000. The bonds mature beginning August 1, 2007 through August 1, 2031, with interest rates ranging from 3.625 percent to 5.00 percent. At June 30, 2010, the principal balance outstanding was \$139,150,000 and unamortized premium and issuance costs were \$4,774,337 and \$1,396,790, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Issued	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2010
2003	2014	2.50 - 5.00%	\$ 63,700,000	\$ 8,175,000	\$ -	\$ -	\$ 1,495,000	\$ 6,680,000
2005	2023	5.00%	40,252,335	32,634,047	-	866,330	1,195,000	32,305,377
2006	2031	3.50%	150,000,000	142,150,000	-	-	3,000,000	139,150,000
				<u>\$ 182,959,047</u>	<u>\$ -</u>	<u>\$ 866,330</u>	<u>\$ 5,690,000</u>	<u>\$ 178,135,377</u>

The 2003 General Obligation Bonds, Series A, mature through 2014 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	\$ 1,560,000	\$ 287,200	\$ 1,847,200
2012	1,625,000	215,375	1,840,375
2013	1,705,000	132,125	1,837,125
2014	1,790,000	44,750	1,834,750
Total	<u>\$ 6,680,000</u>	<u>\$ 679,450</u>	<u>\$ 7,359,450</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

<u>Fiscal Year</u>	<u>Principal (Including Accreted Interest to Date)</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2011	\$ 1,132,068	\$ 67,932	\$ 1,252,250	\$ 2,452,250
2012	1,003,333	191,667	1,252,250	2,447,250
2013	892,964	302,036	1,252,250	2,447,250
2014	794,735	400,265	1,252,250	2,447,250
2015	1,820,061	1,254,939	1,252,250	4,327,250
2016-2020	14,872,216	1,452,784	4,976,125	21,301,125
2021-2023	11,790,000	-	903,500	12,693,500
Total	<u>\$ 32,305,377</u>	<u>\$ 3,669,623</u>	<u>\$ 12,140,875</u>	<u>\$ 48,115,875</u>

The 2006 General Obligation Bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 1,800,000	\$ 6,453,369	\$ 8,253,369
2012	2,250,000	6,368,994	8,618,994
2013	3,300,000	6,259,494	9,559,494
2014	4,245,000	6,112,428	10,357,428
2015	4,685,000	5,935,931	10,620,931
2016-2020	26,610,000	26,368,313	52,978,313
2021-2025	33,675,000	19,090,844	52,765,844
2026-2030	42,585,000	9,994,358	52,579,358
2031-2032	20,000,000	961,162	20,961,162
Total	<u>\$ 139,150,000</u>	<u>\$ 87,544,893</u>	<u>\$ 226,694,893</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2010, amounted to \$3,189,370.

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2010, was \$1,935,502, and contributions made by the District during the year were \$203,365, which resulted in an increase to the net OPEB obligation of \$1,732,137. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

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

Plan Description

The El Camino Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the El Camino Community College District. The Plan provides medical benefits to eligible retirees. Membership of the Plan consists of 39 retirees and beneficiaries currently receiving benefits and 813 active Plan members.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal year 2009-2010, the District contributed \$203,365 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,935,502
Contributions made	<u>(203,365)</u>
Increase in net OPEB obligation	1,732,137
Net OPEB obligation, beginning of year	<u>1,717,355</u>
Net OPEB obligation, end of year	<u><u>\$ 3,449,492</u></u>

Trend Information

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

Year Ended <u>June 30,</u>	Annual OPEB <u>Cost</u>	Actual <u>Contribution</u>	Percentage <u>Contributed</u>	Net OPEB <u>Obligation</u>
2009	\$ 1,935,502	\$ 218,147	11%	\$ 1,717,355
2010	\$ 1,935,502	\$ 203,365	11%	\$ 3,449,492

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 18,814,878
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 18,814,878</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>\$ 57,178,317</u>
UAAL as Percentage of Covered Payroll	<u>33%</u>

The above noted actuarial accrued liability was based on the March 1, 2009, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the March 1, 2009, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, based on the assumed long-term return on Plan assets or employer assets. The cost trend rate used for the Medical Program was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period is 28 years. The actuarial value of assets was not determined in this actuarial study.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of \$250,000,000, subject to various policy limits. The District also purchases commercial insurance for general liability claims with coverage up to \$25,000,000 per occurrence and \$60,000,000 aggregate, all subject to various deductibles. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District. The District is self-insured with respect to general and property liability. Losses up to \$50,000 for general liability and \$25,000 for property liability are paid by the District.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2010, the District contracted with Southern California Community College District Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2009-2010, the District participated in the Southern California Community Colleges Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$3,409,843, \$3,585,902, and \$3,449,669, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retiree benefits to the CalSTRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$2,940,680, \$2,896,440, and \$2,573,446, respectively, and equaled 100 percent of the required contributions for each year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$1,759,613, \$1,961,271, and \$1,888,746 (4.267 percent) of salaries subject to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, respectively. 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 financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

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

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

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, 2010.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Memorandum of Understanding Between the El Camino Community College District and the Compton Community College District

In both 2006 and 2008, the District entered into memorandums of understanding with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and non-credit offerings, as well as financial aid and related student support services. Compton Community College District has separate fiduciary responsibilities for funding and for capital improvements. El Camino Community College District has a custodial relationship as it relates to the operations of Compton Community College District. Compton Community College District shall save, defend, hold harmless, and indemnify El Camino Community College District in connection with any and all claims, actions, or lawsuits that arise in any manner from acts or omissions of Compton, its officers, employees or agents in the performance of this agreement.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Expenditures for rent under leases for the year ended June 30, 2010, amounted to approximately \$340,000.

Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitments	Expected Dates of Completion
Bookstore Building	\$ 841,729	January 2011
Math, Business, and Health Science Building	21,988,213	November 2011
Infrastructure Phase III/Electrical Conversion	1,421,533	May 2012
Social Science	346,941	June 2011
	<u>\$ 24,598,416</u>	

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

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was \$13,400,422. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years. As of the audit report date, the District had received all of the deferrals owed to them by the State.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a three-year recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the colleges. In addition to the reductions in funding due to the economic environment, the State of California has failed to pass a budget in a timely manner during the past two years. The budget for the 2010-2011 fiscal year was adopted on October 8, 2010; fully 99 days beyond the July 1 budget requirements. As a result of the delay in the budget adoption, cash payments to community colleges in general, and El Camino Community College District specifically, were suspended for the period between July 2010 and October 2010. For El Camino Community College District, this is approximately \$15.3 million.

In addition to the deferral of cash payments, actual reductions in the funding of Full-Time Equivalent Students have cost the District over \$7.2 million in State apportionment funding. Significant reductions in funding for other categorical programs and services have also impacted the ability of the District to provide programs and services to the students attending El Camino Community College District.

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the goals for educational services.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$8,850,000 of tax and revenue anticipation notes dated July 1, 2010. The notes mature on June 30, 2011, and yield 0.87 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning April 2011 until 100 percent of principal and interest due is on account in May 2011.

REQUIRED SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress						
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, 2009	\$ -	\$ 18,814,878	\$ 18,814,878	\$ -	\$57,178,317	33%

* Entry age normal method

SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2010

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Ray Gen	President	November 2013
Ms. Maureen O'Donnell	Vice President	November 2013
Mr. William J. Beverly	Secretary	November 2011
Mrs. Mary E. Combs	Member	November 2011
Dr. Nathaniel Jackson	Member	November 2011
Ms. Johanna Zamora	Student Member	May 2011

ADMINISTRATION

Dr. Thomas M. Fallo	Superintendent and President of the College
Dr. Francisco Arce	Vice President of Academic Affairs
Ms. Jo Ann Higdon	Vice President of Administrative Services
Dr. Jeanie Nishime	Vice President of Student and Community Advancement
Ms. Barbara Perez	Vice President of Compton Educational Center
Dr. Lynn Solomita	Vice President of Human Resources, Interim

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		\$ 480,200
Federal Family Education Loans (FFEL)	84.032		3,242,163
Federal Work-Study (FWS)	84.033		463,679
ARRA - Federal Work-Study (FWS)	84.033		106,099
Federal Pell Grant (PELL)	84.063		24,830,849
Academic Competitiveness Grant (ACG)	84.375		361,769
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ARRA - Scholarships for Disadvantaged Students	93.407		35,000
Total Student Financial Assistance Cluster			<u>29,519,759</u>
U.S. DEPARTMENT OF EDUCATION			
Local and Global: Social Transformation in Vietnam	84.021A		72,797
STEM - Improving Student Success Transfer	84.031C		804,513
Title V - Preparing Tomorrow's Teachers Today	84.031S		136,193
Title V - Supporting Student Success in Pre-Transfer Mathematics	84.031S		56,584
Title V - Strengthening Institutions - Hispanic Serving Institution	84.031S		496,725
Pass-through from Santa Monica College			
Title V - Supporting Student Success in Pre-Transfer Mathematics	84.031S	P031S060064	300,361
International Trade Compliance Initiative	84.153A		107,939
Pass-through Los Angeles Unified School District			
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	0900327	79,156
Child Care Access Means Parents in School	84.335A		88,536
Pass-through the California Community College Chancellor's Office			
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	[1]	480,182
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES			
Pass-through the Western Oregon University			
Training of Interpreters for Individuals who are Deaf or Hard of Hearing and Individuals who are Deaf-Blind	84.160A	H160A050010	145,043
CAREER AND TECHNICAL ACT			
Pass-through the California Community College Chancellor's Office			
Perkins IV, Title I, Part C	84.048	09-C01-014	1,103,838
Perkins Title II Tech Prep	84.243	09-139-720	67,750
Total U.S. Department of Education			<u>33,459,376</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start Career Advancement Project (CAP)	93.600		300,327
Pass-through the California Community College Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	108,327
ARRA - Emergency Contingency Fund for TANF	93.714	[1]	36,787
Total U.S. Department of Health and Human Services			<u>445,441</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through the California Department of Education Child and Adult Food Program	10.558	[1]	\$ 8,474
Total U.S. Department of Agriculture			<u>8,474</u>
U.S. DEPARTMENT OF COMMERCE			
Market Development Cooperator Program 2009	11.112		100,469
Total U.S. Department of Commerce			<u>100,469</u>
U.S. DEPARTMENT OF LABOR			
Pass-through the City of Long Beach/Pacific Gateway Workforce Investment Network ARRA - WIA Dislocated Workers	17.260	31530	124,000
Total U.S. Department of Labor			<u>124,000</u>
U.S. DEPARTMENT OF STATE			
The International Exchange Program - Trade Exchange	19.415		12,201
Total U.S. Department of State			<u>12,201</u>
NATIONAL SCIENCE FOUNDATION			
Advanced Aerospace Manufacturing Education	47.076		41,871
A Meeting of the Minds	47.076		7,669
Total National Science Foundation			<u>49,540</u>
SMALL BUSINESS ADMINISTRATION			
Pass-through Long Beach Community College District Small Business Development Center	59.037	[1]	289,963
Total Small Business Administration			<u>289,963</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education Representative Fee	64.000		1,638
Total U.S. Department of Veterans Affairs			<u>1,638</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps - National Service Awards	94.006		49,169
Total Expenditures of Federal Awards			<u>\$ 34,540,271</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
CSA Wired - CACT - (Passed Through Ca Space Authority)	\$ -	\$ 21,550	\$ 21,550
CTE Equipment for Nursing/Allied Health	-	7,078	7,078
ITAR Economic Development Grant	66,591	134,268	200,859
Basic Skill	257,166	586,588	843,754
BFAP	646,631	80,047	726,678
Cal Grants	1,018,220	-	1,018,220
CalWORKs	314,576	36,982	351,558
Career Technical Education 06/07	-	118,589	118,589
Career Technical Education II	310,000	386,070	696,070
Career Technical Education 07/08	-	386,646	386,646
Career Technical Education II	79,000	100,000	179,000
Center for Applied Competitive Technology - CACT-COCCC	101,670	-	101,670
Child Development Center	189,500	-	189,500
Cooperative Agencies Resources for Education (CARE)	155,843	32,108	187,951
Disabled Students Program and Services (DSP&S)	1,005,831	136,233	1,142,064
EWD - CTE Grant	170,000	-	170,000
Enrollment Growth for Associated Degree in Nursing Program	620,087	309,247	929,334
Extended Opportunity Program and Services (EOP&S)	1,096,521	109,685	1,206,206
Faculty and Staff Diversity	8,840	50,891	59,731
Foster Care Education	114,737	-	114,737
Honeywell Training RTF	406,985	-	406,985
Instructional Equipment	-	436,189	436,189
Lottery	366,632	-	366,632
Matriculation	619,236	127,063	746,299
MESA Program	50,568	28,727	79,295
Puente Reporting	1,500	2,550	4,050
SBDC - Youth Entrepreneur Program	35,000	-	35,000
SBDC - Youth Entrepreneur Program - Year 2	35,000	17,130	52,130
Small Business Department of Commerce - CITD	101,670	-	101,670
Small Business Department of Commerce - COCCC	24,798	78,751	103,549
Staff Development	-	50,291	50,291
Teacher Pipeline	186,207	-	186,207
Transfer and Articulation	-	3,440	3,440
TTIP Library Automation	-	3,781	3,781
TTIP Total Cost of Operation	-	10,365	10,365
Workplace Learning Center - Industry Driven Grants	155,000	187,500	342,500
Workplace Learning Center - WPLRC State Leadership	101,670	-	101,670
Youth Empowerment Strategies for Success	170,998	-	170,998
Total			

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 21,550	\$ -	\$ 21,550	\$ -	\$ -
7,078	-	-	7,078	7,078
190,204	10,655	110,949	89,910	89,910
845,495	-	329,093	516,402	516,402
726,678	-	42,234	684,444	684,444
1,018,220	97,406	459	1,115,167	1,115,167
388,540	-	38,697	349,843	349,843
118,589	-	118,589	-	-
696,070	-	531,189	164,881	164,881
386,646	-	-	386,646	386,646
179,000	-	129,825	49,175	49,175
85,403	16,267	-	101,670	101,670
191,700	-	-	191,700	191,700
187,951	-	-	187,951	187,951
1,187,289	-	90,170	1,097,119	1,097,119
-	34,948	-	34,948	34,948
583,223	36,864	266,886	353,201	353,201
1,206,206	-	-	1,206,206	1,206,206
59,731	-	44,199	15,532	15,532
57,368	57,176	-	114,544	114,544
385,396	21,589	136,022	270,963	270,963
436,189	-	246,226	189,963	189,963
28,424	303,503	-	331,927	331,927
746,299	-	77,129	669,170	669,170
66,653	-	7,898	58,755	58,755
4,050	-	2,607	1,443	1,443
35,000	-	9,142	25,858	25,858
52,130	-	22,936	29,194	29,194
85,403	16,267	-	101,670	101,670
99,581	3,968	-	103,549	103,549
50,291	-	27,384	22,907	22,907
90,000	67,215	-	157,215	157,215
3,440	-	1,966	1,474	1,474
3,781	-	2,958	823	823
10,365	-	10,365	-	-
342,500	-	151,861	190,639	190,639
85,403	16,267	-	101,670	101,670
91,944	55,406	-	147,350	147,350
\$ 10,753,790	\$ 737,531	\$ 2,420,334	\$ 9,070,987	\$ 9,070,987

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENTS - ANNUAL (ACTUAL) ATTENDANCE
 AS OF JUNE 30, 2010**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession			
1. Noncredit	1	-	1
2. Credit	2,335	-	2,335
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,179	-	16,179
(b) Daily Census Contact Hours	1,195	-	1,195
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	15	-	15
(b) Credit	827	-	827
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	3	-	3
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>20,555</u>	<u>-</u>	<u>20,555</u>
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	-	-	-
2. Credit	1,378	-	1,378
	<u>1,378</u>	<u>-</u>	<u>1,378</u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Revenue Bond Construction</u>
June 30, 2010, Annual Financial and Budget Report (CCFS-311)	\$ 22,700,190	\$ 2,083,016	\$ 85,311,890
Adjustments to Increase (Decrease) Fund Balance			
Accounts payable	-	479,991	(172,596)
Deferred revenue	11,029	-	-
Audited Fund Balance	<u>\$ 22,711,219</u>	<u>\$ 2,563,007</u>	<u>\$ 85,139,294</u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

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

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

General Funds	\$ 25,274,226	
Special Revenue Funds	6,748,443	
Debt Service Funds	9,215,651	
Capital Project Funds	89,760,903	
Enterprise Funds	2,400,055	
Internal Service Funds	4,961,138	
Fiduciary Funds	<u>1,814,685</u>	
Total Fund Balance, Retained Earnings and Due to Student Groups - All District Funds		\$ 140,175,101

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	224,653,785	
Accumulated depreciation is	(56,239,786)	
Less fixed assets already recorded in the enterprise funds	<u>(53,548)</u>	168,360,451

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

2,319,637

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

(1,553,541)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(3,362,091)

Long-term obligations at year end consist of:

Bonds payable	178,135,377	
Unamortized premium	11,126,077	
Compensated absences	3,189,370	
Net OPEB obligation	<u>3,449,492</u>	<u>(195,900,316)</u>
Total Net Assets		<u><u>\$ 110,039,241</u></u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues or expenses within the accompanying financial statements as the amounts were passed discretely to qualifying students or related to various programs' indirect costs recorded.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 31,296,857
Total Federal Revenue from the Statement of Changes in Fiduciary Net Assets		63,414
Federal Family Education Loans (FFEL)	84.032	3,242,163
Americorps - Scholarship	94.006	(14,246)
Financial Aid Administrative Allowance	84.063	(34,390)
Various programs indirect costs recorded in general unrestricted fund		<u>(13,527)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 34,540,271</u>

Subrecipients

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

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
U.S. DEPARTMENT OF EDUCATION		
Title V - Strengthening Institutions - Hispanic Serving Institutions		
Passed through to Drew University	84.031S	<u>\$ 203,971</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

Schedule of Expenditures of State Awards

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

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

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

Reconciliation of 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.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

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 AUDITORS' REPORTS



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

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the basic financial statements of El Camino Community College District as of and for the year ended June 30, 2010, which collectively comprise El Camino Community College District's basic financial statements and have issued our report thereon dated December 23, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered El Camino Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Camino Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of El Camino Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of El Camino Community College District in a separate letter dated December 23, 2010.

El Camino Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit El Camino Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vauvimek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
El Camino Community College District
Torrance, California

Compliance

We have audited the compliance of El Camino Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. El Camino Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of El Camino Community College District's management. Our responsibility is to express an opinion on El Camino Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about El Camino Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of El Camino Community College District's compliance with those requirements.

As described in the table below and in the accompanying schedule of findings and questioned costs, El Camino Community College District did not comply with requirements that are applicable to the following.

Compliance Requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) Number	Finding Number
Eligibility	U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA No. 84.063 and 84.375)	2010-3
Activities Allowed - Unallowed	U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA No. 84.033)	2010-4
Cash Management	U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA No. 84.007, 84.033, and 84.063)	2010-5
Special Tests and Provisions	U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA No. 84.007, 84.032, 84.033, 84.063, and 84.375)	2010-6
Suspension and Debarment	U.S. Department of Education (DOE), Career and Technical Education Act: Perkins IV, Title I, Part C (CFDA No. 84.048), Title V (CFDA No. 84.031S), and STEM - Improving Student Success Transfer (CFDA No. 84.031C)	2010-7
Allowable Costs	U.S. Department of Education (DOE), Career and Technical Education Act: Perkins IV, Title I, Part C (CFDA No. 84.048)	2010-8 and 2010-9
Equipment and Real Property Management	U.S. Department of Education (DOE), Career and Technical Education Act: Perkins IV, Title I, Part C (CFDA No. 84.048)	2010-10

Compliance with such requirements is necessary, in our opinion, for El Camino Community College District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, El Camino Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of El Camino Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered El Camino Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the El Camino Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-3 through 2010-10 to be significant deficiencies.

El Camino Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit El Camino Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurine K. Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2010



REPORT ON STATE COMPLIANCE

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the compliance of El Camino Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about El Camino Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of El Camino Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

As described in the accompanying schedule of findings and questioned costs as items 2010-11 through 2010-13, the District did not comply with requirements regarding Student Fees - Instructional Material, Apportionment for Instructional Service Agreements/Contracts, and the 50% Law - Instructional Aids. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, El Camino Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

El Camino Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit El Camino Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vaurimek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.375, and 93.407	Student Financial Assistance Cluster (includes ARRA)
84.031C	STEM - Improving Student Success Transfer
84.031S	Title V
84.394 (ARRA)	ARRA - State Fiscal Stabilization Funds
84.048	Perkins IV, Title I, Part C
93.600	Head Start Career Advancement Project (CAP)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

CASH IN COUNTY ACCOUNT RECONCILIATIONS

2010-1 Finding

Criteria or Specific Requirement

Adequate internal controls over the account activity require a system of reconciliation depository accounts to ensure the proper recognition of revenues and expenses.

Condition

Material Weakness - The District operates on two systems: LACOE's PeopleSoft as the primary depository of the District's funds and Datatel as the operating general ledger system. The cash account reconciliations were completed through November 2009 for the General Fund and through May 2010 for all other funds. By the second week of the audit visit, all funds were reconciled through June 2010 and reconciling items noted. These items should have been removed during the year as the month reconciliations were completed.

Recommendation

Cash accounts must be reconciled each month. A standard procedure must be put in place to ensure the reconciliation has been completed and supervisory personnel have reviewed the reconciliation for completeness and accuracy.

District Response

The District agrees with the audit recommendation that a formal review procedure should be in place to ensure all reconciliations and posting of reconciling items are completed timely. The Accounting Director will monitor the reconciliation process and review and approve the reconciling items. All funds have been reconciled for the 2009-2010 fiscal year. Reconciling items are being posted by staff to bring the two systems into alignment.

CHILD DEVELOPMENT FUND DEFICIT SPENDING

2010-2 Finding

Criteria or Specific Requirement

Best business practices require that the funds of the District remain self supporting.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2010

Condition

Significant Deficiency - The Child Development Fund has deficit spent in two of the past three years. The General Fund has augmented the program with transfers in the amount of \$75,000 in each of the past three years. The ending fund balance of the Child Development Fund has a deficit balance of \$102,710 at June 30, 2010.

Recommendation

The District should continue to monitor the spending of the Child Development Fund and look for possible revenue sources for the program in order to reduce the contribution from the General Fund.

District Response

The District is closely monitoring the revenue and expenses in the Child Development Fund and has taken action to reduce staffing and to increase revenue sources.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

STUDENT FINANCIAL AID ELIGIBILITY DETERMINATION

2010-3 Finding

Program: U.S. Department of Education (DOE), Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375; 93.407

Federal Programs Affected

CFDA No. 84.063 and 84.375

Compliance Requirements

Eligibility

Criteria or Specific Requirement

The District must review and document each student's eligibility before it disburses Federal funds to students for each payment period.

- 34 CFR Sections 690.61, 690.75 through 690.78, and 668.164(g)
- CCR, Title 5, Sections 58003.1, 58004, 58005, and 58051
- California Community Colleges *Student Attendance Accounting Manual (SAAM)*, pages 1.02-1.04

Condition

Significant Deficiency - One instance was noted in which a student was awarded and paid the ACG award when the student's High School Continuation Form indicated the student was not eligible for the award. Another student was noted to have been paid out Pell based on nine units enrolled; however, the student's records indicated the student was only enrolled in six units. Further investigation revealed the student was actually enrolled in nine units at the time of disbursement and the discrepancy was therefore the result of back dating of the withdrawal. Additionally, one student's appeal could not be physically located although the system indicated an appeal had been filed and approved.

Questioned Costs

Not applicable. Questioned costs below the amount required to be reported in accordance with Section 510(a) (c) of the OMB Circular A-133.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Context

We selected a total sample of 60 students between the El Camino College Campus and the Compton Center campus. All three of the discrepancies were at the El Camino College Campus.

Cause

Inadequate documentation to support eligibility and the amount awarded based on enrollment status were the primary causes. We noted that drop dates on rosters can be changed after the awards were calculated without notifying the student financial aid office, an issue that may be systematic and involves the admissions office system.

Effect

Students not awarded properly causes potential financial hardship to students and impacts the unrestricted resources of the District in that the awards are repaid to the Department of Education when over-awarded.

Recommendation

A report should be written within the student accounting system that would provide the registrars and the student financial aid office the ability to ensure enrollment information recorded is correct and no changes have been made that would impact the student financial aid award as required by Title IV. Communication between the offices should be improved to ensure Federal awards are not inappropriately disbursed to ineligible students.

District Response

The District agrees with the audit finding. The District will review whether an internal program can be written that would alert the financial aid office when a financial aid student has a change in units subsequent to the awarding of financial aid. Timely submission of attendance rosters will be stressed with all faculty.

ACTIVITIES ALLOWED - UNALLOWED

2010-4 Finding

Program: U.S. Department of Education (DOE), Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375; 93.407

Federal Program Affected

CFDA No. 84.033

Compliance Requirement

Activities Allowed - Unallowed

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Criteria or Specific Requirement

OMB Circular A-133's compliance supplement under activities allowed A-102 Common Rule, Circular A-110

Condition

Significant Deficiency - Ineffective controls over Federal work study timecards identified at the El Camino campus as follows:

A population of fifty (50) students was tested in regards to time cards for the Federal work study program. There were a total of fifteen (15) students' timecards that were either not signed by the student or supervisors.

Questioned Costs

No questioned costs.

Context

The condition was identified as a direct result of sampling the District's internal controls over the Federal work study program's timecards.

Cause

The condition materialized due to the ineffective internal controls over the Federal work study program and their associated timecards.

Effect

A fiscal impact related to the condition identified could not be established. However, the District can potentially face future financial penalties from the Department of Education if they are not in compliance with the requirements of the program.

Recommendation

It is recommended that better internal controls be established over the Federal work study timecards. Care must be given to recording the students' time correctly and charging their time to the appropriate program.

District Response

The District concurs with the audit recommendation. The District implemented and disseminated a written procedure during 2009-2010 to correct this condition. Timesheets received in the payroll department without student or supervisor signatures are being returned to the supervisor for the appropriate signatures.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

CASH MANAGEMENT

2010-5 Finding

Program: U.S. Department of Education (DOE), Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375; 93.407

Federal Programs Affected

CFDA No. 84.007; 84.033; and 84.063

Compliance Requirement

Cash Management

Criteria or Specific Requirement

All schools must maintain a bank account into which the department transfers, or the school deposits, FSA program funds. The account must be federally insured or secured by collateral of value reasonably equivalent to the amount of FSA program funds in the account. For Direct Loan, Pell Grant, FSEOG, and FWS programs, the funds must be maintained in an interest-bearing account or an investment account unless the school can demonstrate that it would not earn over \$250 in interest on the funds it will draw down during the award year.

- 34CFR 668.24 - Recordkeeping requirements
- 34CFR 668.163 - Maintaining and accounting for funds

Condition

Significant Deficiency - The District is not maintaining their funds in an interest bearing account and could not demonstrate that it did not earn over \$250 in interest on the funds it drew down during the award year.

Questioned Costs

It could not be determined.

Context

The auditor selected two months of bank statements to test. During one month tested, the daily average balances ranged from \$17,038 to \$21,052. Within the other month, one week's average ranged from \$4,396,562 to \$1,693,210.

Cause

The department that oversees this Federal requirement was not aware of the Federal requirements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Effect

The District is at risk of noncompliance with the Federal requirements for cash management.

Recommendation

The District should either request the bank to change the bank account to an interest bearing account or make sure they are monitoring the daily averages to ensure they are in compliance with this requirement.

District Response

The District will convert the Federal financial aid bank account to an interest bearing checking account. The District is also monitoring the daily cash balance of the Federal funds on deposit.

SPECIAL TESTS AND PROVISIONS

2010-6 Finding

Program: U.S. Department of Education (DOE), Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375; 93.407

Federal Programs Affected

CFDA No. 84.007; 84.032; 84.033; 84.063; and 84.375

Compliance Requirement

Special Tests and Provisions

Criteria or Specific Requirement

A-133 Compliance Supplement, 34 CFR Section 668.173(b):

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

Condition

Significant Deficiency - During our review of the requirements for return to Title IV, it was observed that the District is returning their portion of the funds owed more than 45 days after the District has been made aware of the funds owed back. Therefore, the District is not in compliance with the above mentioned criteria.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

The auditors tested 40 students and noted seven students were out of compliance.

Cause

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

Effect

The District is not in compliance with the Federal requirements described in A-133 Compliance Supplement 34 CFR section 668.173(b).

Recommendation

It is recommended that the District implement procedures to ensure that the return of Title IV funds occurs within 45 days from the date the District determines the student withdrew from all of his or her classes.

District Response

The District agrees with the audit recommendation. The District Financial Aid office will implement procedures to ensure Title V funds are returned to the Department of Education within 45 days of the District's determination of a student's withdrawal from all classes.

SUSPENSION AND DEBARMENT

2010-7 Finding

Federal Programs Affected

U.S. Department of Education (DOE) - Career and Technical Education Act: Perkins IV, Title I, Part C (CFDA No. 84.048)

U.S. Department of Education (DOE) - Title V (CFDA No. 84.031S)

U.S. Department of Education (DOE) - STEM - Improving Student Success Transfer (CFDA No. 84.031C)

Compliance Requirements

Suspension and Debarment

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Criteria or Specific Requirement

Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Pre-Award Requirements, Section 80.35
Sub-awards to debarred and suspended parties:

- Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension:

- Federal awarding agencies and recipients shall comply with the non-procurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts sub-awards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition

Significant Deficiency - During testing of the Title I, Part C and Title V programs, it was noted that the District does not have procedures to ensure that the District is not expensing monies to independent parties that have been determined to be suspended or debarred by the Federal government. The District does not have within their contracts, nor are they checking the Excluded Parties List System (EPLS) for all vendors over \$25,000 as required by the Office of Management and Budget.

Questioned Costs

No questioned costs. See Context.

Context

The District did not expend any funds to excluded parties, but controls are not in place to ensure that future Federal funds are not expended to an entity included in the EPLS.

Cause

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

Effect

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Recommendation

It is recommend the District modify its procedures to verify all vendors who are providing services to federally funded programs in excess of \$25,000 have verified that the entity is not suspended, debarred, or otherwise excluded. This verification may be accomplished by checking the EPLS maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. The District should also update contract templates for all contract types that exceed \$25,000 to avoid any noncompliance and possible return of Federal monies.

District Response

The District agrees with the audit recommendation and will implement the additional procedures required to be in full compliance with Federal guidelines.

ALLOWABLE COSTS

2010-8 Finding

Federal Program Affected

U. S. Department of Education - Career and Technical Education Act: Perkins IV, Title I, Part C (CFDA No. 84.048)

Compliance Requirement

Allowable Costs

Criteria or Specific Requirement

OMB Circular A-21 Section 1f

Costs must meet certain general criteria:

- Be supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, cancelled checks, and time and attendance records and correctly charged as to account, amount, and period.

Condition

Significant Deficiency - During testing of the Title I, Part C program, it was noted that the District does not have procedures in place to monitor the expenditures submitted by the El Camino Compton Education Center. Reimbursements to the center are processed without appropriate supporting documentation attached that shows the program director at El Camino Community College District approved the expenditures of the El Camino Compton Education Center.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

A total of \$156,126 in reimbursement costs were paid to the El Camino Compton Education Center.

Context

Procedures were not in place to monitor the expenditures submitted by the El Camino Compton Education Center.

Cause

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

Effect

Reimbursed expenditures may be for unallowable costs resulting in the loss of Federal funding.

Recommendation

It is recommended the District modify its policies and procedures to verify all expenditures are supported by appropriate documentation, such as purchase orders, receiving reports, and vendor invoices. This will ensure that all funds expended under the program are only for allowable costs.

District Response

The District agrees with the audit recommendation. Additional controls were put in place in 2010-2011 to ensure all expenditures are pre-approved by El Camino College management staff and are fully supported by appropriate documentation.

ALLOWABLE COSTS - TIME ACCOUNTING

2010-9 Finding

Federal Program Affected

Career and Technical Education Act: Perkins IV, Title I, Part C (CFDA No. 84.048)

Compliance Requirement:

Allowable Costs

Criteria or Specific Requirement

Office and Management and Budget Circular A-21, relocated to 2 CFR, Part 220, Section J.10.b.(1)(d):

- The apportionment of salaries and wages must be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. Acceptable methods are described in Section J.10.c.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Condition

Significant Deficiency/Internal Controls Over Compliance - Wages of employees charged to the Career and Technical Education awards were not supported by required certifications.

Questioned Costs

No questioned costs. We examined sufficient documentation to conclude that the charges are reasonable.

Context

We selected a significant sample of the employees and examined documentation supporting wages charged, as well as reviewed the position and job descriptions of the employees included in the sample. Our conclusion was that the charges are reasonable and necessary charges to the program; however, we found that there were no policies and procedures in place specific to the Circular A-21 requirements.

Cause

The department that oversees the Career and Technical Education did not maintain the required time certifications for all employees. For three of the employees tested, time certifications were not provided for all of the months requests. Additionally, the time and effort indicated on the time certifications for two of the employees did not agree to the percentage charged to the program.

Effect

The certifications are required by the Office of Management and Budget cost circulars. The certifications support the reasonableness of wages charged to the applicable grants. Without the proper policies and procedures that address the Federal regulations, charges could be found to be unreasonable.

Recommendation

Management should revise their time certifications in order to more clearly indicate the percentage of time to be charged to the Career and Technical Education grant. Furthermore, time certifications for all employees should be retained by the department that oversees the grant. This will reduce the risk that unallowable costs could occur.

District Response

The District will establish procedures to ensure the timely and accurate completion of all staff time certifications for all periods worked.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

EQUIPMENT PURCHASE AND SAFEKEEPING

2010-10 Finding

Federal Program Affected

U.S. Department of Education (DOE) - Career and Technical Education Act: Perkins IV, Title I, Part C (CFDA No. 84.048)

Compliance Requirement

Equipment and Real Property Management

Criteria or Specific Requirement

OMB Circular A-110, Subpart C, Section 34 (3) and (4):

(3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

(4) A control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

Condition

Significant Deficiency - The District has not maintained an inventory control system that satisfies the compliance criteria noted above. Equipment purchased with CTEA funds have not been properly tagged as required.

Questioned Costs

No questioned costs.

Context

During the current fiscal year, the District spent \$315,601 on capital equipment.

Cause

The District did not ensure that purchases of equipment with program funds were properly tagged as being purchased with Federal funding.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Effect

Equipment purchased through the CTEA program may not be properly safeguarded and maintained for use within the program.

Recommendation

A process to ensure that equipment purchased is tagged upon receipt should be implemented.

District Response

The District does tag equipment upon receipt. The District is implementing a tagging system that will clearly identify all equipment purchased with Federal funds, so an accurate inventory of federally funded purchases can be maintained.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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

STUDENT FEES - INSTRUCTIONAL MATERIALS

2010-11 Finding

Criteria or Specific Requirement

- *Education Code* Sections 70902, 76355, and 76365
- The District can only charge instructional material fees for materials which are of a continuing value to the students outside of the classroom setting, is tangible personal property that is owned or primarily controlled by the student, and the material must not be solely or exclusively available from the District.
- Any instructional material fees that are optional in nature must be made clear to the students. Optional fees must clearly be described as optional in such a way that optional fees cannot be confused with required fees.

Condition

Significant Deficiency - During testing of State compliance regarding Student Fees - Instructional Materials, it was noted that the District could not provide supporting documentation to justify the instructional materials fee charged to the students for three out of the six courses tested. During testing of optional instructional material fees, the auditor noted only one class with optional instructional material fees. The District could not clearly describe the fee for this class as optional in the 2009-2010 course catalog. Therefore, the District is not in compliance with the State requirements for Student Fees - Instructional Materials. The condition materialized due to an ineffective control activity currently implemented by the District over State compliance requirements.

Questioned Costs

Due to the nature of this compliance requirement, no questioned costs could be related to the condition.

Recommendation

The auditors recommend that proper procedures be implemented to monitor and ensure that for Instructional Material Fees, there is proper documentation to justify the material fee charged to the students and all optional instructional material fees are clearly described as optional to the students.

District Response

The District is in the process of reviewing instructional material fees and updating the College Catalog and Schedule of Classes. The District will ensure it has the appropriate documentation to justify any material fees. Any material fee that is not required will be clearly presented as an optional fee.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS

2010-12 Finding

Criteria or Specific Requirement

- *Education Code* Section 84752, specifies compliance requirement related to instructional service agreements in which the contractor's employees are used to instruction classes and the college is reporting the FTES for these classes.
- Per *Educational Code* Section 84752, when a college is using employees of the contracted entity, the college must have a written agreement or contract with each instructor conducting instruction for which FTES are to be claimed. The contracts must state that the college has the primary right to control and direct the instructional activities of the instructor. The contract between the college or district and the instructor should be finalized prior to the commencement of instruction.

Condition

Significant Deficiency - The District has instructional service agreements with Santa Monica and Redondo Beach Fire and Technology, Torrance Administration of Justice, and Paramedic Tech Program, all of which the District is claiming FTES. During testing, it was noted that the District does not have the appropriate contract with the entities. However, since they are using their employees to teach the classes, they are also required to have a written agreement with those instructors indicating that the District has the primary right to control and direct the instructional activities of the instructor. Subsequently, the District does have contracts with the instructors.

Questioned Costs

Due to the nature of this compliance requirement, no questioned costs could be related to the condition.

Recommendation

The District needs to make sure they are familiar with State compliance requirements for each of the programs and ensure that they are monitoring these requirements.

District Response

The District will ensure program managers are familiar with the State compliance requirements for all programs and monitor the program for compliance.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

50% LAW - INSTRUCTIONAL AIDS

2010-13 Finding

Criteria or Specific Requirement

California *Education Code* Section 84362, instructional aides may be charged to the 50% Law "for any portion of whose duties are required to be performed under the supervision of an instructor".

Condition

Significant Deficiency - During our review of the job descriptions for instructional aide salaries charged to the 50% Law, it was noted that of the 10 instructional aides selected for testing, two were not supervised by an instructor. Per California *Education Code* Section 84362, instructional aides may be charged to the 50% Law "for any portion of whose duties are required to be performed under the supervision of an instructor". Additionally, a further review of those same job descriptions indicates that a majority of duties performed are not instructional and are mainly comprised of operating and overseeing a laboratory, maintaining equipment, and assisting students with technical problems.

Questioned Costs

Due to the nature of this compliance requirement, no questioned costs could be related to the condition.

Recommendation

The District should develop procedures to ensure only the portion of instructional aide duties that are supervised by an instructor and assist instructors in instructional tasks are charged to the 50% Law. If technicians are included in instructional aide salaries and are supervised by an instructor, only that portion of supervision should be charged, and perhaps the rest charged to another account stream that is not included in the 50% Law calculation.

District Response

The District has in 2010-2011 changed the account coding for the questioned instructional aides to properly reflect whether their duties are instructional or non-instructional. This change in account code will remove wages paid for non-instructional duties from the 50% Law calculation.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

FINANCIAL STATEMENT FINDINGS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

2009-1 Finding

Programs Affected

CFDA No. 94.006: Americorps - National Service Award
CFDA No. 84.007; 84.032; 84.033; 84.063; 84.375: Student Financial Assistance Programs
CFDA No. 19.014: The International Exchange Program
CFDA No. 47.076: National Foundation
CFDA No. 93.600: Head Start Career Advancement Partnership

Criteria or Specific Requirement

OMB Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by awarding agency.
- Include, for Federal awards received as a sub-recipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition

Significant deficiency over internal controls.

A complete SEFA was prepared by the District; however, the following errors and omissions in the initial SEFA were noted:

1. The District received Federal funds from the Federal agency of Corporation for National and Community Services - Americorps - National Service Awards in the amount of \$61,827. The revenue was recorded as local revenue within a trust account and not recorded as Federal revenue.
2. The Compton Center's Federal funding revenue and expenses for the Student Financial Assistance Programs (SFA) were missing off the SEFA. This omission accounted to approximately \$4.6 million.
3. The International Exchange Trade Exchange program listed the incorrect CFDA number on the SEFA. This was determined by auditors per verification to the www.CFDA.gov website.
4. The National Science Foundation - A meeting of the minds did not have a CFDA number on the SEFA.
5. The Head Start Career Advancement Partnership did not have a CFDA number on the SEFA.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

None as revenues were reclassified for presentation in the audited financial statements and the award information was properly reported on the Schedule of Expenditures of Federal Awards.

Context

The District reported total expenditures of Federal awards on the SEFA of \$26,426,719.

Effect

Without proper controls over the reporting of Federal awards, the District is at risk of improperly reporting and accounting for the Federal awards. This could result in noncompliance with Federal award compliance.

Cause

The cause of the condition for the grant was due to lack of communications between departments requesting Federal funding and departments receiving Federal funds, therefore, resulting in the improper reporting of Federal revenue and expenditures incurred during the 2008-2009 fiscal year.

Recommendation

The District fiscal services personnel must review its procedures over the collection of data to be included in the SEFA and also review its existing format of the SEFA to ensure all required elements are properly reported. A procedure should be established between departments receiving Federal revenue to communicate the source of the funding and accounting for the related expenditures which will be reported on the District's final SEFA.

Current Status

Implemented.

STUDENT RECEIVABLES

2009-2 Finding

Criteria or Specific Requirement

Management is responsible for maintaining a system of controls designed to prevent and detect material misstatements or fraud. In addition, management is responsible for designing a system to monitor whether or not the internal control systems designed by the District are being adhered to.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Condition

Significant Deficiency - The monitoring, tracking, and collection of the student receivables has been a challenge for the District for many years. The current amount recorded on the District's general ledger dates back to the District's conversion to the Datatel system approximately nine years ago. As a student registers for classes, the student receivable is created. Historically, students have been allowed to register for classes without simultaneously paying their fees. The student was expected to pay their fees prior to the start of the term or during the term. The District's policy is to place a hold on registration if the registration fees are not paid. A review of the detailed listing of student account receivable documents that students have been allowed to register for subsequent terms without having paid their outstanding balances in full. It was noted that various individuals on campus have the ability to override the system and remove the registration hold. It was also noted that the District had not been using any collection process on these delinquent fees. There should be controls in place to limit access to override a student's account and remove their registration hold. The District should also have implemented some collection procedure for the delinquent accounts.

Questioned Costs

A specific dollar amount could not be calculated with this finding.

Context

Without proper oversight and controls in place, the condition identified could result in loss of revenue for the District.

Effect

Without proper controls in place, the District could lose a large amount of revenue from the student's receivables. Also, the student receivables will continue to grow and become unmanageable.

Cause

District payment policy has not been followed. There has not been adequate oversight to the student receivable accounts.

Recommendation

The District should implement controls to monitor, evaluate and follow up on delinquent student receivables. They should also implement tighter controls to limit and or monitor access to the system to remove the holds on registrations.

Current Status

Implemented.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

HUMAN RESOURCE - PAYROLL PROCEDURES

2009-3 Finding

Criteria or Specific Requirement

The Human Resource Department and the Payroll Department must have checks and balances in place to ensure there is proper segregation of duties between the two departments.

Condition

It was noted that payroll technicians are responsible for entering salary schedule placement information into the system which is provided by the Human Resources Department. After the information has been input into the system, "Employee Information Reports" are generated by the County and sent to the District. These reports are forwarded to the Human Resources Department. However, the information contained within the reports is not being consistently reviewed by all personnel to ensure that the payroll input was accurate.

Questioned Costs

Not applicable. See Effect.

Context

The condition was identified as a direct result of testing the internal control functions of the human resource's employees' functions versus the payroll department's employees' functions and the segregation of duties between the two departments.

Effect

The auditors were unable to identify any fiscal impact related to the condition identified. However, the District could possibly be paying employees a higher salary than their contract identified as their salary.

Cause

The auditors have determined that the condition identified materialized due to an ineffective control activity currently implemented by the District.

Recommendation

It is recommend that upon receipt of the "Employee Information Reports", the Human Resources personnel compare the wage information to employee personnel files and other Human Resources data to ensure that the Payroll Department input the data accurately.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Current Status

Implemented.

BEGINNING FUND BALANCES

2009-4 Finding

Criteria or Specific Requirement

California *Education Code* Section 84030 states that California community colleges' accounting systems shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). According to the BAM, a fund's beginning fund balance should equal the ending fund balance of the prior period. Revenue received or expenditures paid that are more or less than the accrual established in the prior year should be recorded as an increase to the current year revenue or expenditures and not an adjustment to the beginning fund balance.

Condition

Significant Deficiency - During the current fiscal year, the reconciliation of the beginning fund balance became a time consuming and difficult task due to a variety of adjustments done by the client to the beginning fund balances. Also, some of the prior year audit adjustments were not done as well which made the beginning fund balances not in agreement to the prior year audit report. The adjustments done by the auditor to reconcile beginning fund balance varied from \$1,271 to \$1,627,041. The prior year audited ending fund balance should be the District's beginning fund balances in the current year. The only adjustments that should be done to the beginning fund balance are the adjustments that are related to the audited ending fund balance noted in the prior year audit report. All other activity should run through the current year activity.

Questioned Costs

For the condition noted, there is not an associated questioned cost.

Context

The condition was identified as a direct result of reconciling the beginning fund balances.

Effect

By using the fund balance account, the District is not properly stating their actual revenue and expenses for the year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Cause

The District has posted several adjustments to the fund balance in the current year which should have been reported as current year revenues or expenditures.

Recommendation

It is recommended that the District does not use their fund balance account to post adjustments other than the auditors' adjustments.

Current Status

Implemented.

FEDERAL AWARD FINDINGS

CASH MANAGEMENT

2009-5 Finding

Program: Student Financial Assistance Cluster
CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375
Compliance Requirement: Cash Management

Federal Programs Affected

CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375

Criteria or Specific Requirement

OMB Circular A-133's compliance supplement under cash management
A-102 Common Rule, Circular A-110

An eligible institution (El Camino Community College District) may enter into a written arrangement with a non-eligible institution (Compton Community College District) under which the other institution provides part of the educational program under certain conditions. However, the non-eligible institution cannot run the program's revenue and expenses through their system. All Federal funds received need to be deposited and monitored by the eligible institution.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Condition

When Compton Community College District lost their accreditation, they were deemed ineligible to participate in the Federal assistance programs. The Federal program needs to operate over the direct supervision of El Camino Community College District. All Federal revenue and expenditures must therefore run through El Camino Community College District's financial system. During testing, it was noted that the funds were drawn down and deposited into Compton Community College District's cash in county rather than El Camino Community College District's. All the disbursements to the students were also run through Compton Community College District's general ledger rather than El Camino Community College District's.

Questioned Costs

El Camino Community College District did create a sub-account in which they record the activity of Compton Community College District's Student Financial Aid. However, Compton Community College District also reported all the activity on their ledger as well. At year end, the auditors made an adjustment of \$4,616,487 to bring Compton Community College District's Financial Aid Program onto El Camino Community College District's financials.

Context

When Compton Community College District lost accreditation for the academic programs, it also lost the authorization to operate their financial aid programs included within the Federal Student Aid Cluster. Through a memorandum of understanding with the El Camino Community College District, the financial aid program was able to continue under the direct supervision of El Camino Community College District. However, Compton Community College District was not to award funding to students at Compton Community College District. The activities do not, therefore, belong to the Compton Community College District and should be included on El Camino Community College District's ledgers.

Effect

The District can potentially face future financial sanctions or penalties from the Department of Education if the District fails to take corrective actions to remedy the condition identified.

Cause

It was determined that the condition was identified due to an ineffective control activity currently implemented by the District to ensure compliance over this area.

Recommendation

It is recommended that El Camino Community College District change their current practice with the cash drawdowns and disbursements of the Compton Community College District's financial aid program. All Federal funds need to be deposited and managed by El Camino Community College District. All disbursements, therefore, also need to be run through El Camino Community College District's student financial aid fund as well.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Current Status

Implemented.

ACTIVITIES ALLOWED - UNALLOWED

2009-6 Finding

Program: Student Financial Assistance Cluster

CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375

Compliance Requirement: Activities Allowed - Unallowed

Federal Program Affected

CFDA No.: 84.033: Federal Work-Study (FWS)

Criteria or Specific Requirement

OMB Circular A-133's compliance supplement under activities allowed
A-102 Common Rule, Circular A-110

Condition

Ineffective controls over Federal work study timecards identified at both the El Camino campus and the Compton Center as follows:

The testing of the Federal work study students who attend Compton Center was hindered by many delays on Compton Community College District's staff. There was a delay in providing a list of students who were charged to the Federal work study program. Then, after the list was provided, more delays in providing timecards hindered the testing. A population of 39 students (19 from the El Camino campus and 20 from the Compton Center) were tested at both the El Camino Campus and the Compton Center with the following errors noted:

- El Camino Campus: 16 students did not have a timecard signed by an appropriate supervisor.
- El Camino Campus: 3 students' pay per the payroll register did not agree to their timecards.
- El Camino Campus: 1 student's hours were incorrectly calculated.
- Compton Center: 3 students did not have a timecard signed by an appropriate supervisor.
- Compton Center: 7 students' pay per the payroll register did not agree to their timecards.
- Compton Center: 1 student's hours were incorrectly calculated.
- Compton Center: None of the timecards had the general ledger account number to charge the time to. Therefore, it was difficult to determine if the hours were charged to the correct program.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

Due to the nature of this situation, it was difficult to directly associate any question costs related to the condition identified.

Context

The condition was identified as a direct result of sampling the District's internal controls over the Federal work study program's timecards.

Effect

A fiscal impact related to the condition identified could not be established. However, the District can potentially face future financial penalties from the Department of Education if they are not in compliance with the requirements of the program.

Cause

The condition materialized due to the ineffective internal controls over the Federal work study program and their associated timecards.

Recommendation

It is recommended that better internal controls be established over the Federal work study timecards. Care must be given to recording the students' time correctly and charging their time to the appropriate program.

Current Status

Not implemented. See financial statement finding 2010-4.

SPECIAL TESTS AND PROVISIONS

2009-7 Finding

Program: Student Financial Assistance Cluster

CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375

Compliance Requirement: Special Tests and Provisions

Federal Programs Affected

CFDA No.: 84.007; 84.032; 84.033; 84.063; 84.375

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Criteria or Specific Requirement

A-133 Compliance Supplement, 34 CFR Section 668.173(b):

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

Condition

Significant Deficiency - During our review of the requirements for return to Title IV, it was observed that the District is returning their portion of the funds owed more than 45 days after the District has been made aware of the funds owed back. Therefore, the District is not in compliance with the above mentioned criteria.

Questioned Costs

Total questioned costs are \$591. This amount was paid back after the 45 day deadline.

Context

The auditors tested 40 students and noted seven students were out of compliance.

Effect

The District is not in compliance with the Federal requirements described in A-133 Compliance Supplement 34 CFR section 668.173(b).

Cause

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

Recommendation

It is recommended that the District implement procedures to ensure that the return Title IV Funds occurs within 45 days from the date the District determines the student withdrew from all of his or her classes.

Current Status

Not implemented. See financial statement finding 2010-6.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

ALLOWABLE COSTS

2009-8 Finding

Program: Perkins IV, Title I, Part C
CFDA No.: 84.048
Compliance Requirement: Allowable Costs

Criteria or Specific Requirement

OMB Circular A-21 Section 1f
Costs must meet certain general criteria:

- Be supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, cancelled checks, and time and attendance records, and correctly charged as to account, amount, and period.

Condition

During testing of the Title I, Part C program, it was noted that the District does not have procedures in place to monitor the expenditures submitted by the El Camino Compton Education Center. Reimbursements to the center are processed without appropriate supporting documentation attached that shows the program director at El Camino Community College District approved the expenditures of the El Camino Compton Education Center.

Questioned Costs

A total of \$116,964 in reimbursement costs were paid to the El Camino Compton Education Center.

Context

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

Effect

Reimbursed expenditures may be for unallowable costs resulting in the loss of Federal funding.

Cause

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

Recommendation

We recommend the District modify its policies and procedures to verify all expenditures are supported by appropriate documentation, such as purchase orders, receiving reports, and vendor invoices. This will ensure that all funds expended under the program are only for allowable costs.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Current Status

Not implemented. See financial statement finding 2010-8.

SUSPENSION AND DEBARMENT

2009-9 Finding

Federal Program Affected

Perkins IV, Title I, Part C (CFDA No. 84.048)
Title V (CFDA No. 84.031C)
STEM - Improving Student Success Transfer (CFDA No. 84.031S)

Criteria

Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Pre-Award Requirements, Section 80.35
Sub-awards to debarred and suspended parties:

- Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and suspension:

- Federal awarding agencies and recipients shall comply with the non-procurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts sub-awards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition

During testing of the Title I, Part C and Title V programs, it was noted that the District does not have procedures to ensure that the District is not expensing monies to independent parties that have been determined to be suspended or debarred by the Federal government. The District does not have within their contracts, nor are they checking the Excluded Parties List System (EPLS) for all vendors over \$25,000 as required by the Office of Management and Budget.

Effect

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Cause

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

Context

The District did not expend any funds to excluded parties, but controls are not in place to ensure that future Federal funds are not expended to an entity included in the Excluded Parties List.

Questioned costs

No questioned costs. See context.

Recommendation

We recommend the District modify its procedures to verify all vendors who are providing services to federally funded programs in excess of \$25,000 have verified that the entity is not suspended, debarred, or otherwise excluded. This verification may be accomplished by checking the EPLS maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. The District should also update contract templates for all contract types that exceed \$25,000 to avoid any noncompliance and possible return of Federal monies.

Current Status

Not implemented. See financial statement finding 2010-7.

STATE AWARD FINDINGS

CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES

2009-10 Finding

Criteria or Specific Requirement

- *Education Code* Sections 48800-48802, 76000-76002, and 84752
- For physical education classes, no more than 10 percent of its enrollment may be comprised of special part-time or full-time students.

Condition

During testing of Concurrent Enrollment, it was noted that the District is not properly monitoring physical education course sections to verify that enrollment of Concurrent Students does not exceed 10 percent of total enrollment in the class. The auditor found two Physical Education courses where enrollment of concurrent students exceeds 10 percent of total enrollment in the class.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

Due to the nature of this compliance requirement, no questioned costs could be related to the condition.

Context

The condition was identified as a direct result of sampling the District's concurrent enrollment population's physical education courses.

Effect

The auditor was unable to identify any fiscal impact related to the condition identified. However, the District is not in compliance with the State requirements for Concurrent Enrollment program.

Cause

The condition materialized due to an ineffective control activity currently implemented by the District over concurrent enrolled high school students.

Recommendation

The auditors recommend that proper procedures be implemented to monitor and ensure that for Physical Education Course sections, the enrollment of concurrent students does not exceed 10 percent of total enrollment in the class.

Current Status

Implemented.

RESIDENCY DETERMINATION FOR CREDIT COURSES

2009-11 Finding

Criteria or Specific Requirement

- *Education Code* Sections 68000-68044, 68050-68080, 68082, 68100, 68130, 76140, 76140.5, and 76143
- CCR, Title 5, Sections 54000-54072
- California Community Colleges, Student Attendance Accounting Manual (SAAM)

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Condition

During the auditor's review of residency determination, deficiencies were found in charging fees and refunding fees to nonresident students. Our sample of 39 students tested found four exceptions in which nonresident students were either not charged the correct fee or not refunded the correct amounts (as outlined in the District's catalogs). Nonresidents are refunded in increments of zero percent to 100 percent of the tuition paid for the class that they dropped according to the date that they dropped on. One nonresident student dropped a class on September 12 (which should equate to a 50 percent refund). This student was charged for 75 percent of fees and was refunded only 25 percent of fees paid. A second nonresident student dropped two classes on September 5 (which should equate to a 75 percent refund). However, this student was not charged for the correct percentage of fees. A third student tested dropped a class after the last drop date and was charged State tuition, but not the required nonresident tuition. The fourth student had their residency code changed in the system to resident. However, this particular student was a resident in Hawaii and was improperly changed to resident and not charged nonresidency fees.

Questioned Costs

Due to the nature of this compliance requirement, no questioned costs could be related to the condition.

Context

The condition was identified as a direct result of sampling the District's nonresidency students.

Effect

The auditor was unable to identify any fiscal impact related to the condition identified. However, the District is not in compliance with the State requirements for Nonresidency Enrollment program.

Cause

The condition materialized due to an ineffective control activity currently implemented by the District over nonresident students.

Recommendation

It is recommended that proper procedures should be implemented in order to ensure that students are properly charged for fees. In addition, the system the client uses, DataTel, should be updated in order to verify that the nonresidency refund policy dates are correctly entered.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	<u>General Funds</u>		<u>Special Revenue Funds</u>	
	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Retiree Benefits</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,109,462	\$ -	\$ -
Investments	15,211,875	3,512,590	212	6,829,776
Accounts receivable	15,395,433	3,045,555	1,612	21,377
Student receivable	3,147,830	-	-	-
Due from other funds	259,055	-	-	-
Prepaid expenses	978	-	-	-
Inventories	30,861	-	-	-
Other current assets	60	121	-	-
Total Assets	<u>\$ 34,046,092</u>	<u>\$ 7,667,728</u>	<u>\$ 1,824</u>	<u>\$ 6,851,153</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,023,364	\$ 1,971,201	\$ 99,549	\$ -
Deficit cash balance	1,230,481	-	-	-
Amounts held for others	220,000	-	-	-
Deferred revenue	4,861,028	3,133,520	4,985	-
Total Liabilities	<u>11,334,873</u>	<u>5,104,721</u>	<u>104,534</u>	<u>-</u>
FUND BALANCES				
Reserved	131,839	-	-	-
Unreserved				
Designated	-	2,563,007	-	6,851,153
Undesignated	22,579,380	-	(102,710)	-
Total Fund Balances	<u>22,711,219</u>	<u>2,563,007</u>	<u>(102,710)</u>	<u>6,851,153</u>
Total Liabilities and Fund Balances	<u>\$ 34,046,092</u>	<u>\$ 7,667,728</u>	<u>\$ 1,824</u>	<u>\$ 6,851,153</u>

See accompanying note to additional supplementary information.

Debt Service Fund	Capital Project Funds		Total Governmental Fund (Memorandum Only)
Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	
\$ -	\$ 428,038	\$ -	\$ 1,537,500
9,215,651	3,948,587	87,366,511	126,085,202
-	256,958	523,321	19,244,256
-	-	-	3,147,830
-	-	-	259,055
-	-	-	978
-	-	-	30,861
-	-	-	181
\$ 9,215,651	\$ 4,633,583	\$ 87,889,832	\$ 150,305,863
\$ -	\$ 11,974	\$ 2,750,538	\$ 9,856,626
-	-	-	1,230,481
-	-	-	220,000
-	-	-	7,999,533
-	11,974	2,750,538	19,306,640
-	-	-	131,839
9,215,651	4,621,609	85,139,294	108,390,714
-	-	-	22,476,670
9,215,651	4,621,609	85,139,294	130,999,223
\$ 9,215,651	\$ 4,633,583	\$ 87,889,832	\$ 150,305,863

EL CAMINO COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Funds</u>		<u>Special Revenue Funds</u>	
	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Retiree Benefits</u>
REVENUES				
Federal revenues	\$ 528,099	\$ 5,052,466	\$ 8,474	\$ -
State revenues	67,796,663	7,363,144	191,700	-
Local revenues	38,440,418	4,773,066	180,582	80,477
Total Revenues	<u>106,765,180</u>	<u>17,188,676</u>	<u>380,756</u>	<u>80,477</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	46,556,946	2,529,549	287,949	-
Classified salaries	23,107,988	8,308,530	155,675	-
Employee benefits	17,457,908	2,498,646	116,538	-
Books and supplies	1,003,356	1,348,167	18,120	-
Services and operating expenditures	8,794,980	3,658,596	1,516	-
Capital outlay	492,516	1,250,120	-	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	<u>97,413,694</u>	<u>19,593,608</u>	<u>579,798</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,351,486</u>	<u>(2,404,932)</u>	<u>(199,042)</u>	<u>80,477</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	222,000	4,469,812	75,000	1,400,000
Operating transfers out	(5,469,812)	(1,682,000)	-	-
Other sources	-	579,185	-	-
Other uses	(114,121)	(298,605)	-	-
Total Other Financing Sources (Uses)	<u>(5,361,933)</u>	<u>3,068,392</u>	<u>75,000</u>	<u>1,400,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>3,989,553</u>	<u>663,460</u>	<u>(124,042)</u>	<u>1,480,477</u>
FUND BALANCE, BEGINNING OF YEAR	<u>18,721,666</u>	<u>1,899,547</u>	<u>21,332</u>	<u>5,370,676</u>
FUND BALANCE, END OF YEAR	<u>\$ 22,711,219</u>	<u>\$ 2,563,007</u>	<u>\$ (102,710)</u>	<u>\$ 6,851,153</u>

See accompanying note to additional supplementary information.

Debt Service Fund	Capital Project Funds		Total Governmental Fund (Memorandum Only)
Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	
\$ -	\$ -	\$ -	\$ 5,589,039
78,304	456,849	-	75,886,660
12,275,909	1,181,081	1,403,317	58,334,850
<u>12,354,213</u>	<u>1,637,930</u>	<u>1,403,317</u>	<u>139,810,549</u>
-	-	-	49,374,444
-	-	-	31,572,193
-	-	-	20,073,092
-	9,767	11,566	2,390,976
-	340,076	3,026,724	15,821,892
-	523,717	19,622,931	21,889,284
5,690,000	-	-	5,690,000
8,177,657	-	-	8,177,657
<u>13,867,657</u>	<u>873,560</u>	<u>22,661,221</u>	<u>154,989,538</u>
<u>(1,513,444)</u>	<u>764,370</u>	<u>(21,257,904)</u>	<u>(15,178,989)</u>
-	60,000	-	6,226,812
-	-	-	(7,151,812)
-	-	-	579,185
-	-	-	(412,726)
<u>-</u>	<u>60,000</u>	<u>-</u>	<u>(758,541)</u>
(1,513,444)	824,370	(21,257,904)	(15,937,530)
10,729,095	3,797,239	106,397,198	146,936,753
<u>\$ 9,215,651</u>	<u>\$ 4,621,609</u>	<u>\$ 85,139,294</u>	<u>\$ 130,999,223</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	Enterprise Fund	Internal Service Fund
	Bookstore	Service Fund
ASSETS		
Cash and cash equivalents	\$ 710,647	\$ 10,000
Investments	-	1,180,667
Accounts receivable	1,185,193	1,669
Prepaid expenses	150	-
Inventories	769,823	-
Other current assets	-	3,784,092
Furniture and equipment (net)	53,548	-
Total Assets	\$ 2,719,361	\$ 4,976,428
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 60,251	\$ 15,290
Due to other funds	259,055	-
Total Liabilities	319,306	15,290
FUND EQUITY		
Retained earnings	2,400,055	4,961,138
Total Liabilities and Fund Equity	\$ 2,719,361	\$ 4,976,428

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Service Fund</u>
OPERATING REVENUES		
Sales revenues	\$ 7,598,938	\$ 2,353,383
OPERATING EXPENSES		
Classified salaries	1,234,404	58,764
Employee benefits	375,353	17,844
Books and supplies	37,834	-
Services and other operating expenditures	5,598,821	3,009,628
Capital outlay	5,697	-
Total Operating Expenses	<u>7,252,109</u>	<u>3,086,236</u>
Operating Income (Loss)	<u>346,829</u>	<u>(732,853)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	-	234,333
Operating transfers in	-	900,000
Operating transfers out	(276,000)	-
Total Nonoperating Revenues (Expenses)	<u>(276,000)</u>	<u>1,134,333</u>
NET CHANGE	70,829	401,480
RETAINED EARNINGS, BEGINNING OF YEAR	2,329,226	4,559,658
RETAINED EARNINGS, END OF YEAR	<u>\$ 2,400,055</u>	<u>\$ 4,961,138</u>

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Fund	Internal Service Fund
	Bookstore	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales	\$ 7,598,938	\$ 2,353,383
Cash payments to employees for services	(1,609,757)	(76,608)
Cash payments for other operating expenses	(5,582,664)	(3,220,874)
Net Cash Flows from Operating Activities	<u>406,517</u>	<u>(944,099)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers, net	<u>(276,000)</u>	<u>900,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(13,531)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>-</u>	<u>235,432</u>
Net change in cash and cash equivalents	116,986	191,333
Cash and cash equivalents - Beginning	593,661	999,334
Cash and cash equivalents - Ending	<u>\$ 710,647</u>	<u>\$ 1,190,667</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 346,829	\$ (732,853)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	23,734	-
Changes in assets and liabilities:		
Receivables	487,474	-
Inventories	(31,702)	-
Prepays and other current assets	-	(221,979)
Accounts payable	(378,873)	10,733
Due to other funds	(40,945)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 406,517</u>	<u>\$ (944,099)</u>

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 122,546	\$ 50,426	\$ 26,840
Investments	-	-	145,295
Accounts receivable	2,700	-	107,514
Prepaid expenses	-	-	-
Total Assets	<u>\$ 125,246</u>	<u>\$ 50,426</u>	<u>\$ 279,649</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,366	\$ -	\$ -
Deferred revenue	-	-	18,505
Due to student groups	-	-	-
Total Liabilities	<u>4,366</u>	<u>-</u>	<u>18,505</u>
FUND BALANCES			
Unreserved			
Undesignated	120,880	50,426	261,144
Total Fund Balances	<u>120,880</u>	<u>50,426</u>	<u>261,144</u>
Total Liabilities and Fund Balances	<u>\$ 125,246</u>	<u>\$ 50,426</u>	<u>\$ 279,649</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Auxiliary Services	Associated Student Organization	Other Trust	Total
\$ 375,017	\$ 362,213	\$ 99,771	\$ 293,647	\$ 1,330,460
-	220,000	-	-	365,295
1,500	10,126	6,280	-	128,120
-	34,539	-	-	34,539
<u>\$ 376,517</u>	<u>\$ 626,878</u>	<u>\$ 106,051</u>	<u>\$ 293,647</u>	<u>\$ 1,858,414</u>
\$ 7,378	\$ 9,718	\$ 3,178	\$ 319	\$ 24,959
-	265	-	-	18,770
-	239,117	98,481	-	337,598
<u>7,378</u>	<u>249,100</u>	<u>101,659</u>	<u>319</u>	<u>381,327</u>
<u>369,139</u>	<u>377,778</u>	<u>4,392</u>	<u>293,328</u>	<u>1,477,087</u>
<u>369,139</u>	<u>377,778</u>	<u>4,392</u>	<u>293,328</u>	<u>1,477,087</u>
<u>\$ 376,517</u>	<u>\$ 626,878</u>	<u>\$ 106,051</u>	<u>\$ 293,647</u>	<u>\$ 1,858,414</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$ 25,707,818
State revenues	-	-	1,499,715
Local revenues	10,272	23,574	-
Total Revenues	<u>10,272</u>	<u>23,574</u>	<u>27,207,533</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	31,510	24,528	-
Total Expenditures	<u>31,510</u>	<u>24,528</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(21,238)</u>	<u>(954)</u>	<u>27,207,533</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	24,000	-	-
Operating transfers out	-	-	-
Other uses	-	-	(27,089,673)
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>-</u>	<u>(27,089,673)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,762	(954)	117,860
FUND BALANCE, BEGINNING OF YEAR	118,118	51,380	143,284
FUND BALANCE, END OF YEAR	<u>\$ 120,880</u>	<u>\$ 50,426</u>	<u>\$ 261,144</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Auxiliary Services	Associated Student Organization	Other Trust	Total
\$ 63,414	\$ -	\$ -	\$ -	\$25,771,232
-	-	-	-	1,499,715
422,822	236,326	83,536	325,874	1,102,404
<u>486,236</u>	<u>236,326</u>	<u>83,536</u>	<u>325,874</u>	<u>28,373,351</u>
532,345	474,130	83,530	345,806	1,491,849
<u>532,345</u>	<u>474,130</u>	<u>83,530</u>	<u>345,806</u>	<u>1,491,849</u>
(46,109)	(237,804)	6	(19,932)	26,881,502
-	301,000	-	-	325,000
-	(24,000)	-	-	(24,000)
-	-	-	-	(27,089,673)
<u>-</u>	<u>277,000</u>	<u>-</u>	<u>-</u>	<u>(26,788,673)</u>
(46,109)	39,196	6	(19,932)	92,829
415,248	338,582	4,386	313,260	1,384,258
<u>\$ 369,139</u>	<u>\$ 377,778</u>	<u>\$ 4,392</u>	<u>\$ 293,328</u>	<u>\$ 1,477,087</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of the El Camino Community College District. The governmental and fiduciary funds are presented on the modified accrual basis of accounting while proprietary funds operate on a full accrual basis. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The Bookstore has a fiscal year end of April 30 that differs from the District's fiscal year end. However, the year ends are treated consistently each year. At year end, the Bookstore owed the District \$259,055. 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.