

**EL CAMINO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011 AND 2010

EL CAMINO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS JUNE 30, 2011 AND 2010

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis (Required Supplementary Information)	4
Basic Financial Statements - Primary Government	
Statements of Net Assets	16
Statements of Revenues, Expenses, and Changes in Net Assets	17
Statements of Cash Flows	18
Fiduciary Funds	
Statements of Net Assets	20
Statements of Changes in Net Assets	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Other Postemployment Benefits (OPEB) Funding Progress	48
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SUPPLEMENTARY INFORMATION

District Organization	50
Schedule of Expenditures of Federal Awards	51
Schedule of Expenditures of State Awards	53
Schedule of Workload Measures for State General Apportionment	54
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements	55
Reconciliation of Governmental Funds to the Statement of Net Assets	56
Note to Supplementary Information	57

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	60
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	62
Report on State Compliance	64

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	67
Financial Statement Findings and Recommendations	68
Federal Awards Findings and Questioned Costs	70
State Awards Findings and Questioned Costs	74
Summary Schedule of Prior Audit Findings	77

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, 2011 and 2010, as listed in the Table of Contents. 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 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. 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, the basic financial statements referred to above present fairly, in all material respects, the financial position of El Camino Community College District as of June 30, 2011 and 2010, 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, 2011, 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 48 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.

Valerik, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2011



EL CAMINO COMMUNITY COLLEGE DISTRICT

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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, 2011. 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.

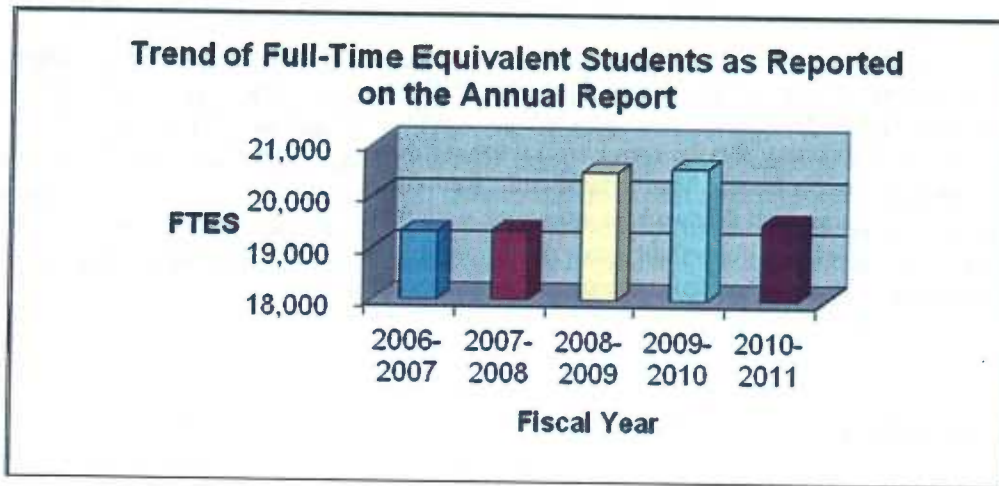
EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011 AND 2010

SELECTED HIGHLIGHTS

- During 2010-2011, total full-time equivalent student (FTES) decreased by 1,064 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, 2011 AND 2010

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>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 106,544	\$ 129,476	\$ 144,986
Accounts receivable	27,231	23,686	25,345
Other current assets	1,239	1,026	995
Total Current Assets	<u>135,014</u>	<u>154,188</u>	<u>171,326</u>
NONCURRENT ASSETS			
Other assets - non current	5,695	5,880	5,882
Capital assets, net of depreciation	191,596	168,414	152,220
Total Noncurrent Assets	<u>197,291</u>	<u>174,294</u>	<u>158,102</u>
TOTAL ASSETS	<u>332,305</u>	<u>328,482</u>	<u>329,428</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued interest payable	16,544	14,525	15,223
Deferred revenue	9,448	8,018	8,990
Current portion of long-term obligations	5,102	4,592	5,722
Total Current Liabilities	<u>31,094</u>	<u>27,135</u>	<u>29,935</u>
NONCURRENT LIABILITIES			
Long-term obligations	<u>187,878</u>	<u>191,308</u>	<u>193,796</u>
Total Noncurrent Liabilities	<u>187,878</u>	<u>191,308</u>	<u>193,796</u>
TOTAL LIABILITIES	<u>218,972</u>	<u>218,443</u>	<u>223,731</u>
NET ASSETS			
Invested in capital assets, net of related debt	65,299	63,249	63,637
Restricted for:			
Debt service	6,415	5,853	7,276
Educational programs	1,291	2,563	1,900
Capital projects	4,683	4,622	3,797
Other activities	-	-	21
Unrestricted	35,645	33,752	29,066
TOTAL NET ASSETS	<u>\$ 113,333</u>	<u>\$ 110,039</u>	<u>\$ 105,697</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

- Approximately 90 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 2010-2011.
- 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 \$1,478,491 and a receivable for apportionment in the amount of \$16,388,118. Student receivables are \$8,200,972 (gross) or \$3,141,439 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$23,181,378. Depreciation expense of \$9,117,907 was recognized during 2010-2011. 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, 2011. Total accounts payable are \$13,175,913; \$4,911,732 of the balance was accrued in the General Fund related to payables for vendors; \$596,965 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$4,495,925 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, 2011 AND 2010**

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

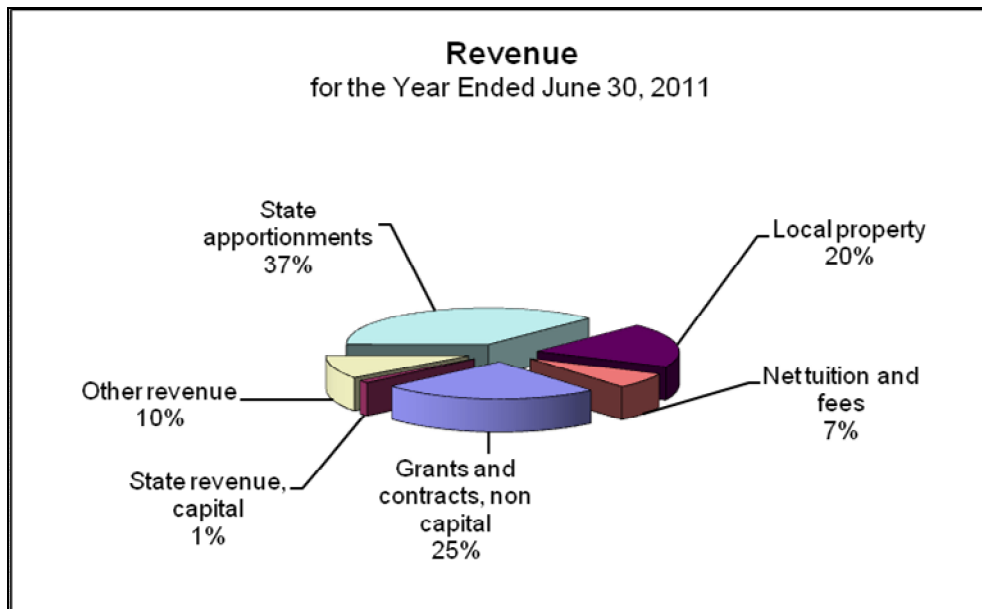
(Amounts in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPERATING REVENUES			
Tuition and Fees	\$ 18,695	\$ 19,948	\$ 17,695
Less: Scholarship discount and allowance	(5,842)	(4,876)	(3,816)
Net tuition and fees	<u>12,853</u>	<u>15,072</u>	<u>13,879</u>
Auxiliary Enterprise Sales and Charges			
Bookstore	7,196	7,599	8,635
TOTAL OPERATING REVENUES	<u>20,049</u>	<u>22,671</u>	<u>22,514</u>
OPERATING EXPENSES			
Salaries	82,176	82,608	87,106
Employee benefits	24,668	23,958	23,908
Supplies, materials, and other operating expenses and services	59,142	51,360	49,185
Depreciation	9,118	6,499	4,428
TOTAL OPERATING EXPENSES	<u>175,104</u>	<u>164,425</u>	<u>164,627</u>
OPERATING LOSS	<u>(155,055)</u>	<u>(141,754)</u>	<u>(142,113)</u>
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	69,792	64,428	69,946
Local property taxes	36,437	36,420	36,847
Federal grants and contracts, noncapital	37,341	31,297	23,041
State grants and contracts, noncapital	8,703	8,249	10,217
State taxes and other revenues	3,699	3,337	2,967
Investment income	2,182	2,241	5,401
Interest expense on capital related debt	(7,860)	(8,122)	(8,340)
Interest income on capital asset-related debt, net	71	92	262
Transfer to agency fund	(301)	(301)	(301)
Other nonoperating revenue	5,994	7,083	6,021
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>156,058</u>	<u>144,724</u>	<u>146,061</u>
INCOME BEFORE OTHER REVENUES	<u>1,003</u>	<u>2,970</u>	<u>3,948</u>
OTHER REVENUE			
State revenues, capital	2,291	1,372	3,848
CHANGE IN NET ASSETS	3,294	4,342	7,796
NET ASSETS, BEGINNING OF YEAR	<u>110,039</u>	<u>105,697</u>	<u>97,901</u>
NET ASSETS, END OF YEAR	<u>\$ 113,333</u>	<u>\$ 110,039</u>	<u>\$ 105,697</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

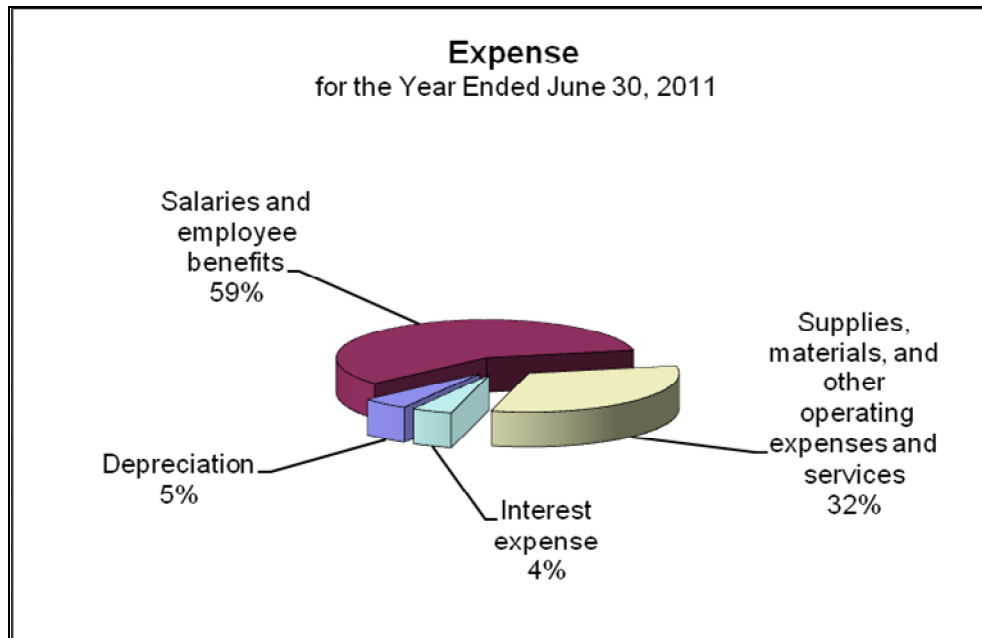
- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Salaries and benefits make up 61.2 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 38.8 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, 2011 AND 2010



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, 2011 AND 2010

The Statement of Cash Flows for the years ended June 30, 2011, 2010, and 2009, is summarized below:

(Amounts in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Flows From			
Operating activities	\$ (141,716)	\$ (130,322)	\$ (139,643)
Noncapital financing activities	145,193	138,099	134,767
Capital and related financing activities	(28,716)	(25,954)	(23,749)
Investing activities	2,307	2,667	6,129
Net Change in Cash	<u>(22,932)</u>	<u>(15,510)</u>	<u>(22,496)</u>
Cash - Beginning of Year	<u>129,476</u>	<u>144,986</u>	<u>167,482</u>
Cash - End of Year	<u><u>\$ 106,544</u></u>	<u><u>\$ 129,476</u></u>	<u><u>\$ 144,986</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 44.7 percent of noncapital financing. Cash received from property taxes accounts for 23.4 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 \$2,003,207 was received from the Los Angeles County pool that paid an average rate of 1.32 percent.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011 AND 2010**

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	\$ 43,493	\$ 12,477	\$ 957	\$ -	\$ 56,927
Academic support	7,706	2,379	758	-	10,843
Student services	12,327	3,468	1,245	-	17,040
Plant operations and maintenance	4,894	2,004	3,450	-	10,348
Instructional support services	9,718	3,401	5,101	-	18,220
Community services and economic development	1,607	391	1,231	-	3,229
Ancillary services and auxiliary operations	2,431	548	9,010	-	11,989
Student aid	-	-	34,313	-	34,313
Physical property and related acquisitions	-	-	3,077	-	3,077
Unallocated depreciation	-	-	-	9,118	9,118
Total	<u>\$ 82,176</u>	<u>\$ 24,668</u>	<u>\$ 59,142</u>	<u>\$ 9,118</u>	<u>\$ 175,104</u>

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the District had \$191,595,377 invested in capital assets net of accumulated depreciation. Total capital assets of \$256,915,090 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$65,319,713. Capital asset additions of \$32,299,285 occurred during 2010-2011, and depreciation expense of \$9,117,907 was recorded for the fiscal year.

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

Construction in progress of \$64,163,128 at June 30, 2011, includes the construction of a new Math, Business, and Allied Health building, the replacement of the Shops building, the renovation of the Math building and Tech Arts buildings, and the 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>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 1,050	\$ 1,050	\$ 1,050
Construction in progress	64,163	44,155	48,582
Site improvements, net	19,110	21,527	23,658
Buildings and improvements, net	102,799	99,355	76,491
Vehicles and equipment, net	4,473	2,327	2,439
Net Capital Assets	<u>\$ 191,595</u>	<u>\$ 168,414</u>	<u>\$ 152,220</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

Obligations

At June 30, 2011, the District had \$184,631,696 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>2011</u>	<u>2010</u>	<u>2009</u>
2003 General Obligation Bond, Series A	\$ 5,120	\$ 6,680	\$ 8,175
Unamortized premium	821	1,095	1,369
2005 General Obligation Refunding Bonds	31,931	32,305	32,634
Unamortized premium	4,852	5,257	5,661
2006 General Obligation Bond, Series B	137,350	139,150	142,150
Unamortized premium	4,557	4,774	4,991
Compensated absences	3,248	3,189	2,821
Net OPEB obligation	5,101	3,450	1,717
Total	<u>\$ 192,980</u>	<u>\$ 195,900</u>	<u>\$ 199,518</u>

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 the most recent fiscal years, 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011 AND 2010

The District had achieved and surpassed its original restoration goal of 19,306 Full-Time Equivalent Student (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. The State continued to restrict funded FTES in 2010-2011. Additional losses may occur in 2011-2012 from further FTES reductions by the State. Given the large scale reduction in the State funded portion of the District's budget, the District has been proactive in identifying 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. Furthermore, there have been no across the board salary decreases or furlough days.

The 2010-2011 California Public Employees' Retirement Systems (CalPERS) employer contribution rate was 10.707 percent of classified payroll for a total unrestricted General Fund cost of \$2,489,060. The District is budgeting \$2,600,690 for the 2011-2012 estimated contribution at a rate of 10.923 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 2010-2011 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 8.25 percent of certificated payroll for a total unrestricted General Fund cost of \$3,233,473. The District is budgeting \$3,279,526 for the 2011-2012 fiscal year. The CalSTRS employer contribution rate remains at 8.25 percent for the 2011-2012 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 \$26 to \$36 per unit, effective with the Fall 2011 semester. It is expected the enrollment fee will be raised by the State legislature in fiscal year 2011-2012.

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 1,223,671	\$ 747,487
Cash and cash equivalents - restricted	1,208,986	1,537,500
Investments - unrestricted	25,442,783	23,147,613
Investments - restricted	78,668,976	104,043,551
Accounts receivable	24,089,447	20,538,632
Student receivable, net	3,141,439	3,147,830
Prepaid expenses	3,371	1,128
Inventories	1,012,063	800,684
Deferred cost on issuance - current portion	223,380	223,380
Other current assets - current portion	182	181
Total Current Assets	<u>135,014,298</u>	<u>154,187,986</u>
NONCURRENT ASSETS		
Deferred cost on issuance - noncurrent portion	1,872,877	2,096,257
Other current assets - noncurrent portion	3,822,163	3,784,092
Nondepreciable capital assets	65,213,128	45,205,310
Depreciable capital assets, net of accumulated depreciation	126,382,249	123,208,689
Total Noncurrent Assets	<u>197,290,417</u>	<u>174,294,348</u>
TOTAL ASSETS	<u>332,304,715</u>	<u>328,482,334</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	13,175,913	9,932,167
Deficit cash balance	-	1,230,481
Accrued interest payable	3,298,591	3,362,091
Due to fiduciary funds	69,000	-
Deferred revenue	9,447,864	8,018,038
Accrued compensated absences	100,000	100,000
Bonds payable - current	5,002,350	4,492,068
Total Current Liabilities	<u>31,093,718</u>	<u>27,134,845</u>
NONCURRENT LIABILITIES		
Accrued compensated absences payable	3,147,661	3,089,370
Bonds payable - noncurrent	179,629,346	184,769,386
Other long-term obligations	5,101,151	3,449,492
Total Noncurrent Liabilities	<u>187,878,158</u>	<u>191,308,248</u>
TOTAL LIABILITIES	<u>218,971,876</u>	<u>218,443,093</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 65,298,600	\$ 63,249,385
Restricted for:		
Debt service	6,414,915	5,853,560
Educational programs	1,290,512	2,563,007
Capital projects	4,683,431	4,621,609
Unrestricted	35,645,381	33,751,680
TOTAL NET ASSETS	<u>\$ 113,332,839</u>	<u>\$ 110,039,241</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 18,695,136	\$ 19,947,458
Less: Scholarship discounts and allowances	<u>(5,842,532)</u>	<u>(4,875,732)</u>
Net tuition and fees	<u>12,852,604</u>	<u>15,071,726</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	7,196,543	7,598,938
TOTAL OPERATING REVENUES	<u>20,049,147</u>	<u>22,670,664</u>
OPERATING EXPENSES		
Salaries	82,175,561	82,608,321
Employee benefits	24,668,485	23,958,039
Supplies, materials, and other operating expenses and services	24,934,967	24,269,882
Student financial aid	34,206,989	27,089,673
Depreciation	<u>9,117,907</u>	<u>6,499,290</u>
TOTAL OPERATING EXPENSES	<u>175,103,909</u>	<u>164,425,205</u>
OPERATING LOSS	<u>(155,054,762)</u>	<u>(141,754,541)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	69,791,542	64,428,197
Local property taxes, levied for general purposes	24,097,902	24,882,994
Taxes levied for other specific purposes	12,339,513	11,536,840
Federal grants and contracts, noncapital	37,340,447	31,296,857
State grants and contracts, noncapital	8,703,052	8,249,535
State taxes and other revenues	3,699,081	3,336,968
Investment income	2,182,280	2,241,370
Interest expense on capital related debt	(7,859,561)	(8,121,784)
Interest income on capital asset-related debt, net	70,723	91,781
Transfer to fiduciary fund	(301,000)	(301,000)
Other nonoperating revenue	<u>5,993,865</u>	<u>7,083,270</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>156,057,844</u>	<u>144,725,028</u>
INCOME BEFORE OTHER REVENUES	<u>1,003,082</u>	<u>2,970,487</u>
OTHER REVENUES		
State revenues, capital	<u>2,290,516</u>	<u>1,371,675</u>
CHANGE IN NET ASSETS	3,293,598	4,342,162
NET ASSETS, BEGINNING OF YEAR	<u>110,039,241</u>	<u>105,697,079</u>
NET ASSETS, END OF YEAR	<u>\$ 113,332,839</u>	<u>\$ 110,039,241</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, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 13,778,903	\$ 16,395,942
Payments to vendors for supplies and services	(23,549,202)	(22,822,844)
Payments to or on behalf of employees	(104,934,961)	(104,404,952)
Payments to students for scholarships and grants	(34,206,989)	(27,089,673)
Auxiliary enterprise sales and charges	7,196,543	7,598,938
Net Cash Flows From Operating Activities	(141,715,706)	(130,322,589)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	66,784,655	62,304,965
Grants and contracts	45,745,082	39,635,719
Property taxes - nondebt related	24,097,902	24,882,994
State taxes and other revenues	2,891,862	4,430,532
Other nonoperating	5,673,833	6,845,307
Net Cash Flows From Noncapital Financing Activities	145,193,334	138,099,517
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(30,887,100)	(25,337,135)
Proceeds from capital debt	825,403	866,330
State revenue, capital projects	2,290,516	1,371,675
Deferred cost on issuance	223,380	223,380
Property taxes - related to capital debt	12,339,513	11,536,840
Principal paid on capital debt	(4,560,000)	(5,690,000)
Unamortized premium	(895,161)	(895,161)
Interest paid on capital debt	(8,123,944)	(8,121,784)
Interest received on capital asset-related debt	70,723	91,781
Net Cash Flows From Capital Financing Activities	(28,716,670)	(25,954,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,307,307	2,666,869
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,931,735)	(15,510,277)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,476,151	144,986,428
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 106,544,416	\$ 129,476,151

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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (155,054,762)	\$ (141,754,541)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation expense and amortization expense	9,117,907	6,499,290
Changes in Operating Assets and Liabilities:		
Receivables, net	6,391	1,264,786
Inventories	(211,379)	(31,249)
Prepaid expenses	(40,315)	137
Other assets	-	(222,039)
Accounts payable and accrued liabilities	870,963	1,682,248
Deferred revenue	1,885,539	138,126
Compensated absences	58,291	368,516
Net OPEB obligation	1,651,659	1,732,137
Total Adjustments	<u>13,339,056</u>	<u>11,431,952</u>
Net Cash Flows From Operating Activities	<u>\$ (141,715,706)</u>	<u>\$ (130,322,589)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 2,432,657	\$ 2,284,987
Cash in county treasury	104,111,759	127,191,164
Total Cash and Cash Equivalents	<u>\$ 106,544,416</u>	<u>\$ 129,476,151</u>
 NONCASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,754,635</u>	<u>\$ 1,759,613</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
	<u>Trust Funds</u>	<u>Trust Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,245,927	\$ 1,303,620
Investments	220,000	220,000
Accounts receivable, net	19,764	20,606
Due from primary government	69,000	-
Prepaid expenses	16,501	34,539
Total Assets	<u>1,571,192</u>	<u>1,578,765</u>
LIABILITIES		
Accounts payable	40,305	24,959
Deferred revenue	47,362	265
Due to student groups	292,198	337,598
Total Liabilities	<u>379,865</u>	<u>362,822</u>
NET ASSETS		
Unreserved	1,191,327	1,215,943
Total Net Assets	<u>\$ 1,191,327</u>	<u>\$ 1,215,943</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
	<u>Trust</u>	<u>Trust</u>
ADDITIONS		
Federal revenues	\$ 33,814	\$ 63,414
Local revenues	982,298	1,102,404
Total Additions	<u>1,016,112</u>	<u>1,165,818</u>
DEDUCTIONS		
Services and operating expenditures	<u>1,341,728</u>	<u>1,491,849</u>
OTHER FINANCING SOURCES		
Transfers in from governmental funds	<u>301,000</u>	<u>301,000</u>
Change in Net Assets	(24,616)	(25,031)
Net Assets - Beginning	<u>1,215,943</u>	<u>1,240,974</u>
Net Assets - Ending	<u>\$ 1,191,327</u>	<u>\$ 1,215,943</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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

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

The 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

Investments

Investments held at June 30, 2011 and 2010, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$5,051,827 and \$4,140,116 for the years ended June 30, 2011 and 2010, respectively.

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 routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

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.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, and OPEB obligations with maturities greater than one year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represent the difference between assets and liabilities. 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 \$12,388,858 of restricted net assets.

State Apportionments

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

Property Taxes

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

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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.

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, 2011 and 2010, the District distributed \$2,863,747 and \$3,242,163, respectively, in direct lending through the U.S. Department of Education. These amounts for the Direct Loan programs were included as revenues and expenses within the accompanying financial statements during the year ending June 30, 2011. However, during the year ended June 30, 2010, the amounts were not included as revenues and expenses as the amounts were passed directly to qualifying students; however, the amounts for both years were included on the Schedule of Expenditures of Federal Awards.

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.

Interfund Activity

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship, or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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.

General Authorizations

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

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, consist of the following:

Primary government	\$ 106,544,416
Fiduciary funds	1,465,927
Total Deposits and Investments	<u>\$ 108,010,343</u>
Cash on hand and in banks	\$ 3,540,334
Cash in revolving fund	138,250
Investments	104,331,759
Total Deposits and Investments	<u>\$ 108,010,343</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 Los Angeles 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>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	<u>\$ 104,244,049</u>	600

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

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, 2011. 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, 2011</u>
Los Angeles County Investment Pool	<u>\$ 104,244,049</u>	Not required	Not rated

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, 2011, the District did not have any deposits exposed to custodial credit risk because all balances were insured by the Federal Deposit Insurance Corporation (FDIC).

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2011, 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	44,155,310	26,856,784	6,848,966	64,163,128
Total Capital Assets Not Being Depreciated	<u>45,205,310</u>	<u>26,856,784</u>	<u>6,848,966</u>	<u>65,213,128</u>
Capital Assets Being Depreciated				
Site improvements	26,547,637	-	-	26,547,637
Buildings and improvements	143,003,478	6,848,966	-	149,852,444
Vehicles and equipment	9,897,360	5,442,501	37,980	15,301,881
Total Capital Assets Being Depreciated	<u>179,448,475</u>	<u>12,291,467</u>	<u>37,980</u>	<u>191,701,962</u>
Total Capital Assets	<u>224,653,785</u>	<u>39,148,251</u>	<u>6,886,946</u>	<u>256,915,090</u>
Less Accumulated Depreciation	<u>56,239,786</u>	<u>9,117,907</u>	<u>37,980</u>	<u>65,319,713</u>
Net Capital Assets	<u>\$168,413,999</u>	<u>\$ 30,030,344</u>	<u>\$ 6,848,966</u>	<u>\$191,595,377</u>

Depreciation expense for the year was \$9,117,907.

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, 2011 AND 2010**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

		Primary Government	
		2011	2010
Accrued payroll and benefits		\$ 4,495,925	\$ 4,296,790
Construction		4,002,101	2,589,916
Tax and Revenue Anticipation Notes		-	264,383
Litigation		2,435,000	-
Other		2,242,887	2,781,078
	Total	<u>\$ 13,175,913</u>	<u>\$ 9,932,167</u>

		Fiduciary Funds	
		2011	2010
Other liabilities		<u>\$ 40,305</u>	<u>\$ 24,959</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

		Primary Government	
		2011	2010
Federal categorical		\$ 93,054	\$ 27,884
State categorical aid		1,899,450	2,420,333
Enrollment fees		5,937,427	5,017,519
Other local		1,517,933	552,302
	Total	<u>\$ 9,447,864</u>	<u>\$ 8,018,038</u>

		Fiduciary Funds	
		2011	2010
Federal categorical		\$ 47,362	\$ -
Other local		-	265
	Total	<u>\$ 47,362</u>	<u>\$ 265</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2011, the amount owed between the government and the fiduciary funds were \$69,000 and \$0, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2011 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to \$0. The amount transferred to the fiduciary funds from the primary government was \$301,000.

NOTE 10 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2010, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$8,850,000 which matured on June 30, 2011 and yield 0.87 percent interest. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2011. By April 2011, 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, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2011</u>
07/01/10	0.87%	06/30/11	\$ -	\$ 8,850,000	\$ 8,850,000	\$ -

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2011 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	\$ 6,680,000	\$ -	\$ 1,560,000	\$ 5,120,000	\$ 1,625,000
Unamortized premium	1,095,184	-	273,796	821,388	-
2005 General Obligation Refunding Bonds	32,305,377	825,403	1,200,000	31,930,780	1,127,350
Unamortized premium	5,256,556	-	404,350	4,852,206	-
2006 General Obligation Bonds, Series B	139,150,000	-	1,800,000	137,350,000	2,250,000
Unamortized premium	4,774,337	-	217,015	4,557,322	-
Total General Obligation Bonds	189,261,454	825,403	5,455,161	184,631,696	5,002,350
Other Liabilities					
Compensated absences, net	3,189,370	58,291	-	3,247,661	100,000
Net OPEB obligation	3,449,492	2,091,009	439,350	5,101,151	-
Total Other Liabilities	6,638,862	2,149,300	439,350	8,348,812	100,000
Total Long-Term Obligations	\$ 195,900,316	\$ 2,974,703	\$ 5,894,511	\$ 192,980,508	\$ 5,102,350

The changes in the District's long-term obligations during the 2010 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	\$ 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, 2011 AND 2010

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, 2011, \$67,132,335 had been issued and \$5,120,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2011, the unamortized premium and issuance costs were \$821,388 and \$385,244, 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 5.00 percent. At June 30, 2011, the principal balance outstanding (including accreted interest to date) was \$31,930,780 and unamortized premium and issuance costs were \$4,852,206 and \$377,713, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used to advance refund a portion of the outstanding General Obligation Bonds, Election of 2002, Series 2003A. The amount of the advance refund for these bonds was \$36,820,000. Funds have been placed in an irrevocable escrow account for the future redemption of these bonds. At June 30, 2011, the balance of the funds in the escrow account was approximately \$38,104,000. As the advance refunding has met the requirements of an in-substance defeasance, the debt obligations of \$36,820,000 for the bonds have been removed as long-term obligations of the District.

2006 General Obligation Bonds, Series B

During September 2006, the District issued the 2006 General Obligation Bonds, Series B in the amount of \$150,000,000. The bonds mature beginning August 1, 2007 through August 1, 2031, with interest rates ranging from 3.50 percent to 5.00 percent. At June 30, 2011, the principal balance outstanding was \$137,350,000 and unamortized premium and issuance costs were \$4,557,322 and \$1,333,300, respectively. Premium and issuance costs 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, 2011 AND 2010

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Issued	Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2011
2003	2014	2.50 - 5.00%	\$ 63,700,000	\$ 6,680,000	\$ -	\$ -	\$ 1,560,000	\$ 5,120,000
2005	2023	3.00 - 5.00%	40,252,335	32,305,377	-	825,403	1,200,000	31,930,780
2006	2031	3.50 - 5.00%	150,000,000	139,150,000	-	-	1,800,000	137,350,000
				<u>\$ 178,135,377</u>	<u>\$ -</u>	<u>\$ 825,403</u>	<u>\$ 4,560,000</u>	<u>\$ 174,400,780</u>

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

Fiscal Year	Principal	Interest to Maturity	Total
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>\$ 5,120,000</u>	<u>\$ 392,250</u>	<u>\$ 5,512,250</u>

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2012	\$ 1,127,350	\$ 67,650	\$ 1,252,250	\$ 2,447,250
2013	1,003,334	191,666	1,252,250	2,447,250
2014	892,964	302,036	1,252,250	2,447,250
2015	2,045,028	1,029,972	1,252,250	4,327,250
2016	1,817,104	1,252,896	1,252,250	4,322,250
2017-2021	16,995,000	-	4,219,875	21,214,875
2022-2023	8,050,000	-	407,500	8,457,500
Total	<u>\$ 31,930,780</u>	<u>\$ 2,844,220</u>	<u>\$ 10,888,625</u>	<u>\$ 45,663,625</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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>
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	4,880,000	5,732,675	10,612,675
2017-2021	27,830,000	25,103,538	52,933,538
2022-2026	35,320,000	17,411,788	52,731,788
2027-2031	44,605,000	7,923,595	52,528,595
2032	10,235,000	243,081	10,478,081
Total	<u>\$ 137,350,000</u>	<u>\$ 81,091,524</u>	<u>\$ 218,441,524</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2011, amounted to \$3,247,661.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$1,935,502, and contributions made by the District during the year were \$302,560. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$155,507 and (\$136,790) respectively, which resulted in an increase to the net OPEB obligation of \$1,651,659. As of June 30, 2011, the net OPEB obligation was \$5,101,151. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

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 approximately 39 retirees and beneficiaries currently receiving benefits and approximately 813 active Plan members.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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 2010-2011, the District contributed \$302,560 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
Interest on net OPEB obligation	155,507
Adjustment to annual required contribution	<u>(136,790)</u>
Annual OPEB cost (expense)	1,954,219
Contributions made	<u>(302,560)</u>
Increase in net OPEB obligation	1,651,659
Net OPEB obligation, beginning of year	<u>3,449,492</u>
Net OPEB obligation, end of year	<u><u>\$ 5,101,151</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 three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,935,502	\$ 218,147	11%	\$ 1,717,355
2010	1,935,502	203,365	11%	3,449,492
2011	1,954,219	302,560	15%	5,101,151

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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 27 years. The actuarial value of assets was not determined in this actuarial study.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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, 2011, 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 2010-2011, 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, 2011 AND 2010

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 2010-2011 was 8.25 percent of annual payroll. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$3,289,683, \$3,409,843, and \$3,585,902, 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 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were \$3,329,189, \$2,940,680, and \$2,896,440, respectively, and equaled 100 percent of the required contributions for each year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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 \$1,754,635, \$1,759,613, \$1,961,271, (4.267 percent) of salaries subject to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, 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, 2011.

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, 2011.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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

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

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Expenditures for rent under leases for the year ended June 30, 2011, amounted to approximately \$342,000.

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitments	Expected Dates of Completion
Stadium Project	\$ 1,712,824	April 2015
Math, Business, and Health Science Building	11,254,334	March 2012
STEM	119,769	Ongoing
Parking Lot Lighting/Security Upgrades	67,163	June 2012
Infrastructure Phase III/Electrical Conversion	4,241,705	May 2012
Restroom Access Compliance	1,168,578	December 2011
Industry and Technology (MCS)	1,746,367	March 2014
Shops Building	1,137,854	March 2014
	<u>\$ 21,448,594</u>	

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

Deferral of State Apportionments

As a result of the State of California economy, certain apportionments owed to the District for funding of FTES and construction reimbursements which are attributable to the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was \$16,388,118. 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.

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a 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. Current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for California Community Colleges in addition to requiring substantial budget reductions.

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.

State General Apportionment Funding

The District is currently working with the Chancellor's Office to determine the amount of Full-Time Equivalent Student (FTES) over-reported on the Apportionment Attendance Report form CCFS-320 in regards to instructional service agreements and to determine the potential liability of the District. In the opinion of management, the impact of any such disallowed FTES and related funding is unknown at June 30, 2011.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$17,000,000 of tax and revenue anticipation notes dated July 1, 2011. The notes mature on June 30, 2012, and yield 0.460 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 January 2012 until 100 percent of principal and interest due is on account in February 2012.

REQUIRED SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

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	0%	\$57,178,317	33%

* Entry age normal method

SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2011

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. William J. Beverly	President	November 2015
Dr. Ray Gen	Vice President	November 2013
Ms. Maureen O'Donnell	Secretary	November 2013
Mr. Kenneth A. Brown	Member	November 2015
Mrs. Mary E. Combs	Member	November 2015
Mr. Joshua Casper	Student Member	May 2012

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, 2011**

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		\$ 588,768
Federal Direct Student Loans	84.268		2,863,747
Federal Work-Study (FWS)	84.033		572,533
Federal Pell Grant (PELL)	84.063		28,907,460
Administrative Allowance (PELL)	84.063		41,160
Academic Competitiveness Grant (ACG)	84.375		382,305
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ARRA - Scholarships for Disadvantaged Students	93.407		16,500
Total Student Financial Assistance Cluster			<u>33,372,473</u>
U.S. DEPARTMENT OF EDUCATION			
STEM - Improving Student Success Transfer			
Pass-through from Santa Monica College	84.031C		480,753
Title V - Supporting Student Success in Pre-Transfer Mathematics	84.031S	[1]	155,911
Title V - Strengthening Institutions - Hispanic Serving Institution	84.031S		198,532
Title V - Improving Graduation and Completion Rates	84.031S		343,510
TRIO - Student Support Services	84.042A		94,192
International Trade Compliance Initiative	84.153A		3,718
Child Care Access Means Parents in School	84.335A		79,519
Pass-through the California Community College Chancellor's Office			
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	[1]	54,531
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	160,163
CAREER AND TECHNICAL ACT			
Pass-through the California Community College Chancellor's Office			
Perkins IV, Title I, Part C	84.048	10-C01-014	1,137,264
Perkins Title II Tech Prep	84.243	10-139-720	69,708
Total U.S. Department of Education			<u>36,150,274</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start Career Advancement Project (CAP)			
Pass-through the California Community College Chancellor's Office	93.600		312,019
Temporary Assistance for Needy Families (TANF)	93.558	[1]	102,911
Total U.S. Department of Health and Human Services			<u>414,930</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through the California Department of Education			
Child and Adult Food Program	10.558	[1]	9,576
Total U.S. Department of Agriculture			<u>9,576</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, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF COMMERCE			
Market Development Cooperator Program 2009	11.112		\$ 108,684
Total U.S. Department of Commerce			<u>108,684</u>
U.S. DEPARTMENT OF LABOR			
Pass-through the City of Long Beach/Pacific Gateway Workforce Investment Network			
ARRA - WIA Dislocated Workers	17.278	31530	6,452
Total U.S. Department of Labor			<u>6,452</u>
NATIONAL SCIENCE FOUNDATION			
Advanced Aerospace Manufacturing Education	47.076		218,848
Pass-through Belcon Industries, Inc.			
SBIR Community College Research Teams Phase IICC	47.041	[1]	7,654
Total National Science Foundation			<u>226,502</u>
SMALL BUSINESS ADMINISTRATION			
Pass-through Long Beach Community College District			
Small Business Development Center	59.037	CN 99661.7/ CN 99671.5	348,258
U.S. Small Business Jobs Act	59.037	CN 99673.6	1,053
Total Small Business Administration			<u>349,311</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education Representative Fee	64.000		1,391
Total U.S. Department of Veterans Affairs			<u>1,391</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps - National Service Awards	94.006		33,814
Total Expenditures of Federal Awards			<u><u>\$37,300,934</u></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, 2011**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Basic Skill	\$ 211,133	\$ 329,093	\$ 540,226
BFAP	628,422	42,234	670,656
CACT Strategic Hub	100,000	-	100,000
CSA Wired - CACT - (Passed Through Ca Space Authority)	-	21,550	21,550
Cal Grants	1,700,000	459	1,700,459
CalWORKs and Regional Effort	355,209	38,697	393,906
Career Advancement Academy	662,743	-	662,743
Career Technical Education 06/07	-	118,589	118,589
Career Technical Education II	-	531,189	531,189
Career Technical Education II	-	129,825	129,825
Center for Applied Competitive Technology - CACT-COCCC	205,000	-	205,000
Child Development Center	197,652	-	197,652
Cooperative Agencies Resources for Education (CARE)	148,051	-	148,051
Disabled Students Program and Services (DSP&S)	1,094,210	90,170	1,184,380
EWD - CTE Grant	69,465	-	69,465
EWD - CTE Grant	65,587	-	65,587
Enrollment Growth for Associated Degree in Nursing Program	118,187	266,886	385,073
Extended Opportunity Program and Services (EOP&S)	1,058,098	-	1,058,098
Faculty and Staff Diversity	8,840	44,199	53,039
Foster Care Education	107,853	-	107,853
Honeywell Training RTF	-	136,022	136,022
IDRC	394,827	-	394,827
Instructional Equipment	-	246,226	246,226
ITAR Economic Development Grant	-	110,949	110,949
JDIF	175,000	-	175,000
Lottery	429,341	-	429,341
Matriculation	619,220	77,129	696,349
MESA Program	50,500	20,540	71,040
Puente Reporting	1,500	2,607	4,107
RTF 332-039	360,415	-	360,415
SBDC - Youth Entrepreneur Program	-	9,142	9,142
SBDC - Youth Entrepreneur Program - Year 2	-	22,936	22,936
Staff Development	-	27,384	27,384
Strategic Priority	172,500	-	172,500
Teacher Pipeline	228,067	-	228,067
Transfer and Articulation	-	1,966	1,966
TTIP Library Automation	-	2,958	2,958
TTIP Total Cost of Operation	-	10,366	10,366
Workforce Innovation Partnership (WIP)	225,000	-	225,000
Workplace Learning Center - Industry Driven Grants	187,500	151,861	339,361
Workplace Learning Center - WPLRC State Leadership	205,000	-	205,000
Youth Empowerment Strategies for Success	154,487	-	154,487
Total			

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 540,226	\$ -	\$ 239,821	\$ 300,405	\$ 300,405
670,656	-	135,889	534,767	534,767
60,000	-	39,938	20,062	20,062
21,550	-	21,550	-	-
1,071,316	-	2,396	1,068,920	1,068,920
392,191	9,999	46,982	355,208	355,208
265,098	-	264,182	916	916
118,589	-	118,589	-	-
531,189	-	191,729	339,460	339,460
129,825	-	56,997	72,828	72,828
123,000	54,274	-	177,274	177,274
197,038	53	-	197,091	197,091
148,051	-	-	148,051	148,051
1,189,739	-	87,338	1,102,401	1,102,401
69,465	-	-	69,465	69,465
-	65,587	-	65,587	65,587
366,163	18,910	39,965	345,108	345,108
1,058,098	-	-	1,058,098	1,058,098
53,039	-	34,478	18,561	18,561
68,522	41,647	-	110,169	110,169
136,022	-	15,722	120,300	120,300
116,896	83,938	-	200,834	200,834
246,226	-	226,467	19,759	19,759
110,949	-	-	110,949	110,949
-	13,151	-	13,151	13,151
49,843	376,766	-	426,609	426,609
696,349	-	67,505	628,844	628,844
58,383	10,499	-	68,882	68,882
4,107	-	121	3,986	3,986
224,393	7,229	51,581	180,041	180,041
9,142	-	-	9,142	9,142
22,936	-	-	22,936	22,936
27,384	-	26,719	665	665
103,500	55,506	-	159,006	159,006
188,087	-	32,550	155,537	155,537
1,966	-	1,062	904	904
2,958	-	3	2,955	2,955
10,366	-	10,366	-	-
-	15,519	-	15,519	15,519
339,361	-	187,500	151,861	151,861
123,000	72,492	-	195,492	195,492
87,333	63,532	-	150,865	150,865
\$ 9,632,956	\$ 889,102	\$ 1,899,450	\$ 8,622,608	\$ 8,622,608

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENTS
 AS OF JUNE 30, 2011**

CATEGORIES	<u>*Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	1,693	-	1,693
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	15,298	-	15,298
(b) Daily Census Contact Hours	1,174	-	1,174
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	15	-	15
(b) Credit	761	-	761
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	545	-	545
(b) Daily Census Contact Hours	5	-	5
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>19,491</u>	<u>-</u>	<u>19,491</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	-	-	-
2. Credit	1,238	-	1,238
	<u>1,238</u>	<u>-</u>	<u>1,238</u>

*The District revised the reported data on November 1, 2011.

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, 2011**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

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

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

General Fund - unrestricted	\$ 23,411,166	
General Fund - restricted	1,290,512	
Special Revenue Funds	10,209,555	
Debt Service Funds	9,713,506	
Capital Project Funds	64,220,684	
Enterprise Funds	2,264,279	
Internal Service Funds	4,579,294	
Fiduciary Funds	<u>1,746,835</u>	
Total Fund Balances, Retained Earnings and Due to Student Groups - All District Funds		\$ 117,435,831

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	256,915,090	
Accumulated depreciation is	(65,319,713)	
Less fixed assets already recorded in the enterprise funds	<u>(32,002)</u>	191,563,375

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.	2,096,257
Amounts held in trust on behalf of others (Trust and Agency Funds)	(1,483,525)

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.

(3,298,591)

Long-term obligations at year end consist of:

Bonds payable	174,400,780	
Unamortized premium	10,230,916	
Compensated absences	3,247,661	
Net OPEB obligation	<u>5,101,151</u>	<u>(192,980,508)</u>
Total Net Assets		<u><u>\$ 113,332,839</u></u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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 - Primary Government and the related expenditures reported on the Schedule of Federal Awards. The reconciling amounts are related to revenue recognition principles in various programs.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 37,340,447
Total Federal Revenue from the Statement of Changes in Fiduciary Net Assets		33,814
Various programs indirect costs recorded in general unrestricted fund		(73,327)
Total Schedule of Expenditures of Federal Awards		<u>\$ 37,300,934</u>

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment

Full-Time Student (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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Reconciliation of Governmental Funds 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 and the discretely presented component unit of El Camino Community College District (the District) for the years ended June 30, 2011 and 2010, and have issued our report thereon dated December 23, 2011. 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.

Internal Control Over Financial Reporting

The management of El Camino Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, 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 opinions 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2011-1 and 2011-2. 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.

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 audits 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, 2011.

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, express no opinion on the responses.

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.

Vouinex, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2011



**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 El Camino Community College District's (the District) compliance 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 El Camino Community College District's major Federal programs for the year ended June 30, 2011. 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.

In our opinion, El Camino Community College District complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-3 through 2011-5.

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 El Camino Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-3 through 2011-5. *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.

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 on the responses.

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.

Waurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2011



REPORT ON STATE COMPLIANCE

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the basic financial statements of El Camino Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011.

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 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 the financial statements are free of material misstatement. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of El Camino Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the El Camino Community College District's compliance with the State laws and regulations applicable to the following items:

- Section 421 Salaries of Classroom Instructors: 50 Percent Law
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Required Data Elements
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 432 Enrollment Fee
- Section 433 CalWORKS – Use of State and Federal TANF Funding
- Section 435 Open Enrollment
- Section 437 Student Fee – Instructional Materials and Health Fees
- Section 473 Economic and Workforce Development (EWD)
- Section 474 Extended Opportunity Programs and Services (EOPS)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 477 Cooperative Agencies Resources for Education (CARE)
- Section 478 Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
- Section 479 To Be Arranged (TBA) Hours

The District reports no attendance within classes subject to the To Be Arranged (TBA) Hours; therefore the compliance tests within this section were not applicable.

Based on our audit, we found that for the items tested, the El Camino Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying schedule of findings and questioned costs as items 2011-6 through 2011-8. Our audit does not provide a legal determination on El Camino Community College District's compliance with the State laws and regulations referred to above.

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

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.

Vannex, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 23, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<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?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.375, 84.268, and 93.407 (ARRA)	Student Financial Assistance Cluster (includes ARRA)
84.048	Perkins IV, Title I, Part C
84.031C	STEM - Improving Student Success Transfer
84.031S	Title V
59.037	Small Business Development Center, and U.S. Small Business Jobs Act

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?	<u>Yes</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

The following findings represent significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

CASH IN COUNTY ACCOUNT RECONCILIATIONS

2011-1 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

Significant Deficiency - 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 for the fiscal year; however, we noted numerous stale dated items included on the reconciliations.

Recommendation

We recommend that the stale dated amounts be posted to the system necessary in order to remove them as reconciling items. This will ensure that both systems are up to date.

District Response

The District agrees with the audit recommendation. Staff is in the process of researching the reconciling items and will prepare and post journal entries as appropriate to clear these amounts.

CHILD DEVELOPMENT FUND DEFICIT SPENDING

2011-2 Finding

Criteria or Specific Requirement

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

Condition

Significant Deficiency - The Child Development Fund has deficit spent in all of the past three years. The General Fund has augmented the program with transfers each year; during the current fiscal year the amount of the transfer was \$425,000. At June 30, 2011, the ending fund balance of the Child Development Fund has a positive balance of \$103,344 due to the significant transfers made.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation

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

District Response

The District agrees with the audit recommendation. The District will continue to monitor spending in the Child Development Fund and look for new sources of revenue. However, the District intends to continue this program on two bases.

The program is an integral part of the college's curriculum. It serves the needs of an entire industry and promotes the mission of the college - teaching and learning - by providing a safe place for students' children as well as providing a learning lab for those in the industry.

The program is a source of revenue derived from FTES produced from the students taking the courses, the other classes taken by the students enrolled in CDC courses and from the parents of the children who attend the CDC labs. Absent this curriculum, the students enrolled in CDC courses may go to another college that can accommodate their needs. Parents of students in the CDC labs may be unable to attend college if there is no vehicle for their children's care.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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

SPECIAL TESTS AND PROVISIONS – RETURN TO TITLE IV

2011-3 Finding

Program: U.S. Department of Education (ED), Student Financial Assistance Cluster (CFDA #'s 84.007, 84.268, 84.033, 84.063, 84.375, and 93.407)

Federal Programs Affected:

CFDA #'s 84.007; 84.268; 84.033; 84.063, and 84.375

Criteria or Specific Requirement

A-133 Compliance Supplement, 34 CFR Section 668.22(j):

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

Condition

Significant Deficiency

- During our review of the requirements for Return of Title IV funds, it was observed that the District is returning their portion of the funds owed more than 45 days after the determination has been made.
- It was noted that the Compton Center is not returning their portion of the funds owed if the amount is below \$50.

Questioned Costs

Total questioned costs are \$247. The District did return the majority of the funds; however, those funds returned were not done so within the 45 day requirement.

Context

There were twenty students out of 40 tested where the District's portion of the return to Title IV funds was not returned within the 45 day requirement.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect

The District is not in compliance with the Federal requirements described in A-133 Compliance Supplement 34 CFR section 668.22(j).

Cause

The District has not implemented policies and procedures to monitor the Return of Title IV funds.

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 classes. In addition, the District needs to ensure that all amounts owed are returned.

District Response

On two of these test findings, District financial aid staff had a misunderstanding of rules related to the threshold for the return of funds. That misunderstanding has now been corrected and this error is not expected to reoccur. On the third item, the District is researching the specific reason for this omission and will take corrective actions.

SPECIAL TESTS AND PROVISIONS – DIRECT LOAN RECONCILIATIONS

2011-4 Finding

Program: U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA #'s 84.007, 84.268, 84.033, 84.063, 84.375, and 93.407)

Federal Programs Affected:

CFDA # 84.268

Criteria or Specific Requirement

According to the OMB Circular A-133 and 34CFR sections 685.102(b), 685.301, and 685.303, Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Condition

Significant Deficiency - During our review of the direct loans, it was noted that the District did not have adequate documentation to show that they were reconciling the SAS data file and the Loan Detail records to the institution's financial records on a monthly basis.

Questioned Costs

No questioned costs.

Context

The District disbursed direct loan funds during the entire 2010-2011 fiscal year.

Effect

Without proper monitoring of Direct Loan disbursements, the District risks non-compliance with 34 CFR sections 685.102(b), 685.301, and 303.

Cause

The District has not implemented policies and procedures to verify that the SAS data file and the Loan Detail records per the COD are reconciled to the institution's financial records.

Recommendation

It is recommended that the District implement procedures to ensure that the SAS data file and the Loan Detail records per the COD are reconciled to the institution's financial records.

District Response

The District is in agreement with this finding and will take immediate steps to implement the new reconciliation process.

FINANCIAL REPORTING

2011-5 Finding

Federal Program Affected:

Small Business Development Center (CFDA # 59.037)

Criteria or Specific Requirement

Per the Small Business Development Center Service Agreement with Long Beach Community College District (lead center), the District is required to submit quarterly reports to the lead center by the dates set forth within the contract agreement.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Condition

Significant Deficiency - It was observed that the District is not submitting the quarterly reports within the timeframe specified by the awarding agency. The reports were noted to be submitted between three and 50 days past the due date.

Questioned Costs

None.

Context

Of four quarterly reports required to be submitted within the fiscal year, the three reports tested were not submitted on time.

Effect

Allocations of Federal funds through the oversight agency may be impacted when reports are untimely.

Cause

The District has not implemented policies and procedures to ensure the compliance with contract terms regarding the submission of quarterly reports.

Recommendation

It is recommended that the District implement procedures to ensure that all reports are prepared and filed by the required due dates.

District Response

The District agrees with the audit recommendation. The Director of Community Advancement will monitor the preparation and filing of the appropriate reports for this program on a quarterly basis and in a timely manner.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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

STUDENT FEES - INSTRUCTIONAL MATERIALS

2011-6 Finding

Criteria or Specific Requirement

- *Education Code* Sections 70902 and 76365
- 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 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 2010-2011 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 all optional instructional material fees are clearly described as optional to the students.

District Response

The District agrees with the audit recommendation. The District will clearly describe the material fee for the one exception found in the 2010-2011 course catalog. Further, it will verify that all fees in the course catalog and class schedules are properly identified and update the paperwork associated with creating classes which have materials fees to properly identify those fees.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

423 - APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS

2011-7 Finding

Criteria or Specific Requirement

California *Education Code* Section 84752, California Code of Regulations (CCR) Title V Section 58058, and California Community College State Chancellor's Office Legal Advisory 04-01.5; *Instructional Service Agreements*, dated March 18, 2004; and the related *Contract Guide to Instructional Service Agreements between College Districts and Public Agencies*.

Condition

The District offers several Instructional Service Agreements to public agencies. The following conditions were noted in which the District is not in compliance with the above guidance:

- The District has instructional service agreements with Santa Monica, Torrance, Culver City, El Segundo, Hermosa Beach, Manhattan Beach, Beverly Hills, and Redondo Beach Fire and Technology. During testing, it was noted that the District does have the appropriate contract with the entities. However, since they are using Fire Department employees to teach the classes, they are also required to have a written agreement with all instructors indicating that the District has the primary right to control and direct the instructional activities of the instructor. The District does have contracts with the Site Administrator however that is not always the individual teaching the course.
- For the above noted courses class sign in sheets or other direct verification that the students attended and completed the courses was not maintained to support the hours claimed for State apportionment purposes.

Questioned Costs

Unknown at this time.

Recommendation

The District should closely monitor and review the procedures used for the Instructional Service Agreements. Oversight of the classes to make sure they meet the minimum requirements of instruction should be assigned to a District employee. Ongoing monitoring of the classes to ensure they meet the minimum conditions of instruction should be documented with meeting of the instructors, retention of student sign in sheets, or other documentation of the student attendance maintained as a record of the coursework.

District Response

Both the responsible instructional dean as well as the office of instruction has already begun developing procedures to ensure that all requirements will be met and that all documentation of student attendance hours are maintained at our campus location. Additionally, legal counsel of the applicable entities are in discussion regarding this overall topic.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

OPEN ENROLLMENT

2011-8 Finding

Criteria or Specific Requirement

CCR Title 5, Section 58102: The description of each course shall be clear and understandable to the prospective student and shall be published in the official catalog, and/or schedule of classes, and/or addenda.

CCR Title 5, Section 58104: All courses to be conducted shall be described in the official general catalog and/or addenda and listed in the schedules of classes. Courses which are established or conducted after publication of the general catalog or regular schedule of classes shall be reasonably well publicized. Announcements of course offerings shall not be limited to a specialized clientele, nor shall any group or individual receive notice prior to the general public for the purposes of preferential enrollment, limiting accessibility, or exclusion of qualified students.

CCR Title 5, Section 58051 (f): In the event that in-service training courses are restricted to employees of police, fire, corrections, and other criminal justice agencies, attendance for the restricted courses shall not be reported for purposes of State apportionments. A community college district which restricts enrollment in in-service training courses may contract with any public agency to provide compensation for the cost of conducting such courses.

Condition

The Fire Tech 150 course was not published in the District Schedule of Classes. In addition, it was noted that enrollment in the course was limited to employees of fire departments and was not open to all admitted students of the college.

Questioned Costs

The District claimed 194.68 FTES (actual hours/credit) for the course in question.

Recommendation

The District should implement procedures to ensure that all courses claimed for apportionment are open to all admitted students of the college. The Annual 320 Report of Attendance should be amended to properly report the FTES.

District Response

The District will work with the Chancellor's Office to appropriately amend our 320 Attendance Report. Additionally, the District will be working with the Chancellor's Office as well as local applicable agencies to ascertain the correct future delivery system for this course offering.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

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.

Current Status

Not implemented. See current year finding 2011-1.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

Current Status

Not implemented. See current year finding 2011-2.

Federal Awards Findings

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

Current Status

Implemented.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

Current Status

Implemented.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

Current Status

Implemented.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

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.

Current Status

Not implemented. See current year finding 2011-3.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

Current Status

Implemented.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Criteria or Specific Requirement

OMB Circular A-21 Section (1)(f)

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.

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.

Current Status

Implemented.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

Current Status

Implemented.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

Current Status

Implemented.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

State Awards Findings

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.

Current Status

Partially implemented. See current year finding 2011-6.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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 *Education 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.

Current Status

Not implemented. See current year finding 2011-7.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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.

Current Status

Implemented.