

**EL CAMINO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012 AND 2011

EL CAMINO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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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, 2012 and 2011, 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 previously present fairly, in all material respects, the financial position of El Camino Community College District as of June 30, 2012 and 2011, 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 formula of El Camino Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, 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 supplementary information, such as the Management's Discussion and Analysis on pages 4 through 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 50, 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 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* (Circular A-133) and other supplementary information listed in the Table of Contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vaurinek, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 13, 2012



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, 2012. 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.

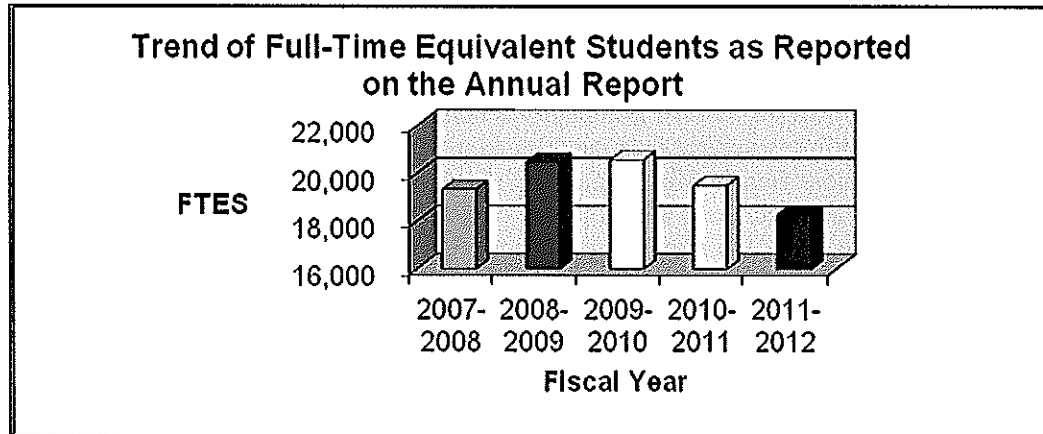
EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012 AND 2011

SELECTED HIGHLIGHTS

- During 2011-2012, total full-time equivalent student (FTES) decreased by 1,227 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 \$394.5 million to improve the existing facilities, construct new facilities, purchase equipment, and purchase property. The first series of bonds were issued for \$63.7 million and spending, in accordance with the master facilities plan, was fully implemented in 2003-2004. The second series of bonds in the amount of \$150 million was issued in September 2006.

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, 2012 AND 2011**

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>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and investments | \$ 83,263 | \$ 106,544 | \$ 129,476 |
| Accounts receivable | 32,631 | 27,231 | 23,686 |
| Other current assets | 1,271 | 1,239 | 1,026 |
| Total Current Assets | <u>117,165</u> | <u>135,014</u> | <u>154,188</u> |
| NONCURRENT ASSETS | | | |
| Other assets - non current | 5,472 | 5,695 | 5,880 |
| Capital assets, net of depreciation | 210,687 | 191,596 | 168,414 |
| Total Noncurrent Assets | <u>216,159</u> | <u>197,291</u> | <u>174,294</u> |
| TOTAL ASSETS | <u>333,324</u> | <u>332,305</u> | <u>328,482</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued interest payable | 15,320 | 16,544 | 14,525 |
| Deferred revenue | 10,478 | 9,448 | 8,018 |
| Current loans | 10,061 | - | - |
| Current portion of long-term obligations | 6,232 | 5,102 | 4,592 |
| Total Current Liabilities | <u>42,091</u> | <u>31,094</u> | <u>27,135</u> |
| NONCURRENT LIABILITIES | | | |
| Long-term obligations | 183,627 | 187,878 | 191,308 |
| Total Noncurrent Liabilities | <u>183,627</u> | <u>187,878</u> | <u>191,308</u> |
| TOTAL LIABILITIES | <u>225,718</u> | <u>218,972</u> | <u>218,443</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 65,896 | 68,597 | 63,249 |
| Restricted for: | | | |
| Debt service | 6,664 | 6,415 | 5,853 |
| Educational programs | 914 | 1,291 | 2,563 |
| Capital projects | 5,113 | 4,683 | 4,622 |
| Unrestricted | 29,019 | 32,347 | 33,752 |
| TOTAL NET ASSETS | <u>\$ 107,606</u> | <u>\$ 113,333</u> | <u>\$ 110,039</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012 AND 2011

- 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 2011-2012.
- The majority of the accounts receivable balance is from Federal and State sources for grant entitlement programs. Also included is an account receivable for the third and fourth quarter lottery payment of \$1,535,254 and a receivable for apportionment in the amount of \$21,955,296. Student receivables are \$9,036,784 (gross) or \$3,614,957 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$19,091,922. Depreciation expense of \$9,702,194 was recognized during 2011-2012. 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, 2012. Total accounts payable are \$12,087,539; \$4,780,226 of the balance was accrued in the General Fund related to payables for vendors; \$5,107,841 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$4,774,068 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, 2012 AND 2011**

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

(Amounts in thousands)

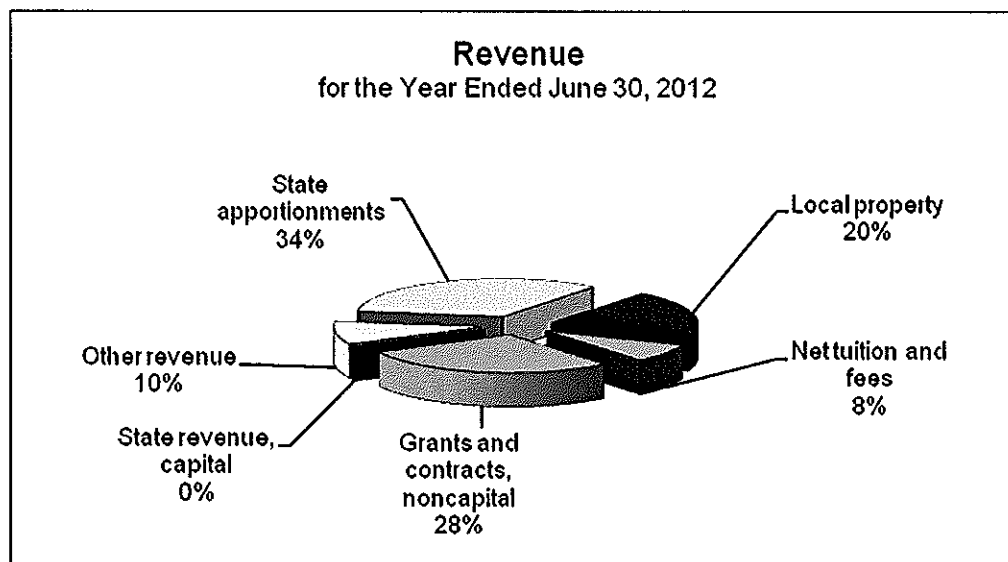
| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|-------------------|
| OPERATING REVENUES | | | |
| Tuition and Fees | \$ 22,883 | \$ 18,695 | \$ 19,948 |
| Less: Scholarship discounts and allowances | (8,507) | (5,842) | (4,876) |
| Net tuition and fees | <u>14,376</u> | <u>12,853</u> | <u>15,072</u> |
| Auxiliary Enterprise Sales and Charges | | | |
| Bookstore | 6,601 | 7,196 | 7,599 |
| TOTAL OPERATING REVENUES | <u>20,977</u> | <u>20,049</u> | <u>22,671</u> |
| OPERATING EXPENSES | | | |
| Salaries | 80,223 | 82,176 | 82,608 |
| Employee benefits | 26,385 | 24,668 | 23,958 |
| Supplies, materials, and other operating expenses and services | 60,065 | 59,142 | 51,360 |
| Depreciation | 9,702 | 9,118 | 6,499 |
| TOTAL OPERATING EXPENSES | <u>176,375</u> | <u>175,104</u> | <u>164,425</u> |
| OPERATING LOSS | <u>(155,398)</u> | <u>(155,055)</u> | <u>(141,754)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| State apportionments, noncapital | 59,887 | 69,792 | 64,428 |
| Local property taxes | 36,063 | 36,437 | 36,420 |
| Federal grants and contracts, noncapital | 40,923 | 37,341 | 31,297 |
| State grants and contracts, noncapital | 9,850 | 8,703 | 8,249 |
| State taxes and other revenues | 3,292 | 3,699 | 3,337 |
| Investment income | 1,454 | 2,182 | 2,241 |
| Interest expense on capital related debt | (7,654) | (7,860) | (8,122) |
| Interest income on capital asset-related debt, net | 56 | 71 | 92 |
| Transfer to agency fund | (301) | (301) | (301) |
| Other nonoperating revenue | 5,875 | 5,994 | 7,083 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>149,445</u> | <u>156,058</u> | <u>144,724</u> |
| INCOME BEFORE OTHER REVENUES | <u>(5,953)</u> | <u>1,003</u> | <u>2,970</u> |
| OTHER REVENUES AND LOSSES | | | |
| State revenues, capital | 263 | 2,291 | 1,372 |
| Loss on disposal of capital assets | (37) | - | - |
| TOTAL OTHER REVENUES AND LOSSES | <u>226</u> | <u>2,291</u> | <u>1,372</u> |
| CHANGE IN NET ASSETS | <u>(5,727)</u> | <u>3,294</u> | <u>4,342</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>113,333</u> | <u>110,039</u> | <u>105,697</u> |
| NET ASSETS, END OF YEAR | <u>\$ 107,606</u> | <u>\$ 113,333</u> | <u>\$ 110,039</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012 AND 2011

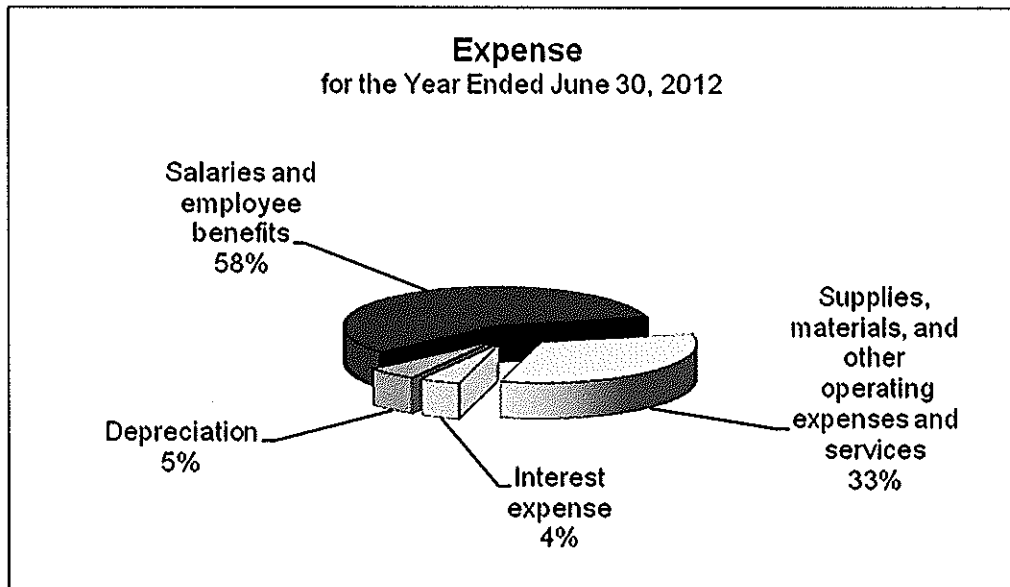
- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Salaries and benefits make up 60.44 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 39.56 percent of total expenses.
- State apportionment is generated based on the workload measures reported to the State by the District. The District has experienced increases in the various workload measures.
- Local property taxes for general purposes are received through the Auditor-Controller's Office for Los Angeles County. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.
- State apportionments, capital, are the amount of capital outlay, deferred maintenance, architectural barrier removal, and hazardous substance funding received from the State through the Department of Finance. Approved State capital outlay projects are typically funded 50 percent by the State.



EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012 AND 2011



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, 2012 AND 2011

The Statement of Cash Flows for the years ended June 30, 2012, 2011, and 2010, is summarized below:

(Amounts in thousands)

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|------------------|-------------------|-------------------|
| Cash Flows From | | | |
| Operating activities | \$ (144,725) | \$ (141,716) | \$ (130,322) |
| Noncapital financing activities | 148,103 | 145,193 | 138,099 |
| Capital and related financing activities | (28,260) | (28,716) | (25,954) |
| Investing activities | 1,601 | 2,307 | 2,667 |
| Net Change in Cash | <u>(23,281)</u> | <u>(22,932)</u> | <u>(15,510)</u> |
| Cash - Beginning of Year | <u>106,544</u> | <u>129,476</u> | <u>144,986</u> |
| Cash - End of Year | <u>\$ 83,263</u> | <u>\$ 106,544</u> | <u>\$ 129,476</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 40.44 percent of noncapital financing. Cash received from property taxes accounts for 24.35 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 \$976,382 was received from the Los Angeles County pool that paid an average rate of 0.94 percent.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

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 | \$ 41,112 | \$ 12,449 | \$ 850 | \$ - | \$ 54,411 |
| Academic support | 7,552 | 2,473 | 753 | - | 10,778 |
| Student services | 11,823 | 3,550 | 1,443 | - | 16,816 |
| Plant operations and maintenance | 4,790 | 2,043 | 3,226 | - | 10,059 |
| Institutional support services | 8,628 | 4,054 | 10,362 | - | 23,044 |
| Community services and economic development | 2,151 | 630 | 1,487 | - | 4,268 |
| Ancillary services and auxiliary operations | 4,167 | 1,186 | 2,037 | - | 7,390 |
| Student aid | - | - | 37,864 | - | 37,864 |
| Physical property and related acquisitions | - | - | 2,043 | - | 2,043 |
| Unallocated depreciation | - | - | - | 9,702 | 9,702 |
| Total | <u>\$ 80,223</u> | <u>\$ 26,385</u> | <u>\$ 60,065</u> | <u>\$ 9,702</u> | <u>\$ 176,375</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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the District had \$210,687,299 invested in capital assets net of accumulated depreciation. Total capital assets of \$285,174,402 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$74,487,103. Capital asset additions of \$28,830,938 occurred during 2011-2012, and depreciation expense of \$9,702,194 was recorded for the fiscal year.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

Construction in progress of \$80,372,813 at June 30, 2012, 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, replacement of the Stadium and Track facilities, 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>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------------------------|-------------------|-------------------|-------------------|
| Land | \$ 1,050 | \$ 1,050 | \$ 1,050 |
| Construction in progress | 80,373 | 64,163 | 44,155 |
| Site improvements, net | 16,697 | 19,110 | 21,527 |
| Buildings and improvements, net | 107,947 | 102,799 | 99,355 |
| Vehicles and equipment, net | 4,620 | 4,473 | 2,327 |
| Net Capital Assets | <u>\$ 210,687</u> | <u>\$ 191,595</u> | <u>\$ 168,414</u> |

Obligations

At June 30, 2012, the District had \$179,445,937 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>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|-------------------|
| 2003 General Obligation Bond, Series A | \$ 3,495 | \$ 5,120 | \$ 6,680 |
| Unamortized premium | 548 | 821 | 1,095 |
| 2005 General Obligation Refunding Bonds | 31,515 | 31,931 | 32,305 |
| Unamortized premium | 4,448 | 4,852 | 5,257 |
| 2006 General Obligation Bond, Series B | 135,100 | 137,350 | 139,150 |
| Unamortized premium | 4,340 | 4,557 | 4,774 |
| Compensated absences | 2,966 | 3,248 | 3,189 |
| Net OPEB obligation | 7,448 | 5,101 | 3,450 |
| Total | <u>\$ 189,860</u> | <u>\$ 192,980</u> | <u>\$ 195,900</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2012 AND 2011

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In August 2006, El Camino Community College District entered into a partnership 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 (base year \$4 million) is considered annual one-time funds. Historically, the District used the additional State appropriations to fund annual or one-time activities that would impact enrollment management and program enhancement related costs. During 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 (e.g. Compton Community College District (the CCCD)). While El Camino Community College District will be responsible for managing the Center, the CCCD is held financially responsible for all fiscal actions and, therefore, will not be merged into El Camino Community College District's current or future financial statements.

The State has reduced the District's funded FTES from 19,300 in 2008-2009 to 17,950 in 2011-2012. The 2012-2013 funding level is 17,950 FTES. There has been a loss of 1,350 funded FTES over the past four years. With the passage of Proposition 30, the Educational Protection Act (EPA), the community colleges are hoping to see a stabilization of funding with no further reductions to funded FTES. Recent information from the Chancellor's Office indicates the community colleges will receive their EPA share of their apportionment payments by June 30, 2013. Remaining apportionment funds are deferred to July 2013.

The decline in funded FTEs has resulted in the State's annual apportionment allocation being reduced by \$6.1 million. 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, the freezing of some position vacancies, hiring classified staff into 10 month rather than 12 month positions, the reduction of student and hourly workers, the sharing of employee medical premium costs with the employee, as well as reductions in general operating expenses. These budget reductions positioned the District for the decline in State revenue.

The District's policy of fiscal prudence, combined with the identification of budget reductions, has positioned the District to withstand economic uncertainty.

Even in these uncertain fiscal times, the District has been able to provide Step and Column salary increases in the 2012-2013 District budget. Furthermore, there have been no across the board salary decreases or furlough days.

The 2011-2012 California Public Employees' Retirement System (CalPERS) employer contribution rate was 10.923 percent of classified payroll for a total unrestricted General Fund cost of \$2,497,610. The District is budgeting \$2,732,171 for the 2012-2013 estimated contribution at a rate of 11.417 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the upcoming years. The 2011-2012 California State Teachers' Retirement System (CalSTRS) employer contribution rate was 8.25 percent of the certificated payroll for a total unrestricted General Fund cost of \$3,038,918. The District is budgeting \$3,267,599 for the 2012-2013 fiscal year. The CalSTRS employer contribution rate remains at 8.25 percent for the 2012-2013 fiscal year, but is expected to increase significantly in upcoming years.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012 AND 2011

The State enrollment fee for credit classes increased from \$36 to \$46 per unit, effective with the Summer 2012 session. It is unknown at this time if the enrollment fee will be raised by the State legislature in fiscal year 2013-2014.

The District has growing concerns over delays in general apportionment payments from the State of California. These delays translate into cash flow challenges. This has resulted in further increases in our Tax Revenue Anticipation Notes (TRANs) borrowing and other borrowing. Reduced cash flow during fiscal year 2011-2012 required the need for a fiscal year TRANs in the amount of \$17 million issued in July 2012. The District also had to issue, for the first time, a mid-year TRANs in the amount of \$10 million in March 2012.

Monthly State apportionment payments were drastically reduced for the second half of fiscal year 2012-2013. The District will again issue two TRANs, \$10 million in July 2012 and approximately \$17 million in December 2012.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents - unrestricted | \$ 2,182,745 | \$ 1,223,671 |
| Cash and cash equivalents - restricted | 3,022 | 1,208,986 |
| Investments - unrestricted | 27,684,051 | 25,442,783 |
| Investments - restricted | 53,393,271 | 78,668,976 |
| Accounts receivable | 29,015,927 | 24,089,447 |
| Student receivable, net | 3,614,957 | 3,141,439 |
| Prepaid expenses | 2,459 | 3,371 |
| Inventories | 1,044,850 | 1,012,063 |
| Deferred cost on issuance - current portion | 223,380 | 223,380 |
| Other current assets - current portion | 182 | 182 |
| Total Current Assets | <u>117,164,844</u> | <u>135,014,298</u> |
| NONCURRENT ASSETS | | |
| Deferred cost on issuance - noncurrent portion | 1,649,497 | 1,872,877 |
| Other current assets - noncurrent portion | 3,822,163 | 3,822,163 |
| Nondepreciable capital assets | 81,422,813 | 65,213,128 |
| Depreciable capital assets, net of accumulated depreciation | 129,264,486 | 126,382,249 |
| Total Noncurrent Assets | <u>216,158,959</u> | <u>197,290,417</u> |
| TOTAL ASSETS | <u>333,323,803</u> | <u>332,304,715</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 12,087,539 | 13,175,913 |
| Accrued interest payable | 3,231,924 | 3,298,591 |
| Due to fiduciary funds | - | 69,000 |
| Deferred revenue | 10,477,725 | 9,447,864 |
| Current loans | 10,061,279 | - |
| Accrued compensated absences | 100,000 | 100,000 |
| Bonds payable - current | 6,132,350 | 5,002,350 |
| Total Current Liabilities | <u>42,090,817</u> | <u>31,093,718</u> |
| NONCURRENT LIABILITIES | | |
| Accrued compensated absences payable | 2,866,001 | 3,147,661 |
| Bonds payable - noncurrent | 173,313,587 | 179,629,346 |
| Other long-term obligations | 7,447,868 | 5,101,151 |
| Total Noncurrent Liabilities | <u>183,627,456</u> | <u>187,878,158</u> |
| TOTAL LIABILITIES | <u>225,718,273</u> | <u>218,971,876</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 65,896,228 | 68,597,191 |
| Restricted for: | | |
| Debt service | 6,663,532 | 6,414,915 |
| Educational programs | 914,304 | 1,290,512 |
| Capital projects | 5,112,392 | 4,683,431 |
| Unrestricted | 29,019,074 | 32,346,790 |
| TOTAL NET ASSETS | <u>\$ 107,605,530</u> | <u>\$ 113,332,839</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, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Student Tuition and Fees | \$ 22,882,749 | \$ 18,695,136 |
| Less: Scholarship discounts and allowances | (8,506,901) | (5,842,532) |
| Net tuition and fees | <u>14,375,848</u> | <u>12,852,604</u> |
| Auxiliary Enterprise Sales and Charges | | |
| Bookstore | 6,600,877 | 7,196,543 |
| TOTAL OPERATING REVENUES | <u>20,976,725</u> | <u>20,049,147</u> |
| OPERATING EXPENSES | | |
| Salaries | 80,223,438 | 82,175,561 |
| Employee benefits | 26,384,778 | 24,668,485 |
| Supplies, materials, and other operating expenses and services | 22,200,862 | 24,934,967 |
| Student financial aid | 37,864,177 | 34,206,989 |
| Depreciation | 9,702,194 | 9,117,907 |
| TOTAL OPERATING EXPENSES | <u>176,375,449</u> | <u>175,103,909</u> |
| OPERATING LOSS | <u>(155,398,724)</u> | <u>(155,054,762)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| State apportionments, noncapital | 59,886,845 | 69,791,542 |
| Local property taxes, levied for general purposes | 23,680,688 | 24,097,902 |
| Taxes levied for other specific purposes | 12,381,903 | 12,339,513 |
| Federal grants and contracts, noncapital | 40,923,359 | 37,340,447 |
| State grants and contracts, noncapital | 9,850,443 | 8,703,052 |
| State taxes and other revenues | 3,291,869 | 3,699,081 |
| Investment income | 1,453,490 | 2,182,280 |
| Interest expense on capital related debt | (7,654,193) | (7,859,561) |
| Interest income on capital asset-related debt, net | 56,320 | 70,723 |
| Transfer to fiduciary fund | (301,000) | (301,000) |
| Other nonoperating revenue | 5,875,207 | 5,993,865 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>149,444,931</u> | <u>156,057,844</u> |
| INCOME BEFORE OTHER REVENUES | <u>(5,953,793)</u> | <u>1,003,082</u> |
| OTHER REVENUES AND LOSSES | | |
| State revenues, capital | 263,306 | 2,290,516 |
| Loss on disposal of capital assets | (36,822) | - |
| TOTAL OTHER REVENUES AND LOSSES | <u>226,484</u> | <u>2,290,516</u> |
| CHANGE IN NET ASSETS | (5,727,309) | 3,293,598 |
| NET ASSETS, BEGINNING OF YEAR | <u>113,332,839</u> | <u>110,039,241</u> |
| NET ASSETS, END OF YEAR | <u>\$ 107,605,530</u> | <u>\$ 113,332,839</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, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|--|----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 14,925,776 | \$ 13,778,903 |
| Payments to vendors for supplies and services | (24,122,755) | (23,549,202) |
| Payments to or on behalf of employees | (104,265,016) | (104,934,961) |
| Payments to students for scholarships and grants | (37,864,177) | (34,206,989) |
| Auxiliary enterprise sales and charges | 6,600,877 | 7,196,543 |
| Net Cash Flows From Operating Activities | <u>(144,725,295)</u> | <u>(141,715,706)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State apportionments | 54,319,667 | 66,784,655 |
| Grants and contracts | 50,427,565 | 45,745,082 |
| Property taxes - nondebt related | 23,680,688 | 24,097,902 |
| State taxes and other revenues | 3,876,319 | 2,891,862 |
| Tax revenue anticipation note | 10,061,279 | - |
| Other nonoperating | 5,737,478 | 5,673,833 |
| Net Cash Flows From Noncapital Financing Activities | <u>148,102,996</u> | <u>145,193,334</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Purchase of capital assets | (28,345,032) | (30,887,100) |
| Proceeds from capital debt | 779,402 | 825,403 |
| State revenue, capital projects | 263,306 | 2,290,516 |
| Deferred cost on issuance | 223,380 | 223,380 |
| Property taxes - related to capital debt | 12,381,903 | 12,339,513 |
| Principal paid on capital debt | (5,070,000) | (4,560,000) |
| Unamortized premium | (895,161) | (895,161) |
| Interest paid on capital debt | (7,654,193) | (8,123,944) |
| Interest received on capital asset-related debt | 56,320 | 70,723 |
| Net Cash Flows From Capital Financing Activities | <u>(28,260,075)</u> | <u>(28,716,670)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received from investments | 1,601,047 | 2,307,307 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (23,281,327) | (22,931,735) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 106,544,416 | 129,476,151 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 83,263,089</u> | <u>\$ 106,544,416</u> |

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|---|-------------------------------|-------------------------------|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating Loss | \$(155,398,724) | \$(155,054,762) |
| Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities: | | |
| Depreciation expense and amortization expense | 9,702,194 | 9,117,907 |
| Changes in Operating Assets and Liabilities: | | |
| Receivables, net | (473,518) | 6,391 |
| Inventories | (32,787) | (211,379) |
| Prepaid expenses | 912 | (40,315) |
| Accounts payable and accrued liabilities | (1,709,947) | 870,963 |
| Deferred revenue | 1,121,518 | 1,885,539 |
| Compensated absences | (281,660) | 58,291 |
| Net OPEB obligation | 2,346,717 | 1,651,659 |
| Total Adjustments | <u>10,673,429</u> | <u>13,339,056</u> |
| Net Cash Flows From Operating Activities | <u><u>\$(144,725,295)</u></u> | <u><u>\$(141,715,706)</u></u> |
| CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING: | | |
| Cash in banks | \$ 2,185,767 | \$ 2,432,657 |
| Cash in county treasury | 81,077,322 | 104,111,759 |
| Total Cash and Cash Equivalents | <u><u>\$ 83,263,089</u></u> | <u><u>\$ 106,544,416</u></u> |
| NONCASH TRANSACTIONS | | |
| On behalf payments for benefits | <u><u>\$ 2,002,091</u></u> | <u><u>\$ 1,754,635</u></u> |

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012 AND 2011**

| | Trust Funds | |
|-----------------------------|---------------------|---------------------|
| | 2012 | 2011 |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,013,787 | \$ 1,245,927 |
| Investments | 411,621 | 220,000 |
| Accounts receivable, net | 15,671 | 19,764 |
| Due from primary government | - | 69,000 |
| Prepaid expenses | 29,515 | 16,501 |
| Total Assets | 1,470,594 | 1,571,192 |
| LIABILITIES | | |
| Accounts payable | 60,101 | 40,305 |
| Deferred revenue | 45,070 | 47,362 |
| Due to student groups | 98,481 | 292,198 |
| Total Liabilities | 203,652 | 379,865 |
| NET ASSETS | | |
| Unreserved | 1,266,942 | 1,191,327 |
| Total Net Assets | \$ 1,266,942 | \$ 1,191,327 |

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, 2012 AND 2011**

| | Trust Funds | |
|--------------------------------------|---------------------|---------------------|
| | 2012 | 2011 |
| ADDITIONS | | |
| Federal revenues | \$ 45,100 | \$ 33,814 |
| Local revenues | 1,072,490 | 982,298 |
| Total Additions | 1,117,590 | 1,016,112 |
| DEDUCTIONS | | |
| Services and operating expenditures | 1,342,975 | 1,341,728 |
| OTHER FINANCING SOURCES | | |
| Transfers in from governmental funds | 301,000 | 301,000 |
| Change in Net Assets | 75,615 | (24,616) |
| Net Assets - Beginning | 1,191,327 | 1,215,943 |
| Net Assets - Ending | \$ 1,266,942 | \$ 1,191,327 |

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 - ORGANIZATION

The El Camino Community College District (the District) was established in 1946 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college located within Torrance, California. In August 2006, the District entered into a partnership agreement with Compton Community College District creating the El Camino College Compton Education Center (the Center) for the length of time necessary for the Center to regain full accreditation as a two-year public college. The Center offers a full range of credit and non-credit offerings, as well as financial aid and related student support services. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 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 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent 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 District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 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, 2012 AND 2011

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012 and 2011, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$5,421,827 and \$5,051,827 for the years ended June 30, 2012 and 2011, 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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.

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. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

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 \$12,690,228 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net 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 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, 2012 and 2011, the District distributed \$3,109,454 and \$2,863,747, respectively, in direct lending through the U.S. Department of Education.

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 System (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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Interfund Activity

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

New Accounting Pronouncements

From time to time, the Governmental Accounting Standards Board will issue additional guidance on the accounting and reporting for financial transactions affecting governmental entities. The following is a summary of the most recent pronouncements which will impact future reporting or accounting requirements for the District. The full text of the following statements, along with implementation guides, may be found on the GASB website: www.gasb.org.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*.

This Statement modifies and amends certain requirements for inclusion and reporting of component units in the financial reporting entity. Guidance is provided for both blended and discretely presented component units. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District or related component units for the June 30, 2013, financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included within other pronouncements issued on or before November 30, 1989, which does not conflict or contradict the GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. The provisions of this Statement are required to be applied retroactively for all periods presented. Management is in the process of determining the impact to the District reporting for the June 30, 2013, financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2013, financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In June 2012, GASB issued Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*.

The primary objective of these Statements is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged. Management is in the process of determining the impact of both GASB Statements No. 67 and No. 68 on the June 30, 2015, financial statements.

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, 2012 AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, consist of the following:

| | |
|--------------------------------|----------------------|
| Primary government | \$ 83,263,089 |
| Fiduciary funds | 1,425,408 |
| Total Deposits and Investments | <u>\$ 84,688,497</u> |
| Cash on hand and in banks | \$ 3,061,304 |
| Cash in revolving fund | 138,250 |
| Investments | 81,488,943 |
| Total Deposits and Investments | <u>\$ 84,688,497</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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 | \$ 81,546,515 | 617 |

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, 2012. 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, 2012</u> |
|------------------------------------|-------------------|-----------------------------|-----------------------------|
| Los Angeles County Investment Pool | \$ 81,546,515 | 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, 2012, 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, 2012 AND 2011**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2012, 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 | 64,163,128 | 26,953,604 | 10,743,919 | 80,372,813 |
| Total Capital Assets Not Being Depreciated | <u>65,213,128</u> | <u>26,953,604</u> | <u>10,743,919</u> | <u>81,422,813</u> |
| Capital Assets Being Depreciated | | | | |
| Site improvements | 26,547,637 | 19,853 | - | 26,567,490 |
| Buildings and improvements | 149,852,444 | 9,339,684 | 518,344 | 158,673,784 |
| Vehicles and equipment | 15,301,881 | 3,261,716 | 53,282 | 18,510,315 |
| Total Capital Assets Being Depreciated | <u>191,701,962</u> | <u>12,621,253</u> | <u>571,626</u> | <u>203,751,589</u> |
| Total Capital Assets | <u>256,915,090</u> | <u>39,574,857</u> | <u>11,315,545</u> | <u>285,174,402</u> |
| Less Accumulated Depreciation | <u>65,319,713</u> | <u>9,702,194</u> | <u>534,804</u> | <u>74,487,103</u> |
| Net Capital Assets | <u>\$ 191,595,377</u> | <u>\$ 29,872,663</u> | <u>\$ 10,780,741</u> | <u>\$ 210,687,299</u> |

Depreciation expense for the year was \$9,702,194.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

| | | Primary Government | |
|------------------------------|-------|----------------------|----------------------|
| | | 2012 | 2011 |
| Accrued payroll and benefits | | \$ 4,774,068 | \$ 4,495,925 |
| Construction | | 4,488,007 | 4,002,101 |
| Apportionment | | 450,000 | - |
| Litigation | | 870,000 | 2,435,000 |
| Other | | 1,505,464 | 2,242,887 |
| | Total | <u>\$ 12,087,539</u> | <u>\$ 13,175,913</u> |

| | | Fiduciary Funds | |
|-------------------|--|------------------|------------------|
| | | 2012 | 2011 |
| Other liabilities | | <u>\$ 60,101</u> | <u>\$ 40,305</u> |

NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

| | | Primary Government | |
|-----------------------|-------|----------------------|---------------------|
| | | 2012 | 2011 |
| Federal categorical | | \$ 104,188 | \$ 93,054 |
| State categorical aid | | 1,859,351 | 1,899,450 |
| Enrollment fees | | 7,841,929 | 5,937,427 |
| Other local | | 672,257 | 1,517,933 |
| | Total | <u>\$ 10,477,725</u> | <u>\$ 9,447,864</u> |

| | | Fiduciary Funds | |
|---------------------|--|------------------|------------------|
| | | 2012 | 2011 |
| Federal categorical | | <u>\$ 45,070</u> | <u>\$ 47,362</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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, 2012, there were no amounts owed between the government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2012 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, 2011, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$17,000,000 which matured on June 30, 2012, and yield 0.460 percent interest. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2012. By February 2012, 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.

The District issued \$10,000,000 of Tax and Revenue Anticipation Notes dated June 21, 2012. The notes mature on February 28, 2013, and yield 0.250 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 2013, until 100 percent of principal and interest due is on account in February 2013.

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, 2011</u> | <u>Additions</u> | <u>Payments</u> | <u>Outstanding June 30, 2012</u> |
|-------------------|--------------|----------------------|---------------------------------|---------------------|---------------------|----------------------------------|
| 07/01/11 | 0.460% | 06/30/12 | \$ - | \$17,000,000 | \$17,000,000 | \$ - |
| 06/21/12 | 0.250% | 02/28/13 | - | 10,000,000 | - | 10,000,000 |
| | | | <u>\$ -</u> | <u>\$27,000,000</u> | <u>\$17,000,000</u> | <u>\$10,000,000</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2012 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 | \$ 5,120,000 | \$ - | \$ 1,625,000 | \$ 3,495,000 | \$ 1,705,000 |
| Unamortized premium | 821,388 | - | 273,796 | 547,592 | - |
| 2005 General Obligation Refunding Bonds | 31,930,780 | 779,402 | 1,195,000 | 31,515,182 | 1,127,350 |
| Unamortized premium | 4,852,206 | - | 404,350 | 4,447,856 | - |
| 2006 General Obligation Bonds, Series B | 137,350,000 | - | 2,250,000 | 135,100,000 | 3,300,000 |
| Unamortized premium | 4,557,322 | - | 217,015 | 4,340,307 | - |
| Total General Obligation Bonds | <u>184,631,696</u> | <u>779,402</u> | <u>5,965,161</u> | <u>179,445,937</u> | <u>6,132,350</u> |
| Other Liabilities | | | | | |
| Compensated absences, net | 3,247,661 | - | 281,660 | 2,966,001 | 100,000 |
| Net OPEB obligation | 5,101,151 | 2,861,056 | 514,339 | 7,447,868 | - |
| Total Other Liabilities | <u>8,348,812</u> | <u>2,861,056</u> | <u>795,999</u> | <u>10,413,869</u> | <u>100,000</u> |
| Total Long-Term Obligations | <u>\$ 192,980,508</u> | <u>\$ 3,640,458</u> | <u>\$ 6,761,160</u> | <u>\$ 189,859,806</u> | <u>\$ 6,232,350</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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 | <u>189,261,454</u> | <u>825,403</u> | <u>5,455,161</u> | <u>184,631,696</u> | <u>5,002,350</u> |
| 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 | <u>6,638,862</u> | <u>2,149,300</u> | <u>439,350</u> | <u>8,348,812</u> | <u>100,000</u> |
| Total Long-Term Obligations | <u>\$ 195,900,316</u> | <u>\$ 2,974,703</u> | <u>\$ 5,894,511</u> | <u>\$ 192,980,508</u> | <u>\$ 5,102,350</u> |

Description of Debt

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

Bonded Debt

2003 General Obligation Bonds, Series A

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was \$394,516,464. At June 30, 2012, \$67,132,335 had been issued and \$3,495,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2012, the unamortized premium and issuance costs were \$547,592 and \$256,830, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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, 2012, the principal balance outstanding (including accreted interest to date) was \$31,515,182 and unamortized premium and issuance costs were \$4,447,856 and \$346,237, 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, 2012, the balance of the funds in the escrow account was approximately \$37,816,000. 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, 2012, the principal balance outstanding was \$135,100,000 and unamortized premium and issuance costs were \$4,340,307 and \$1,269,810, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | Accreted Interest | | Bonds Outstanding June 30, 2012 |
|------------|---------------|---------------|----------------|--------------------------|-------------|-------------------|---------------------|---------------------------------|
| | | | | Outstanding July 1, 2011 | Issued | Additions | Redeemed | |
| 2003 | 2014 | 2.50 - 5.00% | \$ 63,700,000 | \$ 5,120,000 | \$ - | \$ - | \$ 1,625,000 | \$ 3,495,000 |
| 2005 | 2023 | 3.00 - 5.00% | 40,252,335 | 31,930,780 | - | 779,402 | 1,195,000 | 31,515,182 |
| 2006 | 2031 | 3.50 - 5.00% | 150,000,000 | 137,350,000 | - | - | 2,250,000 | 135,100,000 |
| | | | | <u>\$ 174,400,780</u> | <u>\$ -</u> | <u>\$ 779,402</u> | <u>\$ 5,070,000</u> | <u>\$ 170,110,182</u> |

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

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|---------------------|----------------------|---------------------|
| 2013 | \$ 1,705,000 | \$ 132,125 | \$ 1,837,125 |
| 2014 | 1,790,000 | 44,750 | 1,834,750 |
| Total | <u>\$ 3,495,000</u> | <u>\$ 176,875</u> | <u>\$ 3,671,875</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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 |
|-------------|---|----------------------|------------------------------------|----------------------|
| 2013 | \$ 1,127,350 | \$ 67,650 | \$ 1,252,250 | \$ 2,447,250 |
| 2014 | 1,003,334 | 191,666 | 1,252,250 | 2,447,250 |
| 2015 | 2,297,793 | 777,207 | 1,252,250 | 4,327,250 |
| 2016 | 2,041,705 | 1,028,295 | 1,252,250 | 4,322,250 |
| 2017 | 3,075,000 | - | 1,175,375 | 4,250,375 |
| 2018-2022 | 17,845,000 | - | 3,348,875 | 21,193,875 |
| 2023 | 4,125,000 | - | 103,125 | 4,228,125 |
| Total | <u>\$ 31,515,182</u> | <u>\$ 2,064,818</u> | <u>\$ 9,636,375</u> | <u>\$ 43,216,375</u> |

The 2006 General Obligation Bonds mature through 2032 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|-----------------------|-------------------------|-----------------------|
| 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 | 5,090,000 | 5,520,813 | 10,610,813 |
| 2018-2022 | 29,140,000 | 23,738,125 | 52,878,125 |
| 2023-2027 | 37,035,000 | 15,668,557 | 52,703,557 |
| 2028-2032 | 46,725,000 | 5,754,507 | 52,479,507 |
| Total | <u>\$ 135,100,000</u> | <u>\$ 74,722,530</u> | <u>\$ 209,822,530</u> |

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2012, amounted to \$2,966,001.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$2,631,504, and contributions made by the District during the year were \$288,787. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$229,552 and \$(225,552), respectively, which resulted in an increase to the net OPEB obligation of \$2,346,717. As of June 30, 2012, the net OPEB obligation was \$7,447,868. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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 252 retirees and beneficiaries currently receiving benefits and approximately 796 active Plan members.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal year 2011-2012, the District contributed \$288,787 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 | \$ 2,631,504 |
| Interest on net OPEB obligation | 229,552 |
| Adjustment to annual required contribution | (225,552) |
| Annual OPEB cost (expense) | <u>2,635,504</u> |
| Contributions made | <u>(288,787)</u> |
| Increase in net OPEB obligation | 2,346,717 |
| Net OPEB obligation, beginning of year | <u>5,101,151</u> |
| Net OPEB obligation, end of year | <u><u>\$ 7,447,868</u></u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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 |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2010 | \$ 1,935,502 | \$ 203,365 | 11% | \$ 3,449,492 |
| 2011 | 1,954,219 | 302,560 | 15% | 5,101,151 |
| 2012 | 2,635,504 | 288,787 | 11% | 7,447,868 |

Funding Status and Funding Progress

| | |
|---|----------------------|
| Actuarial Accrued Liability (AAL) | \$ 22,355,715 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 22,355,715</u> |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | 0% |
| Covered Payroll | <u>N/A</u> |
| UAAL as Percentage of Covered Payroll | <u>N/A</u> |

The above noted actuarial accrued liability was based on the March 1, 2012, 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

In the March 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, based on the assumed long-term return on Plan assets or employer assets. The cost trend rate used for the Medical Program was four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period is 26 years. The actuarial value of assets was not determined in this actuarial study as there were no Plan assets on the valuation date.

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, 2012, 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 2011-2012, 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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).

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 2011-2012 was 8.25 percent of annual payroll. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$3,295,907, \$3,289,683, \$3,409,843, 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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 2011-2012 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were \$3,405,769, \$3,329,189, \$2,940,680, respectively, and equaled 100 percent of the required contributions for each year.

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 \$2,002,091 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have been reflected in the basic 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, 2012.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 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, 2012.

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, 2012, amounted to approximately \$320,000.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

| <u>CAPITAL PROJECTS</u> | <u>Remaining Construction Commitments</u> | <u>Expected Dates of Completion</u> |
|--|---|---|
| Stadium Project | \$ 2,394,028 | August 2014 |
| Bookstore | 122,757 | April 2013 |
| Math, Business, and Allied Health Building | 3,130,898 | December 2012 |
| STEM | 46,771 | February 2014 |
| Parking Lot Lighting/Security Upgrades | 1,238,339 | November 2012 |
| Infrastructure Phase III/Electrical Conversion | 259,124 | November 2012 |
| Restroom Access Compliance | 643,842 | February 2013 |
| Industry and Technology (MCS) | 766,325 | February 2015 |
| Shops Building | 513,904 | February 2015 |
| | <u>\$ 9,115,988</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, 2012 AND 2011

Deferral of State Apportionments

Due to the State's budget situation, certain apportionments owed to the District for the 2011-2012 fiscal year have been deferred to the 2012-2013 fiscal year. The District's total amount of funding deferred into the 2012-2013 fiscal year was \$21,955,296. 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 restrain the District's ability to offer services at the desired level.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$10,000,000 of tax and revenue anticipation notes dated July 1, 2012. The notes mature on February 28, 2013, and yield 0.25 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 2013 until 100 percent of principal and interest due is on account in February 2013.

In August 2012, the District issued the 2012 General Obligation Bonds, Series C, in the amount of \$180,812,882. The purpose of the issuance is to finance the acquisition, construction, modernization, and renovation of District sites and facilities, and to pay the costs associated with the issuance. Interest rates on the bonds range from four to five percent. In addition, the District issued the 2012 General Obligation Refunding Bonds in the amount of \$41,755,000. The purpose of the issuance is to advance refund a portion of the District's outstanding General Obligation Bonds, Election 2002, Series 2006B, and to pay the costs associated with the issuance of the Refunding Bonds. Interest rates on the bonds range from two to five percent.

In October 2012, the District transferred \$11,206,057 from its Postemployment Benefits Fund and \$3,870,163 from the Southern California Consortium of Community College Districts (SCCCCD) to the Internal Services Postemployment Benefits Irrevocable Trust Fund. This action followed the recommendation of the El Camino Community College District Retirement Board of Authority made August 23, 2012, to transfer the funds to the District's third party administrators for investment into the Irrevocable Trust Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

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EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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% | N/A | N/A |
| March 1, 2012 | - | 22,355,715 | 22,355,715 | 0% | N/A | N/A |

* Entry age normal method

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SUPPLEMENTARY INFORMATION

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EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2012

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 |
| Ms. Maureen O'Donell | Vice President | November 2013 |
| Mrs. Mary E. Combs | Secretary | November 2015 |
| Mr. Kenneth A. Brown | Member | November 2015 |
| Dr. Ray Gen | Member | November 2013 |
| Ms. Jasmine Hormati | Student Member | May 2013 |

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.

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EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

| 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 | | \$ 618,985 |
| Federal Direct Student Loans | 84.268 | | 3,109,454 |
| Federal Work-Study (FWS) | 84.033 | | 627,266 |
| Federal Pell Grant (PELL) | 84.063 | | 32,343,536 |
| Administrative Allowance (PELL) | 84.063 | | 60,130 |
| Academic Competitiveness Grant (ACG) | 84.375 | | 25,021 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| ARRA - Scholarships for Disadvantaged Students | 93.407 | | 77,000 |
| Total Student Financial Assistance Cluster | | | 36,861,392 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| STEM - Improving Student Success Transfer Pass-Through from Santa Monica College | 84.031C | | 76,676 |
| Title V - Supporting Student Success in Pre-Transfer Mathematics Pass-Through from Mount Saint Mary's College | 84.031S | [1] | 122,325 |
| Improving STEM Curricula, Support and Articulation for Hispanic, Women and Low-Income Students | 84.031C | [1] | 44,739 |
| Title V - Strengthening Institutions - Hispanic Serving Institution | 84.031S | | 309,737 |
| Title V - Improving Graduation and Completion Rates | 84.031S | | 573,270 |
| TRIO - Student Support Services | 84.042A | | 270,115 |
| Child Care Access Means Parents in School | 84.335A | | 74,425 |
| 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 Western Region Interpreter Education Center (WRIEC) | 84.160A | USDE 10.01 | 35,903 |
| | 84.160A | USDE 11.01 | 113,084 |
| CAREER AND TECHNICAL ACT | | | |
| Pass-Through the California Community Colleges Chancellor's Office Perkins IV, Title I, Part C | 84.048 | 11-C01-014 | 985,757 |
| CTE Transitions | 84.048 | 11-112-720 | 46,970 |
| Total U.S. Department of Education | | | 39,514,393 |

[1] Pass-Through Identifying Number not available

* Research and Development Grants

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Identifying Number | Total Program Expenditures |
|---|----------------|---------------------------------------|----------------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Medi-Cal Administrative Activities | 93.778 | | \$ 29,970 |
| Head Start Career Advancement Project (CAP) | 93.600 | | 236,509 |
| Pass-Through the California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF) | 93.558 | [1] | 98,491 |
| Total U.S. Department of Health and Human Services | | | <u>364,970</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Pass-Through the California Department of Education (CDE) Child and Adult Food Program | 10.558 | [1] | 10,567 |
| Total U.S. Department of Agriculture | | | <u>10,567</u> |
| U.S. DEPARTMENT OF COMMERCE | | | |
| Market Development Cooperator Program 2009 | 11.112 | | 121,955 |
| Pass-Through the Foundation of Community Colleges ARRA SBA Recovery Act "California Connects" | 11.557 | 06-43-B10541 | 988 |
| Total U.S. Department of Commerce | | | <u>122,943</u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Pass-Through Long Beach Community College District Business Training for at Risk Youth | 16.541 | CN 99669.8 | 15,957 |
| Total U.S. Department of Justice | | | <u>15,957</u> |
| U.S. DEPARTMENT OF LABOR | | | |
| Pass-Through California Manufacturers and Technology Association (CMTA) H-1B Technical Skills Training | 17.278 | HG-22589- 12-60-A-6 | 23,031 |
| Total U.S. Department of Labor | | | <u>23,031</u> |
| NATIONAL SCIENCE FOUNDATION | | | |
| Achievement Scholarships in Engineering, Mathematics, and Science * | 47.076 | | 58,748 |
| Advanced Aerospace Manufacturing Education * | 47.076 | | 218,421 |
| Pass-Through Belcon Industries, Inc. SBIR Community College Research Teams Phase IICC * | 47.041 | [1] | 19,346 |
| Pass-Through University of California, Los Angeles Frontier Opportunities in Computing for Underrepresented Students * | 47.070 | [1] | 6,915 |
| Total National Science Foundation | | | <u>303,430</u> |

[1] Pass-Through Identifying Number not available

* Research and Development Grants

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Identifying Number | Total Program Expenditures |
|---|----------------|---------------------------------------|----------------------------------|
| SMALL BUSINESS ADMINISTRATION | | | |
| Pass-Through the California Community Colleges Chancellor's Office State Trade and Export Promotion (STEP) Pilot Grant Program Pass-Through Long Beach Community College District | 59.061 | F11-0067 | \$ 77,092 |
| Small Business Development Center | 59.037 | CN 99661.7/ CN 99671.5 | 331,918 |
| U.S. Small Business Jobs Act | 59.037 | CN 99673.6 | 67,110 |
| Total Small Business Administration | | | <u>476,120</u> |
| U.S. DEPARTMENT OF VETERANS AFFAIRS | | | |
| Veterans Education Representative Fee | 64.000 | | 2,649 |
| Total U.S. Department of Veterans Affairs | | | <u>2,649</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | |
| Americorps - National Service Awards | 94.006 | | 45,100 |
| Total Expenditures of Federal Awards | | | <u>\$ 40,879,160</u> |

[1] Pass-Through Identifying Number not available
* Research and Development Grants

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

| Program | Program Entitlements | | |
|--|----------------------|------------|-------------------|
| | Current Year | Prior Year | Total Entitlement |
| GENERAL FUND | | | |
| Basic Skill | \$ 188,695 | \$ 239,821 | \$ 428,516 |
| BFAP | 650,658 | 135,889 | 786,547 |
| CACT Strategic Hub | 100,000 | 79,938 | 179,938 |
| CSA Wired - CACT - (Pass-Through Ca Space Authority) | - | 21,550 | 21,550 |
| Cal Grants | 1,097,604 | 2,396 | 1,100,000 |
| CalWORKs and Regional Effort | 350,902 | 36,983 | 387,885 |
| Career Advancement Academy | 299,000 | 661,827 | 960,827 |
| Career Technical Education 06/07 | - | 118,590 | 118,590 |
| Career Technical Education II | - | 191,729 | 191,729 |
| Career Technical Education II | - | 56,997 | 56,997 |
| Career Technical Education IV | 411,350 | 400,000 | 811,350 |
| Career Technical Education Support IV | - | 130,000 | 130,000 |
| Center for Applied Competitive Technology - CACT-COCCC | 205,000 | 27,726 | 232,726 |
| Child Development Center | 169,381 | - | 169,381 |
| Cooperative Agencies Resources for Education (CARE) | 148,051 | - | 148,051 |
| Disabled Students Program and Services (DSP&S) | 1,191,018 | 89,403 | 1,280,421 |
| Enrollment Growth for Associated Degree in Nursing Program | 118,187 | 158,152 | 276,339 |
| Extended Opportunity Program and Services (EOP&S) | 1,058,198 | - | 1,058,198 |
| Extended Opportunity Program and Services (EOP&S) | | | |
| Textbook Augmentation | 8,849 | - | 8,849 |
| Faculty and Staff Diversity | 8,840 | 34,478 | 43,318 |
| Foster Care Education | 102,460 | - | 102,460 |
| Honeywell Training RTF | - | 15,722 | 15,722 |
| IDRC | 389,298 | - | 389,298 |
| Instructional Equipment | - | 226,467 | 226,467 |
| CITD - International Trade Training Program | 309,730 | - | 309,730 |
| JDIF | - | 161,849 | 161,849 |
| Matriculation | 618,728 | 67,506 | 686,234 |
| MESA Program | 50,500 | 2,125 | 52,625 |
| Puente Reporting | 1,500 | 121 | 1,621 |
| RTF 332-039 and 332-064 | - | 219,352 | 219,352 |
| Staff Development | - | 26,719 | 26,719 |
| Strategic Priority | 172,500 | 13,494 | 185,994 |
| Teacher Pipeline | 39,460 | 32,550 | 72,010 |
| Transfer and Articulation | - | 1,062 | 1,062 |
| TTIP Library Automation | - | 3 | 3 |
| TTIP Total Cost of Operation | - | 10,366 | 10,366 |
| Workforce Innovation Partnership (WIP) | 218,750 | 209,481 | 428,231 |
| Workplace Learning Center - Industry Driven Grants | 150,000 | 187,501 | 337,501 |
| Workplace Learning Center - WPLRC State Leadership | 205,000 | 9,508 | 214,508 |
| Youth Empowerment Strategies for Success | 127,594 | - | 127,594 |
| Total | | | |

See accompanying note to supplementary information.

| Program Revenues | | | | |
|----------------------|------------------------|---------------------|---------------------|-------------------------|
| Cash Received | Accounts Receivable | Deferred Revenue | Total Revenue | Program Expenditures |
| \$ 428,516 | \$ - | \$ 219,273 | \$ 209,243 | \$ 209,243 |
| 791,547 | - | - | 791,547 | 791,547 |
| 139,938 | - | 8,689 | 131,249 | 131,249 |
| - | - | - | - | - |
| 1,272,703 | - | 7,826 | 1,264,877 | 1,264,877 |
| 387,886 | - | 36,984 | 350,902 | 350,902 |
| 503,382 | 131,085 | - | 634,467 | 634,467 |
| 118,590 | - | 116,495 | 2,095 | 2,095 |
| 191,729 | - | - | 191,729 | 191,729 |
| 56,997 | - | - | 56,997 | 56,997 |
| 646,810 | - | 490,002 | 156,808 | 156,808 |
| 130,000 | - | 98,637 | 31,363 | 31,363 |
| 150,726 | 82,000 | - | 232,726 | 232,726 |
| 141,131 | 28,185 | - | 169,316 | 169,316 |
| 148,051 | - | - | 148,051 | 148,051 |
| 1,280,421 | - | 72,102 | 1,208,319 | 1,208,319 |
| 219,609 | 56,730 | 75,823 | 200,516 | 200,516 |
| 1,058,198 | - | - | 1,058,198 | 1,058,198 |
| 8,849 | - | - | 8,849 | 8,849 |
| 43,318 | - | 35,293 | 8,025 | 8,025 |
| 64,251 | 35,977 | - | 100,228 | 100,228 |
| 15,722 | - | - | 15,722 | 15,722 |
| 113,993 | 174,519 | 3,905 | 284,607 | 284,607 |
| 226,467 | - | 176,452 | 50,015 | 50,015 |
| 137,688 | - | 17,500 | 120,188 | 120,188 |
| 56,263 | 8,952 | - | 65,215 | 65,215 |
| 686,234 | - | 73,142 | 613,092 | 613,092 |
| 39,998 | 8,408 | - | 48,406 | 48,406 |
| 1,621 | - | 1,621 | - | - |
| 181,675 | 37,677 | - | 219,352 | 219,352 |
| 26,719 | - | 17,222 | 9,497 | 9,497 |
| 116,994 | 69,000 | - | 185,994 | 185,994 |
| 146,306 | - | 96,000 | 50,306 | 50,306 |
| 1,062 | - | 787 | 275 | 275 |
| 3 | - | 3 | - | - |
| 10,366 | - | 10,366 | - | - |
| 294,481 | - | 121,681 | 172,800 | 172,800 |
| 307,501 | - | 147,119 | 160,382 | 160,382 |
| 123,000 | 91,508 | - | 214,508 | 214,508 |
| 76,015 | 46,566 | - | 122,581 | 122,581 |
| <u>\$ 10,344,760</u> | <u>\$ 770,607</u> | <u>\$ 1,826,922</u> | <u>\$ 9,288,445</u> | <u>\$ 9,288,445</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENTS ANNUAL (ACTUAL) ATTENDANCE
 AS OF JUNE 30, 2012**

| CATEGORIES | *(Revised)/ Reported Data | Audit Adjustments | Audited Data |
|---|---------------------------------|----------------------|-----------------|
| A. Summer Intersession (Summer 2011 only) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 1,571 | - | 1,571 |
| B. Summer Intersession (Summer 2012 - Prior to July 1, 2012) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | - | - | - |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 14,582 | - | 14,582 |
| (b) Daily Census Contact Hours | 926 | - | 926 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit | 14 | - | 14 |
| (b) Credit | 613 | - | 613 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 552 | - | 552 |
| (b) Daily Census Contact Hours | 6 | - | 6 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| D. Total FTES | <u>18,264</u> | <u>-</u> | <u>18,264</u> |
| SUPPLEMENTAL INFORMATION (Subset of Above Information) | | | |
| E. In-Service Training Courses (FTES) | 226 | - | 226 |
| H. Basic Skills Courses and Immigrant Education | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 1,103 | - | 1,103 |

* Annual report revised as of November 15, 2012.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2012

| Object/TOP Codes | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|------------------|--|-------------------|---------------|--|-------------------|---------------|
| | Reported Data | Audit Adjustments | Audited Data | Reported Data | Audit Adjustments | Audited Data |
| 1100 | \$ 24,365,835 | \$ - | \$ 24,365,835 | \$ 24,365,835 | - | \$ 24,365,835 |
| 1300 | 12,088,509 | - | 12,088,509 | 12,088,509 | - | 12,088,509 |
| | 36,454,344 | - | 36,454,344 | 36,454,344 | - | 36,454,344 |
| 1200 | - | - | - | 6,879,131 | - | 6,879,131 |
| 1400 | - | - | - | 486,677 | - | 486,677 |
| | - | - | - | 7,365,808 | - | 7,365,808 |
| | 36,454,344 | - | 36,454,344 | 43,820,152 | - | 43,820,152 |
| 2100 | - | - | - | 18,271,384 | - | 18,271,384 |
| 2300 | - | - | - | 1,965,616 | - | 1,965,616 |
| | - | - | - | 20,237,000 | - | 20,237,000 |
| 2200 | 1,165,718 | - | 1,165,718 | 1,478,709 | - | 1,478,709 |
| 2400 | - | - | - | - | - | - |
| | 1,165,718 | - | 1,165,718 | 1,478,709 | - | 1,478,709 |
| | 1,165,718 | - | 1,165,718 | 21,715,709 | - | 21,715,709 |
| 3000 | 8,397,326 | - | 8,397,326 | 17,972,727 | - | 17,972,727 |
| 4000 | - | - | - | 795,178 | - | 795,178 |
| 5000 | - | - | - | 10,226,702 | - | 10,226,702 |
| 6420 | - | - | - | - | - | - |
| | 46,017,388 | - | 46,017,388 | 94,530,468 | - | 94,530,468 |

| |
|--|
| Academic Salaries |
| Instructional Salaries |
| Contract or Regular |
| Other |
| Total Instructional Salaries |
| Noninstructional Salaries |
| Contract or Regular |
| Other |
| Total Noninstructional Salaries |
| Total Academic Salaries |
| Classified Salaries |
| Noninstructional Salaries |
| Regular Status |
| Other |
| Total Noninstructional Salaries |
| Instructional Aides |
| Regular Status |
| Other |
| Total Instructional Aides |
| Total Classified Salaries |
| Employee Benefits |
| Supplies and Material |
| Other Operating Expenses |
| Equipment Replacement |
| Total Expenditures |
| Prior to Exclusions |

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

| Object/TOP Codes | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|--|-------------------|--------------|--|-------------------|----------------|
| | Reported Data | Audit Adjustments | Audited Data | Reported Data | Audit Adjustments | Audited Data |
| Exclusions | | | | | | |
| Activities to Exclude | | | | | | |
| Instructional Staff - Retirees' Benefits and Retirement Incentives | \$ 91,279 | \$ - | \$ 91,279 | \$ - | \$ - | \$ - |
| Student Health Services Above Amount Collected | - | - | - | 20,150 | - | 20,150 |
| Noninstructional Staff - Retirees' Benefits and Retirement Incentives | - | - | - | 136,734 | - | 136,734 |
| Objects to Exclude | | | | | | |
| Rents and Leases | - | - | - | 339,913 | - | 339,913 |
| Lottery Expenditures | - | - | - | - | - | - |
| Academic Salaries | - | - | - | - | - | - |
| Classified Salaries | - | - | - | - | - | - |
| Employee Benefits | - | - | - | - | - | - |
| Supplies and Materials | - | - | - | - | - | - |
| Software | - | - | - | - | - | - |
| Books, Magazines, and Periodicals | - | - | - | - | - | - |
| Instructional Supplies and Materials | - | - | - | 508,716 | - | 508,716 |
| Noninstructional Supplies and Materials | - | - | - | 236,189 | - | 236,189 |
| Total Supplies and Materials | - | - | - | 744,905 | - | 744,905 |

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

| Object/TOP Codes | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|--|-------------------|---------------|--|-------------------|---------------|
| | Reported Data | Audit Adjustments | Audited Data | Reported Data | Audit Adjustments | Audited Data |
| Other Operating Expenses and Services | \$ - | \$ - | \$ - | \$ 1,598,821 | \$ - | \$ 1,598,821 |
| Capital Outlay | - | - | - | 78,730 | - | 78,730 |
| Library Books | - | - | - | - | - | - |
| Equipment | - | - | - | - | - | - |
| Equipment - Additional | - | - | - | - | - | - |
| Equipment - Replacement | - | - | - | - | - | - |
| Total Equipment | - | - | - | - | - | - |
| Total Capital Outlay | - | - | - | 78,730 | - | 78,730 |
| Other Outgo | - | - | - | - | - | - |
| Total Exclusions | 91,279 | - | 91,279 | 2,919,253 | - | 2,919,253 |
| Total for ECS 84362, 50 Percent Law | \$ 45,926,109 | \$ - | \$ 45,926,109 | \$ 91,611,215 | \$ - | \$ 91,611,215 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | 50.13% | | 50.13% | 100.00% | | 100.00% |
| 50% of Current Expense of Education | | | | \$ 45,805,608 | | \$ 45,805,608 |

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, 2012**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

**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 | \$ 21,106,654 |
| General Fund - restricted | 914,304 |
| Special Revenue Funds | 11,317,860 |
| Debt Service Funds | 9,895,456 |
| Capital Project Funds | 37,894,381 |
| Enterprise Funds | 2,039,148 |
| Internal Service Funds | 4,732,397 |
| Fiduciary Funds | <u>1,617,611</u> |

| | |
|--|----------------------|
| Total Fund Balances, Retained Earnings and Due to Student Groups - All District Funds | \$ 89,517,811 |
|--|----------------------|

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 | 285,174,402 | |
| Accumulated depreciation is | (74,487,103) | |
| Less fixed assets already recorded in the enterprise funds | <u>(15,304)</u> | 210,671,995 |

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.

1,872,877

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

(1,365,423)

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.

(3,231,924)

Long-term obligations at year end consist of:

| | | |
|----------------------|------------------|----------------------|
| Bonds payable | 170,110,182 | |
| Unamortized premium | 9,335,755 | |
| Compensated absences | 2,966,001 | |
| Net OPEB obligation | <u>7,447,868</u> | <u>(189,859,806)</u> |

Total Net Assets

\$ 107,605,530

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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: | | \$ 40,923,359 |
| Total Federal Revenue From the Statement of Changes in Fiduciary Net Assets | | 45,100 |
| Federal Supplemental Educational Opportunity Grant (FSEOG) | 84.007 | 600 |
| Federal Work Study (FWS) | 84.033 | 1,190 |
| Various programs indirect costs recorded in general unrestricted fund | | (91,089) |
| Total Schedule of Expenditures of Federal Awards | | <u>\$ 40,879,160</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 Annual (Actual) Attendance

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

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

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.

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INDEPENDENT AUDITORS' REPORTS

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

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the basic financial statements of El Camino Community College District (the District) for the years ended June 30, 2012 and 2011, and have issued our report thereon dated December 13, 2012. 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.

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 formula of El Camino Community College District.

Internal Control Over Financial Reporting

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 previously defined. 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 2012-1 through 2012-3. 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*.

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.

Vauvinez, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 13, 2012



**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, 2012. 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 that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. 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 item 2012-4.

Internal Control Over Compliance

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 item 2012-4. *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 response to the finding 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 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.

Vaurinek, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 13, 2012



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, 2012, and have issued our report thereon dated December 13, 2012.

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 in accordance with Section 400 of the Chancellor's Office *California Community Colleges Contracted District Audit Manual (CDAM)* issued in May 2012 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 Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 433 California Work Opportunity and Responsibility to Kids (CalWORKS)
- Section 435 Open Enrollment
- Section 437 Student Fees – Instructional and Other Materials
- Section 438 Student Fees – Health Fees and Use of Health Fees
- Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 476 Curriculum and Instruction
- Section 479 To Be Arranged (TBA) Hours

The District reports no attendance within class subject to the 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. 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.

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.

Vauriney, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 13, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2012

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> |

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) | <u>Student Financial Assistance Cluster (includes ARRA)</u> |

| | |
|--|-------------------|
| 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>None reported</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2012

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

2012-1 CASH IN COUNTY ACCOUNT RECONCILIATIONS

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

The District operates on two systems: Los Angeles County Office of Education's (LACOE) 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 reconciliation of the General Fund.

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.

Management's Response and Corrective Action Plan

The District researched and resolved all reconciling items in all funds except one fund by June 30, 2012. Research of the remaining items has continued in 2012-2013, and all items will be resolved within the next few months.

2012-2 CHILD DEVELOPMENT FUND DEFICIT SPENDING

Criteria or Specific Requirement

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

Condition

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 \$225,000. At June 30, 2012, the ending fund balance of the Child Development Fund has a positive balance of \$111,803 due to the significant transfers made.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2012

Management's Response and Corrective Action Plan

The District is continuing to monitor the spending of the Child Development Fund and is considering all viable options for increasing revenue and decreasing expenditures.

2012-3 ACTIVITY CODING OF EXPENDITURES

Criteria or Specific Requirement

Districts are required by the California Community Colleges Chancellor's Office *Budget and Accounting Manual* (BAM) to properly classify expenditures by activity code. All activities are typically classified as either instructional or administrative and support.

Condition

The District processed numerous year-end journal entries to re-classify payroll expenditure amounts at year-end based on incorrect activity coding. The entries were processed as a result of a year-end review of activity coding.

Recommendation

The District should ensure that expenditures are properly classified initially in order to eliminate the re-classification of amounts at year-end. Miscoded employees should be properly coded to the appropriate activity codes to reflect the job descriptions and actual duties that are being performed.

Management's Response and Corrective Action Plan

The District agrees with the recommendation and is adjusting the activity coding in the central payroll system, so expenditures will post properly, reducing the need for year-end adjustments.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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.

2012-4 SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV

Program

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

Federal Programs Affected

CFDA #84.007, 84.033, 84.268, and 84.063

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 DOE 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.

A-133 Compliance Supplement, 34 CFR Section 668.22(a)(5)(iii)(A):

Within 30 days of the institution's determination that the student withdrew, the institution is required to provide a written notification to the student or parent in the case of parent PLUS loan.

Condition

- 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.
- The District is also sending students a written notification past the 30 day requirement.

Questioned Costs

None. The District has returned all of the funds; however, those funds were not returned within the 45 day requirement.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Context

There were 19 students out of 45 tested where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement. In addition, there were three students who did not receive written notification within the 30 day requirement.

Effect

The District is not in compliance with the Federal requirements described in A-133 Compliance Supplement, 34 CFR Sections 668.22(j) and 668.22(a)(5)(iii)(A).

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 students are notified in writing within 30 days.

Management's Response and Corrective Plan

The District agrees with the recommendation. The District increased the allocation for Return of Title IV funds for both campuses during the latter part of the Fall 2011 semester. There were no instances of noncompliance during the Spring 2012 semester at the El Camino campus.

District managers and staff involved in the Return of Title IV process met in September 2012 to review the process for timely Return of Title IV funds. A system is in place to facilitate the return of funds within the 45 day limit and to notify students of the return.

In the meeting, we did detect that legitimate exceptions to the 45 day return can occur when students do not properly separate from a class either by dropping themselves timely or by notifying the instructor of their intention to stop attending class. A late discovery of a student's change in enrollment status will legitimately result in a late return of Title IV funds.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Financial Statement Findings

2011-1 CASH IN COUNTY ACCOUNT RECONCILIATIONS

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.

Current Status

Partially implemented. See current year finding 2012-1.

2011-2 CHILD DEVELOPMENT FUND DEFICIT SPENDING

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.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Current Status

Partially implemented. See current year finding 2012-2.

Federal Awards Findings

2011-3 SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV

Program

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

Federal Programs Affected

CFDA #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 DOE 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 20 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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status

Not implemented. See current year finding 2012-4.

2011-4 SPECIAL TESTS AND PROVISIONS - DIRECT LOAN RECONCILIATIONS

Program

U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA #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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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 noncompliance with A-133 Compliance Supplement, 34 CFR Sections 685.102(b), 685.301, and 685.303.

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 District'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 District's financial records.

Current Status

Implemented.

2011-5 FINANCIAL REPORTING

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status

Implemented.

State Awards Findings

2011-6 STUDENT FEES - INSTRUCTIONAL MATERIALS

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status

Implemented.

2011-7 423 - APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS

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 not 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

- 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.

Current Status

Implemented.

2011-8 OPEN ENROLLMENT

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status

Implemented.