

**EL CAMINO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

EL CAMINO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
El Camino Community College District
Torrance, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of El Camino Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2013, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 16. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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* in considering the District's internal control over financial reporting and compliance.

Vauriney, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2013



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, 2013. 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. Two years of prior data is presented in the Management's Discussion and Analysis.

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 Position 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 Position 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.

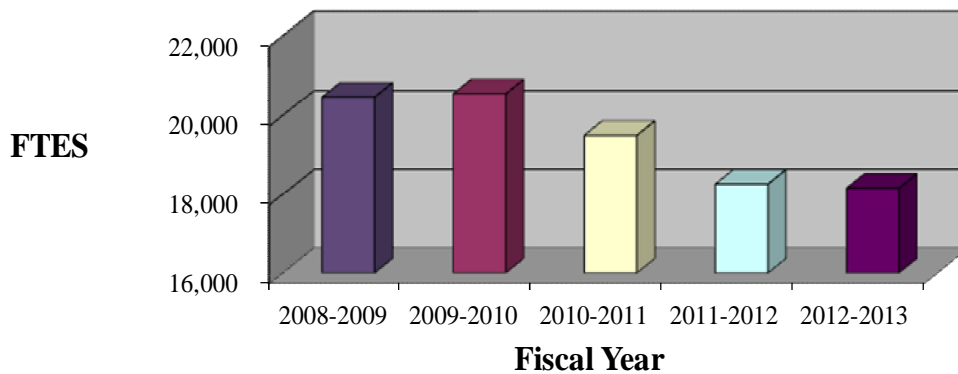
EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

SELECTED HIGHLIGHTS

- During 2012-2013, total full-time equivalent students (FTES) decreased by 104 from prior year. This intentional decrease was the result of the State's reduction in the District's funding. Credit and non-credit FTES, along with other workload measures, are the basis for the District's State apportionment.

Trend of Full-Time Equivalent Students as Reported on the Annual Report



- 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. The third series of bonds in the amount of \$180,812,882 was issued in August 2012.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, liabilities, and net position 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 Position 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 Position presents end-of-year data concerning assets, liabilities, and net position.

From the data presented, readers of the Statement of Net Position 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 Position provides a picture of the net position and its availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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

The Statement of Net Position is summarized below:

(Amounts in thousands)

	2013	*2012
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 245,569	\$ 83,263
Accounts receivable	32,312	32,631
Other current assets	15,828	6,743
Total Current Assets	<u>293,709</u>	<u>122,637</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation	220,599	215,872
Total Noncurrent Assets	<u>220,599</u>	<u>215,872</u>
TOTAL ASSETS	<u>514,308</u>	<u>338,509</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued interest payable	18,283	15,320
Deferred revenue	10,244	10,478
Current loans	17,184	10,061
Current portion of long-term obligations	7,595	6,232
Total Current Liabilities	<u>53,306</u>	<u>42,091</u>
NONCURRENT LIABILITIES		
Long-term obligations	362,288	183,627
Total Noncurrent Liabilities	<u>362,288</u>	<u>183,627</u>
TOTAL LIABILITIES	<u>415,594</u>	<u>225,718</u>
NET POSITION		
Net investment in capital assets	53,101	71,082
Restricted for:		
Debt service	10,360	6,663
Educational programs	1,427	914
Capital projects	5,409	5,113
Unrestricted	28,417	29,019
TOTAL NET POSITION	<u>\$ 98,714</u>	<u>\$ 112,791</u>

* As restated.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

- Approximately 98.89 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 2012-2013.
- 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 \$1,446,606 and a receivable for apportionment in the amount of \$18,256,653. Student receivables are \$9,078,421 (gross) or \$3,656,594 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$14,929,072. Depreciation expense of \$10,203,001 was recognized during 2012-2013. 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, 2013. Total accounts payable are \$14,625,705; \$7,334,050 of the balance was accrued in the General Fund related to payables for vendors; \$2,954,455 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$4,615,679 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, 2006 General Obligation Bonds, Series B, that have been issued in the amount of \$150,000,000, 2012 General Obligation Bonds, Series C, that have been issued in the amount of \$180,812,882, and 2012 General Obligation Refunding Bonds that have been issued in the amount of \$41,755,000. 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 POSITION

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. 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
JUNE 30, 2013**

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

(Amounts in thousands)

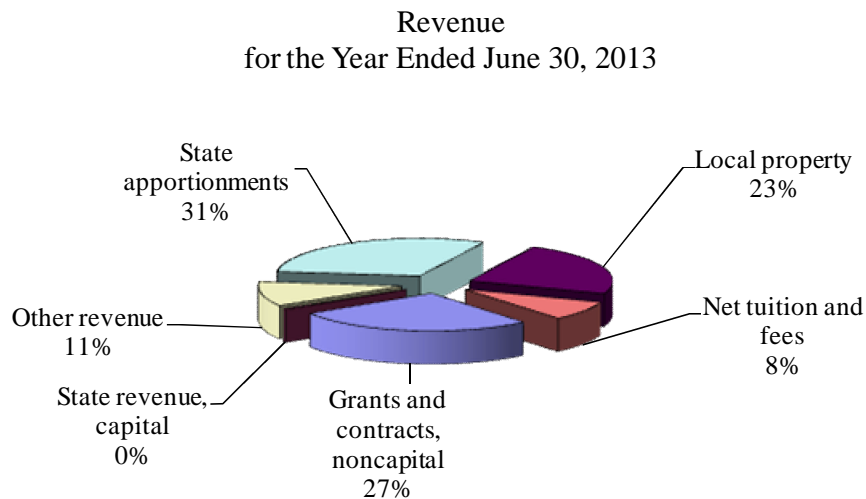
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tuition and Fees	\$ 27,196	\$ 22,883
Less: Scholarship discounts and allowances	(11,660)	(8,507)
Net tuition and fees	<u>15,536</u>	<u>14,376</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	6,523	6,601
TOTAL OPERATING REVENUES	<u>22,059</u>	<u>20,977</u>
OPERATING EXPENSES		
Salaries	80,550	80,223
Employee benefits	13,427	26,385
Supplies, materials, and other operating expenses and services	85,861	60,065
Depreciation	10,203	9,702
TOTAL OPERATING EXPENSES	<u>190,041</u>	<u>176,375</u>
OPERATING LOSS	<u>(167,982)</u>	<u>(155,398)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	57,117	59,887
Local property taxes	43,418	36,063
Federal grants and contracts, noncapital	41,145	40,923
State grants and contracts, noncapital	9,478	9,850
State taxes and other revenues	3,017	3,292
Investment income	1,804	1,454
Interest expense on capital related debt	(11,027)	(7,654)
Interest income on capital asset-related debt, net	36	56
Transfer to agency fund	(125)	(301)
Other nonoperating revenue	8,426	5,875
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>153,289</u>	<u>149,445</u>
LOSS BEFORE OTHER REVENUES AND LOSSES	<u>(14,693)</u>	<u>(5,953)</u>
OTHER REVENUES AND LOSSES		
State revenues, capital	616	263
Loss on disposal of capital assets	-	(37)
TOTAL OTHER REVENUES AND LOSSES	<u>616</u>	<u>226</u>
CHANGE IN NET POSITION	<u>\$ (14,077)</u>	<u>\$ (5,727)</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

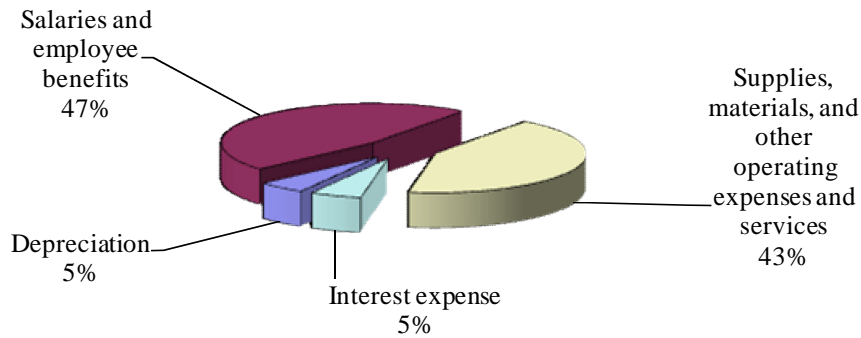
- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Salaries and benefits make up 49.54 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 50.46 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
JUNE 30, 2013**

Expense
for the Year Ended June 30, 2013



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 Position.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

The Statement of Cash Flows for the years ended June 30, 2013, and 2012, is summarized below:

(Amounts in thousands)

	<u>2013</u>	<u>2012</u>
Cash Flows From		
Operating activities	\$ (165,947)	\$ (144,725)
Noncapital financing activities	155,113	148,103
Capital and related financing activities	171,750	(28,260)
Investing activities	1,390	1,601
Net Change in Cash	<u>162,306</u>	<u>(23,281)</u>
Cash - Beginning of Year	<u>83,263</u>	<u>106,544</u>
Cash - End of Year	<u>\$ 245,569</u>	<u>\$ 83,263</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 39.21 percent of noncapital financing. Cash received from property taxes accounts for 18.22 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 \$1,734,709 was received from the Los Angeles County pool that paid an average rate of 0.64 percent.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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	\$ 41,709	\$ (574)	\$ 799	\$ -	\$ 41,934
Academic support	7,660	2,442	839	-	10,941
Student services	11,793	3,539	1,431	-	16,763
Plant operations and maintenance	4,588	1,953	3,244	-	9,785
Institutional support services	8,813	4,302	5,642	-	18,757
Community services and economic development	1,965	602	1,773	-	4,340
Ancillary services and auxiliary operations	4,022	1,163	1,895	-	7,080
Student aid	-	-	37,086	-	37,086
Physical property and related acquisitions	-	-	33,152	-	33,152
Unallocated depreciation	-	-	-	10,203	10,203
Total	<u>\$ 80,550</u>	<u>\$ 13,427</u>	<u>\$ 85,861</u>	<u>\$ 10,203</u>	<u>\$ 190,041</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 Position and Changes in Fiduciary Net Position. 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, 2013, the District had \$220,598,951 invested in capital assets net of accumulated depreciation. Total capital assets of \$305,485,774 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$84,886,823. Capital asset additions of \$14,929,072 occurred during 2012-2013, and depreciation expense of \$10,203,001 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 JUNE 30, 2013

Construction in progress of \$23,306,973 at June 30, 2013, includes the construction of the Athletic Fitness Complex, the replacement of the Shops building, the renovation of the Math building and Tech Arts buildings, and the Student Services building.

Note 5 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>2013</u>	<u>*2012</u>
Land	\$ 1,050	\$ 1,050
Construction in progress	23,307	81,068
Site improvements, net	39,952	16,697
Buildings and improvements, net	152,675	112,438
Vehicles and equipment, net	3,615	4,620
Net Capital Assets	<u>\$ 220,599</u>	<u>\$ 215,873</u>

* As restated.

Obligations

At June 30, 2013, the District had \$366,814,003 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 "AA/Stable" from Standard and Poor's and a rating of "Aa1" from Moody's. The District passed an additional \$350 million bond measure in November 2012.

Note 10 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

(Amounts in thousands)

	<u>2013</u>	<u>2012</u>
2003 General Obligation Bond, Series A	\$ 1,790	\$ 3,495
Unamortized premium	274	548
2005 General Obligation Refunding Bonds	31,048	31,515
Unamortized premium	4,043	4,448
2006 General Obligation Bond, Series B	88,880	135,100
Unamortized premium	4,123	4,340
2012 General Obligation Bond, Series C	183,536	-
Unamortized premium	3,070	-
2012 General Obligation Refunding Bonds	41,755	-
Unamortized premium	8,295	-
Compensated absences	3,069	2,966
Net OPEB obligation	-	7,448
Total	<u>\$ 369,883</u>	<u>\$ 189,860</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In August 2006, El Camino Community College District entered into a partnership with Compton Community College District at the beginning of 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.

With the implementation of the Educational Protection Account (EPA) in January 2013, the community colleges are expecting to see a stabilization of funding with no further reductions to funded FTES. The 2013-2014 budget is based on a fully funded level of 18,130 FTES. There is an increase in base funding from \$8.8 million to \$9 million due to an estimated State COLA increase of 1.57 percent for fiscal year 2013-2014.

The District has been able to provide Step and Column salary increases, and there have been no furlough days.

The District's continuing policy of fiscal prudence has positioned the District to withstand economic uncertainty.

The 2012-2013 California Public Employees' Retirement System (CalPERS) employer contribution rate was 11.417 percent of classified payroll for a total unrestricted General Fund cost of \$2,586,444. The District is budgeting \$2,684,834 for the 2013-2014 estimated contribution at a rate of 11.442 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the upcoming years. The 2012-2013 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 \$3,145,991. The District is budgeting \$3,226,665 for the 2013-2014 fiscal year. The CalSTRS employer contribution rate remains at 8.25 percent for the 2013-2014 fiscal year, but is expected to increase significantly in upcoming years.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The District has continuing concerns over significant reductions and 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 and Revenue Anticipation Notes (TRANs) borrowing and other borrowing. Reduced cash flow during fiscal year 2012-2013 required the need for a fiscal year TRANs in the amount of \$10 million issued in July 2012. The District also had to issue a mid-year TRANs in the amount of \$17 million in December 2012. The District's 2012-2013 State EPA funds were received at the end of June 2013. With this cash inflow at year-end, as well as the receipt of deferred apportionment payments, the District did not have to issue a 2013-2014 fiscal year TRANs. EPA funds will be received quarterly in fiscal year 2013-2014. Monthly apportionment payments will continue to be partially deferred until July 2014, which may necessitate the need for the issuance of a mid-year TRANs in March 2014.

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

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 1,509,396
Cash and cash equivalents - restricted	18,759
Investments - unrestricted	29,745,266
Investments - restricted	214,295,529
Accounts receivable	28,655,942
Student receivable, net	3,656,594
Prepaid expenses	237,828
Inventories	912,790
Deferred cost on issuance	1,649,497
Deferred charges on refunding	5,897,537
Net OPEB asset	7,130,076
Total Current Assets	293,709,214

NONCURRENT ASSETS

Nondepreciable capital assets	24,356,973
Depreciable capital assets, net of accumulated depreciation	196,241,978
Total Noncurrent Assets	220,598,951

TOTAL ASSETS

514,308,165

LIABILITIES

CURRENT LIABILITIES

Accounts payable	14,625,705
Accrued interest payable	3,656,987
Deferred revenue	10,243,936
Current loans	17,184,325
Accrued compensated absences	100,000
Bonds payable - current	7,495,000
Total Current Liabilities	53,305,953

NONCURRENT LIABILITIES

Accrued compensated absences payable	2,968,911
Bonds payable - noncurrent	359,319,003
Total Noncurrent Liabilities	362,287,914

TOTAL LIABILITIES

415,593,867

NET POSITION

Net investment in capital assets	53,101,253
Restricted for:	
Debt service	10,360,464
Educational programs	1,426,502
Capital projects	5,408,552
Unrestricted	28,417,527
TOTAL NET POSITION	\$ 98,714,298

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES	
Student Tuition and Fees	\$ 27,196,416
Less: Scholarship discounts and allowances	<u>(11,660,054)</u>
Net tuition and fees	<u>15,536,362</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	<u>6,523,160</u>
TOTAL OPERATING REVENUES	<u><u>22,059,522</u></u>
OPERATING EXPENSES	
Salaries	80,550,287
Employee benefits	13,427,003
Supplies, materials, and other operating expenses and services	48,774,825
Student financial aid	37,086,368
Depreciation	<u>10,203,001</u>
TOTAL OPERATING EXPENSES	<u><u>190,041,484</u></u>
OPERATING LOSS	<u><u>(167,981,962)</u></u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	57,117,085
Local property taxes, levied for general purposes	28,256,696
Taxes levied for other specific purposes	15,161,688
Federal grants and contracts, noncapital	41,144,549
State grants and contracts, noncapital	9,477,934
State taxes and other revenues	3,017,172
Investment income	1,804,246
Interest expense on capital related debt	(11,027,332)
Interest income on capital asset-related debt, net	36,133
Transfer to fiduciary fund	(125,000)
Other nonoperating revenue	<u>8,425,494</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>153,288,665</u></u>
LOSS BEFORE OTHER REVENUES	<u><u>(14,693,297)</u></u>
OTHER REVENUES	
State revenues, capital	<u>616,484</u>
CHANGE IN NET POSITION	(14,076,813)
NET POSITION, BEGINNING OF YEAR	107,605,530
PRIOR PERIOD RESTATEMENT (see Note 16)	<u>5,185,581</u>
NET POSITION, END OF YEAR	<u><u>\$ 98,714,298</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 16,338,155
Payments to vendors for supplies and services	(43,111,836)
Payments to or on behalf of employees	(108,610,713)
Payments to students for scholarships and grants	(37,086,368)
Auxiliary enterprise sales and charges	6,523,160
Net Cash Flows From Operating Activities	<u>(165,947,602)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	60,815,728
Grants and contracts	50,228,232
Property taxes - nondebt related	28,256,696
State taxes and other revenues	1,405,877
Tax revenue anticipation note	7,123,046
Other nonoperating	7,283,636
Net Cash Flows From Noncapital Financing Activities	<u>155,113,215</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(14,730,559)
Proceeds from capital debt	238,164,775
State revenue, capital projects	616,484
Deferred cost on issuance and deferred charges on refunding	(5,674,157)
Property taxes - related to capital debt	15,161,688
Principal paid on capital debt	(49,120,000)
Unamortized premium	(1,676,709)
Interest paid on capital debt	(11,027,332)
Interest received on capital asset-related debt	36,133
Net Cash Flows From Capital Financing Activities	<u>171,750,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>1,389,925</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	162,305,861
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>83,263,089</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 245,568,950</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

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

Operating Loss	<u>\$ (167,981,962)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows	
From Operating Activities:	
Depreciation expense	10,203,001
Changes in Operating Assets and Liabilities:	
Receivables, net	(41,637)
Inventories	132,060
Prepaid expenses and other assets	(3,543,100)
Accounts payable and accrued liabilities	2,764,716
Deferred revenue	(135,722)
Compensated absences	102,910
Net OPEB obligation	<u>(7,447,868)</u>
Total Adjustments	<u>2,034,360</u>
Net Cash Flows From Operating Activities	<u><u>\$ (165,947,602)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,528,155
Cash in county treasury	<u>244,040,795</u>
Total Cash and Cash Equivalents	<u><u>\$ 245,568,950</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 2,128,224</u></u>
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The accompanying notes are an integral part of these financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 927,027
Investments	420,000
Accounts receivable, net	22,545
Prepaid expenses	38,920
Total Assets	<u>1,408,492</u>
 LIABILITIES	
Accounts payable	29,264
Deferred revenue	64,179
Due to student groups	98,481
Total Liabilities	<u>191,924</u>
 NET POSITION	
Unreserved	1,216,568
Total Net Position	<u>\$ 1,216,568</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>Trust Funds</u>
ADDITIONS	
Federal revenues	\$ 35,945
Local revenues	895,664
Total Additions	<u>931,609</u>
DEDUCTIONS	
Services and operating expenditures	<u>1,106,983</u>
OTHER FINANCING SOURCES	
Transfers in from governmental funds	<u>125,000</u>
Change in Net Position	(50,374)
Net Position - Beginning	<u>1,266,942</u>
Net Position - Ending	<u><u>\$ 1,216,568</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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. 61. 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, 2013

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 students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

The 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 Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand 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, 2013

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013, 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 for the year ended June 30, 2013.

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, 2013

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, five to 20 years; vehicles, five 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, 2013

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 Position

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

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$17,195,518 of restricted net position.

State Apportionments

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 assessed, 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 Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. 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, and Federal Work-Study 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. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. 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*.

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, 2013

Interfund Activity

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

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 16 for more information.

In June 2011, the 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. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement 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 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, consist of the following:

Primary government	\$ 245,568,950
Fiduciary funds	1,347,027
Total Deposits and Investments	<u>\$ 246,915,977</u>
Cash on hand and in banks	\$ 2,316,932
Cash in revolving fund	138,250
Investments	244,460,795
Total Deposits and Investments	<u>\$ 246,915,977</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool.

Specific Identification

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	<u>\$ 242,353,070</u>	<u>632</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013. 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, 2013</u>
Los Angeles County Investment Pool	<u>\$ 242,353,070</u>	Not Required	Not Rated

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, 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, 2013

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 1,201,272
State Government	
Apportionment	18,256,653
Categorical aid	1,164,423
Lottery	1,446,606
Other State sources	1,871,644
Local Sources	
Interest	569,130
Compton	555,089
Other local sources	3,591,125
Total	<u>\$ 28,655,942</u>
Student receivables	\$ 9,078,421
Less allowance for bad debt	<u>(5,421,827)</u>
Student receivables, net	<u>\$ 3,656,594</u>
	<u>Fiduciary Funds</u>
Other local sources	<u>\$ 22,545</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013, 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	81,068,169	13,663,278	71,424,474	23,306,973
Total Capital Assets Not Being Depreciated	<u>82,118,169</u>	<u>13,663,278</u>	<u>71,424,474</u>	<u>24,356,973</u>
Capital Assets Being Depreciated				
Site improvements	26,567,490	26,950,520	-	53,518,010
Buildings and improvements	163,360,728	44,960,561	-	208,321,289
Vehicles and equipment	18,510,315	779,187	-	19,289,502
Total Capital Assets Being Depreciated	<u>208,438,533</u>	<u>72,690,268</u>	<u>-</u>	<u>281,128,801</u>
Total Capital Assets	<u>290,556,702</u>	<u>86,353,546</u>	<u>71,424,474</u>	<u>305,485,774</u>
Less Accumulated Depreciation	<u>74,683,822</u>	<u>10,203,001</u>	<u>-</u>	<u>84,886,823</u>
Net Capital Assets	<u>\$ 215,872,880</u>	<u>\$ 76,150,545</u>	<u>\$ 71,424,474</u>	<u>\$ 220,598,951</u>

* As restated. See Note 16 for more information.

Depreciation expense for the year was \$10,203,001.

Interest expense on capital related debt for the year ended June 30, 2013, was \$11,647,414. Of this amount, \$620,082 was capitalized.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>
Accrued payroll and benefits	\$ 4,615,679
Construction	4,686,520
Student health insurance	301,698
Litigation	870,000
Other	4,151,808
Total	<u>\$ 14,625,705</u>
	<u>Fiduciary Funds</u>
Other liabilities	<u>\$ 29,264</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 82,378
State categorical aid	1,720,402
Enrollment fees	7,804,303
Other local	636,853
Total	<u>\$ 10,243,936</u>
	<u>Fiduciary Funds</u>
Federal categorical	\$ 63,819
Other local	360
Total	<u>\$ 64,179</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - 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, 2013, 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 2013 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 amounted to \$125,000.

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued \$17,000,000 of Tax and Revenue Anticipation Notes dated December 14, 2012. The notes mature on November 29, 2013, and yield 0.300 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 September 2013, until 100 percent of principal and interest due is on account in October 2013. As of June 30, 2013, the Tax and Revenue Anticipation Notes of \$17,000,000 and the related accrued interest and cash held in trust are included in these financial statements.

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, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2013</u>
3/1/2012	0.450%	1/31/2013	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
7/2/2012	0.250%	2/28/2013	-	10,000,000	10,000,000	-
12/14/2012	0.300%	11/29/2013	-	17,000,000	-	17,000,000
			<u>\$ 10,000,000</u>	<u>\$ 27,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 17,000,000</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 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	\$ 3,495,000	\$ -	\$ 1,705,000	\$ 1,790,000	\$ 1,790,000
Unamortized premium	547,592	-	273,796	273,796	-
2005 General Obligation Refunding Bonds	31,515,182	728,028	1,195,000	31,048,210	1,195,000
Unamortized premium	4,447,856	-	404,350	4,043,506	-
2006 General Obligation Bonds, Series B	135,100,000	-	46,220,000	88,880,000	4,245,000
Unamortized premium	4,340,307	-	217,015	4,123,292	-
2012 General Obligation Bonds, Series C	-	183,535,709	-	183,535,709	-
Unamortized premium	-	3,171,312	101,645	3,069,667	-
2012 General Obligation Refunding Bonds	-	41,755,000	-	41,755,000	265,000
Unamortized premium	-	8,974,726	679,903	8,294,823	-
Total General Obligation Bonds	179,445,937	238,164,775	50,796,709	366,814,003	7,495,000
Other Liabilities					
Compensated absences, net	2,966,001	102,910	-	3,068,911	100,000
Net OPEB obligation	7,447,868	1,926,390	9,374,258	-	-
Total Other Liabilities	10,413,869	2,029,300	9,374,258	3,068,911	100,000
 Total Long-Term Obligations	 \$ 189,859,806	 \$ 240,194,075	 \$ 60,170,967	 \$ 369,882,914	 \$ 7,595,000

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2013, \$1,790,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2013, the unamortized premium and issuance costs were \$273,796 and \$128,416, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

2005 General Obligation Refunding Bonds

During August 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$40,252,335. The bonds issued included \$25,045,000 of current interest bonds and \$15,207,335 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$23,395,000. The bonds mature beginning on August 1, 2006 through August 1, 2022, with interest yields ranging from 3.00 percent to 5.00 percent. At June 30, 2013, the principal balance outstanding (including accreted interest to date) was \$31,048,210 and unamortized premium and issuance costs were \$4,043,506 and \$314,761, 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, 2013, the balance of the funds in the escrow account was approximately \$37,515,000. 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, 2013, the principal balance outstanding was \$88,880,000 and unamortized premium and issuance costs were \$4,123,292 and \$1,206,320, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

2012 General Obligation Bonds, Series C

In August 2012, the District issued the \$180,812,882 General Obligation Bonds, Election of 2002, Series 2012C. The bonds issued included \$30,000,000 of current interest serial bonds, \$118,499,651 of Capital Appreciation Serial bonds, and \$32,313,231 of Capital Appreciation Term bonds. The bonds mature beginning on August 1, 2014 through August 1, 2038, with interest rates from 4.00 to 5.00 percent. At June 30, 2013, the principal balance outstanding (including accreted interest to date) was \$183,535,709. Unamortized premium received on issuance of the bonds amounted to \$3,069,667 as of June 30, 2013.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2012 General Obligation Refunding Bonds

In August 2012, the District issued the \$41,755,000 2013 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2023, with interest rates from 2.00 to 5.00 percent. The net proceeds of \$50,729,726 (representing the principal amount of \$41,755,000 plus premium on issuance of \$8,974,726) from the issuance were used to advance refund a portion of the District's outstanding 2006 General Obligation Bonds, Series B and to pay the cost of the issuance associated with the refunding bonds, with prepayment to occur on August 1, 2016. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in a economic gain of \$1,635,689 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 4.407 percent. At June 30, 2013, the principal balance outstanding was \$41,755,000. Unamortized premium received on issuance of the bonds amounted to \$8,924,823 as of June 30, 2013.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2013
				Outstanding July 1, 2012	Issued	Additions	Redeemed	
2003	2014	2.50 - 5.00%	\$ 63,700,000	\$ 3,495,000	\$ -	\$ -	\$ 1,705,000	\$ 1,790,000
2005	2023	3.00 - 5.00%	40,252,335	31,515,182	-	728,028	1,195,000	31,048,210
2006	2031	3.50 - 5.00%	150,000,000	135,100,000	-	-	46,220,000	88,880,000
2012	2038	4.00 - 5.00%	180,812,882	-	180,812,882	2,722,827	-	183,535,709
2012	2023	2.00 - 5.00%	41,755,000	-	41,755,000	-	-	41,755,000
				<u>\$ 170,110,182</u>	<u>\$ 222,567,882</u>	<u>\$ 3,450,855</u>	<u>\$49,120,000</u>	<u>\$ 347,008,919</u>

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

Fiscal Year	Interest to		Total
	Principal	Maturity	
2014	<u>\$ 1,790,000</u>	<u>\$ 44,750</u>	<u>\$ 1,834,750</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

<u>Fiscal Year</u>	<u>Principal (Including Accreted Interest to Date)</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2014	\$ 1,127,351	\$ 67,649	\$ 1,252,250	\$ 2,447,250
2015	2,581,800	493,200	1,252,250	4,327,250
2016	2,294,059	775,941	1,252,250	4,322,250
2017	3,075,000	-	1,175,375	4,250,375
2018	3,230,000	-	1,017,750	4,247,750
2019-2023	18,740,000	-	2,434,250	21,174,250
Total	<u>\$ 31,048,210</u>	<u>\$ 1,336,790</u>	<u>\$ 8,384,125</u>	<u>\$ 40,769,125</u>

The 2006 General Obligation Bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ 4,245,000	\$ 4,023,828	\$ 8,268,828
2015	4,685,000	3,847,331	8,532,331
2016	4,880,000	3,644,074	8,524,074
2017	5,090,000	3,432,212	8,522,212
2018	-	3,324,050	3,324,050
2019-2023	-	16,620,250	16,620,250
2024-2028	31,755,000	13,691,045	45,446,045
2029-2032	38,225,000	3,736,944	41,961,944
Total	<u>\$ 88,880,000</u>	<u>\$ 52,319,734</u>	<u>\$ 141,199,734</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

The 2012 General Obligation Bonds, Series C, mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal (Including Accreted Interest to Date)</u>	<u>Accreted Interest</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ -	\$ -	\$ 1,360,000	\$ 1,360,000
2015	182,388	2,612	1,360,000	1,545,000
2016	-	-	1,360,000	1,360,000
2017	492,089	102,911	1,360,000	1,955,000
2018	1,167,206	322,794	1,360,000	2,850,000
2019-2023	15,046,821	5,038,179	6,800,000	26,885,000
2024-2028	38,793,507	26,186,493	6,800,000	71,780,000
2029-2033	43,160,561	56,954,439	6,800,000	106,915,000
2034-2038	74,158,914	91,993,702	6,120,000	172,272,616
2039	10,534,223	28,860,777	-	39,395,000
Total	<u>\$ 183,535,709</u>	<u>\$ 209,461,907</u>	<u>\$ 33,320,000</u>	<u>\$ 426,317,616</u>

The 2012 General Obligation Refunding Bonds mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ 265,000	\$ 1,971,600	\$ 2,236,600
2015	-	1,968,950	1,968,950
2016	-	1,968,950	1,968,950
2017	-	1,968,950	1,968,950
2018	5,170,000	1,865,550	7,035,550
2019-2023	29,515,000	5,501,700	35,016,700
2024	6,805,000	170,125	6,975,125
Total	<u>\$ 41,755,000</u>	<u>\$ 15,415,825</u>	<u>\$ 57,170,825</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2013, amounted to \$3,068,911.

Other Postemployment Benefits Asset

The District's annual required contribution for the year ended June 30, 2013, was \$1,926,390, and contributions made by the District during the year were \$16,585,377. Change in value of irrevocable trust was \$81,043, which resulted in a decrease to the net OPEB obligation of \$14,577,944. As of June 30, 2013, the net OPEB asset was \$7,130,076. See Note 11 for additional information regarding the OPEB asset and the postemployment benefits plan.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 11 - 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 267 retirees and beneficiaries currently receiving benefits and approximately 809 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 2012-2013, the District contributed \$16,585,377 to the Plan. \$15,976,221 was contributed to the Irrevocable Trust, and \$609,156 was contributed from the Unrestricted General Fund to pay for current year premiums.

Annual OPEB Cost and Net OPEB Asset

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 asset to the Plan:

Annual required contribution	\$ 1,926,390
Contributions paid by the District Unrestricted General Fund	(609,156)
Contributions made to Irrevocable Trust	(15,976,221)
Change in value of Irrevocable Trust	<u>81,043</u>
Decrease in net OPEB obligation	(14,577,944)
Net OPEB obligation, beginning of year	<u>7,447,868</u>
Net OPEB asset, end of year	<u><u>\$ (7,130,076)</u></u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2011	\$ 1,954,219	\$ 302,560	15%	\$ 5,101,151
2012	2,635,504	288,787	11%	7,447,868
2013	1,926,390	16,585,377	861%	(7,130,076)

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 22,214,690
Actuarial Value of Plan Assets	17,189,426
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,025,264</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	77%
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 October 1, 2013, 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 Other Postemployment Benefits 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, 2013

In the October 1, 2013, 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 25 years. The actuarial value of assets at the actuarial valuation date of October 1, 2013, was \$17,189,426.

NOTE 12 - 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 ended June 30, 2013, 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 2012-2013, 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, 2013

NOTE 13 - 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, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active members are required to contribute 8.0 percent of their salary, 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$3,465,204, \$3,295,907, and \$3,289,683, 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, 2013

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, 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 required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$3,495,886, \$3,405,769, and \$3,329,189, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, which amounted to \$2,128,224, \$2,002,091, and \$1,754,635, respectively, (5.176 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2013, 2012, and 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

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

The District is a member of the 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 15 - 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, 2013.

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, 2013.

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, 2013, amounted to approximately \$307,000.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Stadium Project	\$ 1,592,468	December 2015
Bookstore	754,944	March 2014
Industry and Technology (MCS)	25,754,048	October 2014
STEM	1,967,869	February 2014
Lot F Parking Structure	40,058	December 2013
Shops Building	22,555,416	June 2014
	<u>\$ 52,664,803</u>	

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

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$5,185,581.

<u>Primary Government</u>	
Net Position - Beginning	\$ 107,605,530
Restatement of capital assets for implementation of GASB Statement No. 62	5,185,581
Net Position - Beginning, as Restated	<u>\$ 112,791,111</u>

REQUIRED SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

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
October 1, 2013	17,189,426	22,214,690	5,025,264	77%	N/A	N/A

* Entry age normal method

SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2013

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
Mr. Kenneth A. Brown	Vice President	November 2015
Dr. Ray Gen	Secretary	November 2013
Mrs. Mary E. Combs	Member	November 2015
Ms. Maureen O'Donell	Member	November 2013
Ms. Brooke Matson	Student Member	May 2014

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
Ms. Linda Beam	Vice President of Human Resources

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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		\$ 641,400
Federal Direct Student Loans	84.268		2,185,178
Federal Work-Study (FWS)	84.033		571,085
Federal Pell Grant (PELL)	84.063		31,842,644
Administrative Allowance (PELL)	84.063		49,395
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarships for Disadvantaged Students	93.925		650,000
Total Student Financial Assistance Cluster			<u>35,939,702</u>
U.S. DEPARTMENT OF EDUCATION			
STEM - Improving Student Success Transfer Pass-Through from Santa Monica College	84.031C		724,556
Title V - Supporting Student Success in Pre-Transfer Mathematics Pass-Through from Mount Saint Mary's College	84.031S	[1]	98,932
Improving STEM Curricula, Support and Articulation for Hispanic, Women and Low-Income Students	84.031C	P031C110101	183,126
Title V - Improving Graduation and Completion Rates	84.031S		762,223
TRIO - Student Support Services	84.042A		215,716
Child Care Access Means Parents in School	84.335A		65,449
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES			
Pass-Through the Western Oregon University Western Region Interpreter Education Center (WRIEC)	84.160A	USDE 12.01	155,480
CAREER AND TECHNICAL ACT			
Pass-Through the California Community Colleges Chancellor's Office Perkins IV, Title I, Part C	84.048	12-C01-014	946,791
CTE Transitions	84.048A	12-112-720	49,389
Total U.S. Department of Education			<u>39,141,364</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Administrative Activities	93.778		16,601
Head Start Career Advancement Project (CAP)	93.600		299,164
Pass-Through the California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	103,907
Total U.S. Department of Health and Human Services			<u>419,672</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
FOR THE YEAR ENDED JUNE 30, 2013 (CONTINUED)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through the California Department of Education (CDE)			
Child and Adult Food Program	10.558	CSPP-2181	\$ 6,691
Total U.S. Department of Agriculture			<u>6,691</u>
U.S. DEPARTMENT OF COMMERCE			
Market Development Cooperator Program 2009	11.112		61,046
Pass-Through the Foundation of Community Colleges			
ARRA SBA Recovery Act "California Connects"	11.557	06-43-B10541	7,010
Total U.S. Department of Commerce			<u>68,056</u>
U.S. DEPARTMENT OF JUSTICE			
Federal Bureau of Prisons - FCI Terminal Island	16.000		132,698
Total U.S. Department of Justice			<u>132,698</u>
U.S. DEPARTMENT OF LABOR			
Pass-Through California Manufacturers and Technology Association (CMTA)			
H-1B Technical Skills Training	17.268	HG-22589- 12-60-A-6	254,198
Total U.S. Department of Labor			<u>254,198</u>
NATIONAL SCIENCE FOUNDATION			
Achievement Scholarships in Engineering, Mathematics, and Science *	47.076		95,599
Advanced Aerospace Manufacturing Education *	47.076		228,216
Pass-Through University of California, Los Angeles			
Frontier Opportunities in Computing for Underrepresented Students *	47.070	CNS-0634520	1,672
Total National Science Foundation			<u>325,487</u>
SMALL BUSINESS ADMINISTRATION			
Pass-Through the California Community Colleges Chancellor's Office			
State Trade and Export Promotion (STEP) Pilot Grant Program	59.061	F12-0053	199,403
Pass-Through Long Beach Community College District			
Small Business Development Center	59.037	[1]	305,196
U.S. Small Business Jobs Act	59.037	CN 99673.6	56,865
Total Small Business Administration			<u>561,464</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
FOR THE YEAR ENDED JUNE 30, 2013 (CONTINUED)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education Representative Fee	64.000		\$ 3,913
Total U.S. Department of Veterans Affairs			<u>3,913</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-Through from Global Corporate College			
Transportation Security Administration Associate Program	91.117	[1]	137,882
Total U.S. Department of Homeland Security			<u>137,882</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps - National Service Awards	94.006		35,945
Total Expenditures of Federal Awards			<u>\$ 41,087,370</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, 2013**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Basic Skill	\$ 188,695	\$ 219,273	\$ 407,968
BFAP	720,059	-	720,059
CACT Strategic Hub	100,000	48,690	148,690
Cal Grants	1,100,000	-	1,100,000
CalWORKs and Regional Effort	348,881	36,984	385,865
Career Advancement Academy	299,000	299,000	598,000
Career Technical Education 06/07	-	116,495	116,495
Career Technical Education IV	387,023	654,542	1,041,565
Career Technical Education Support IV	-	98,637	98,637
Center for Applied Competitive Technology - CACT-COCCC	205,000	-	205,000
Child Development Center	156,371	-	156,371
Cooperative Agencies Resources for Education (CARE)	148,051	-	148,051
Disabled Students Program and Services (DSP&S)	1,213,798	74,859	1,288,657
Enrollment Growth for Associated Degree in Nursing Program	232,187	75,823	308,010
Extended Opportunity Program and Services (EOP&S)	1,058,098	-	1,058,098
Faculty and Staff Diversity	8,840	35,293	44,133
Foster Care Education	106,186	-	106,186
IDRC	100,786	3,905	104,691
Instructional Equipment	-	176,452	176,452
CITD - International Trade Training Program	-	189,542	189,542
JDIF	96,635	-	96,635
Lottery	2,725,433	-	2,725,433
MAPP-Model Approaches for Partnerships in Parenting	31,952	-	31,952
Matriculation	615,589	73,142	688,731
MESA Program	50,500	4,216	54,716
Puente Reporting	1,500	1,621	3,121
Staff Development	-	17,222	17,222
State 911 Equipment	63,370	-	63,370
Strategic Priority	172,500	-	172,500
Teacher Pipeline	240,000	-	240,000
Transfer and Articulation	-	787	787
TTIP Library Automation	-	3	3
TTIP Total Cost of Operation	-	10,366	10,366
Workforce Innovation Partnership (WIP)	218,750	255,431	474,181
Workforce Innovation Partnership (WIP) Fresno	75,000	-	75,000
Workplace Learning Center - Industry Driven Grants	150,000	177,118	327,118
Workplace Learning Center - WPLRC State Leadership	205,000	-	205,000
Youth Empowerment Strategies for Success	107,200	-	107,200
Total			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 407,968	\$ -	\$ 297,642	\$ 110,326	\$ 110,326
720,059	-	-	720,059	720,059
68,689	80,001	-	148,690	148,690
1,307,668	4,360	-	1,312,028	1,312,028
385,864	-	36,983	348,881	348,881
493,350	-	259,821	233,529	233,529
116,495	-	93,584	22,911	22,911
903,674	-	372,808	530,866	530,866
98,637	-	-	98,637	98,637
123,000	82,000	-	205,000	205,000
99,557	-	-	99,557	99,557
148,051	-	-	148,051	148,051
1,288,657	-	70,272	1,218,385	1,218,385
270,860	37,150	79,185	228,825	228,825
1,058,098	-	-	1,058,098	1,058,098
44,133	-	27,251	16,882	16,882
79,640	26,546	-	106,186	106,186
83,905	20,786	-	104,691	104,691
178,081	-	67,397	110,684	110,684
20,650	168,892	-	189,542	189,542
96,635	-	-	96,635	96,635
2,296,017	429,416	-	2,725,433	2,725,433
1,952	26,241	-	28,193	28,193
688,731	-	-	688,731	688,731
34,496	2,710	-	37,206	37,206
3,121	-	1,160	1,961	1,961
17,222	-	13,902	3,320	3,320
-	60,540	-	60,540	60,540
103,500	69,000	-	172,500	172,500
198,000	-	47,077	150,923	150,923
787	-	703	84	84
3	-	3	-	-
10,366	-	10,366	-	-
397,618	-	203,594	194,024	194,024
42,575	30,545	-	73,120	73,120
274,619	-	138,654	135,965	135,965
123,000	82,000	-	205,000	205,000
50,945	44,236	-	95,181	95,181
<u>\$ 12,236,623</u>	<u>\$ 1,164,423</u>	<u>\$ 1,720,402</u>	<u>\$ 11,680,644</u>	<u>\$ 11,680,644</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENTS ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2013**

CATEGORIES	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	-	-	-
2. Credit	1,399	-	1,399
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	-	-	-
2. Credit	421	-	421
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,353	-	14,353
(b) Daily Census Contact Hours	907	-	907
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	14	-	14
(b) Credit	595	-	595
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	460	-	460
(b) Daily Census Contact Hours	11	-	11
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>18,160</u>	<u>-</u>	<u>18,160</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	181	-	181
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	-	-	-
2. Credit	1,031	-	1,031

* Annual report revised as of November 1, 2013.

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, 2013**

	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
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 23,727,452	\$ -	\$ 23,727,452	\$ 23,727,452	\$ -	\$ 23,727,452
Other	1300	12,829,824	-	12,829,824	12,829,824	-	12,829,824
Total Instructional Salaries		36,557,276	-	36,557,276	36,557,276	-	36,557,276
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	6,848,709	-	6,848,709
Other	1400	-	-	-	769,768	-	769,768
Total Noninstructional Salaries		-	-	-	7,618,477	-	7,618,477
Total Academic Salaries		36,557,276	-	36,557,276	44,175,753	-	44,175,753
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	18,194,390	-	18,194,390
Other	2300	-	-	-	2,039,693	-	2,039,693
Total Noninstructional Salaries		-	-	-	20,234,083	-	20,234,083
Instructional Aides							
Regular Status	2200	1,188,401	-	1,188,401	1,505,906	-	1,505,906
Other	2400	-	-	-	-	-	-
Total Instructional Aides		1,188,401	-	1,188,401	1,505,906	-	1,505,906
Total Classified Salaries		1,188,401	-	1,188,401	21,739,989	-	21,739,989
Employee Benefits	3000	8,410,545	-	8,410,545	17,985,546	-	17,985,546
Supplies and Material	4000	-	-	-	837,104	-	837,104
Other Operating Expenses	5000	-	-	-	9,420,324	-	9,420,324
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures		8,410,545	-	8,410,545	17,985,546	-	17,985,546
Prior to Exclusions		46,156,222	-	46,156,222	94,158,716	-	94,158,716

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, 2013**

	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
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 109,953	\$ -	\$ 109,953	\$ 109,953	\$ -	\$ 109,953
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	17,314	-	17,314
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	152,061	-	152,061
Objects to Exclude							
Rents and Leases	5060	-	-	-	332,329	-	332,329
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	457,775	-	457,775
Noninstructional Supplies and Materials	4400	-	-	-	212,539	-	212,539
Total Supplies and Materials		-	-	-	670,314	-	670,314

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, 2013**

	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	5000	\$ -	\$ -	\$ -	\$ 1,438,723	\$ -	\$ 1,438,723
Capital Outlay	6000						
Library Books	6300	-	-	-	70,846	-	70,846
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	70,846	-	70,846
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		109,953	-	109,953	2,791,540	-	2,791,540
Total for ECS 84362, 50 Percent Law		\$ 46,046,269	\$ -	\$ 46,046,269	\$ 91,367,176	\$ -	\$ 91,367,176
Percent of CEE (Instructional Salary Cost/Total CEE)		50.40%		50.40%	100.00%		100.00%
50% of Current Expense of Education					\$ 45,683,588		\$ 45,683,588

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, 2013**

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

	<u>Other Internal Service</u>
June 30, 2013, Annual Financial and Budget Report (CCFS-311) Reported Fund Balance	\$ 17,084,134
Adjustments to Decrease Fund Balance	
Investment - Futuris Benfit Trust	<u>(16,460,806)</u>
June 30, 2013, Audited Fund Balance	<u>\$ 623,328</u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 14,531,599
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 14,531,599			\$ 14,531,599
Total Expenditures for EPA		\$ 14,531,599	-	-	\$ 14,531,599
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013**

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

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

General Fund - unrestricted	\$ 20,801,335
General Fund - restricted	1,426,502
Special Revenue Funds	50,375
Debt Service Funds	14,017,451
Capital Project Funds	197,177,823
Enterprise Funds	2,196,288
Internal Service Funds	1,063,033
Fiduciary Funds	<u>1,567,237</u>

**Total Fund Balances, Retained Earnings and
Due to Student Groups - All District Funds**

\$ 238,300,044

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	305,485,774
Accumulated depreciation is	(84,886,823)
Less fixed assets already recorded in the enterprise funds	<u>(6,857)</u>
	220,592,094

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.

7,547,034

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

(1,315,049)

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds.

7,130,076

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.

(3,656,987)

Long-term obligations at year end consist of:

Bonds payable	347,008,919
Unamortized premium	19,805,084
Compensated absences	<u>3,068,911</u>
	(369,882,914)

Total Net Position

\$ 98,714,298

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

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 Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		\$ 41,144,549
Total Federal Revenue From the Statement of Changes in Fiduciary Net Position		35,945
Various programs indirect costs recorded in general unrestricted fund		<u>(93,124)</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 41,087,370</u></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

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, 2013

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
El Camino Community College District
Torrance, California

We have audited, 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, the basic financial statements of the business-type activities of El Camino Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2013.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 16. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies as items 2013-1 and 2013-2.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 16, 2013.

El Camino Community District's Responses to the Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

Vaurine, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
El Camino Community College District
Torrance, California

Report on Compliance for Each Major Federal Program

We have audited El Camino Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 State, 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* 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.

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 over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vaurine, Trine, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
El Camino Community College District
Torrance, California

Report on State Compliance

We have audited El Camino Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

Auditor's Responsibility

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

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013.

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

- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 433 CalWORKS
- Section 435 Open Enrollment
- Section 437 Student Fees – Instructional and Other Materials
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Proposition 30 Education Protection Account Funds

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

Vaurine, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</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>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268, and 93.925	<u>Student Financial Assistance Cluster</u>
<u>84.048 and 84.048A</u>	<u>Perkins IV, Title I, Part C and CTE Transitions</u>
<u>47.076 and 47.070</u>	<u>National Science Foundation</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>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013

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

2013-1 CASH IN COUNTY ACCOUNT RECONCILIATIONS

Criteria or Specific Requirement

Adequate internal controls over the account activity require a system of reconciliation of 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 stale dated items included on the reconciliation of the General Fund. The District has made progress to identify the issues and is in the process of determining the proper accounting treatment for these items.

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 has made substantial progress in the research and resolution to the majority of the reconciling amounts. The few remaining items will be resolved within the next few months.

2013-2 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 each 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, 2013, the ending fund balance of the Child Development Fund has a positive balance of \$27,410 due to the significant transfers made.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013

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.

Management's Response and Corrective Action Plan

The District has considered all viable options for increasing revenue and decreasing expenditures in the Child Development Fund.

After careful consideration, the District's Board of Trustees has decided to close the Child Development Center as of June 30, 2014.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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

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.

Current Status

Partially implemented. See current year finding 2013-1.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Current Status

Not implemented. See current year finding 2013-2.

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.

Current Status

Implemented.

Federal Awards Findings

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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.

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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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.

Current Status

Implemented.