

**EL CAMINO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

EL CAMINO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S 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, 2014, 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, 2014, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, 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 accompanying 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 accompanying 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 12, 2014, 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.

Vaurine, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 12, 2014



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, 2014. 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.

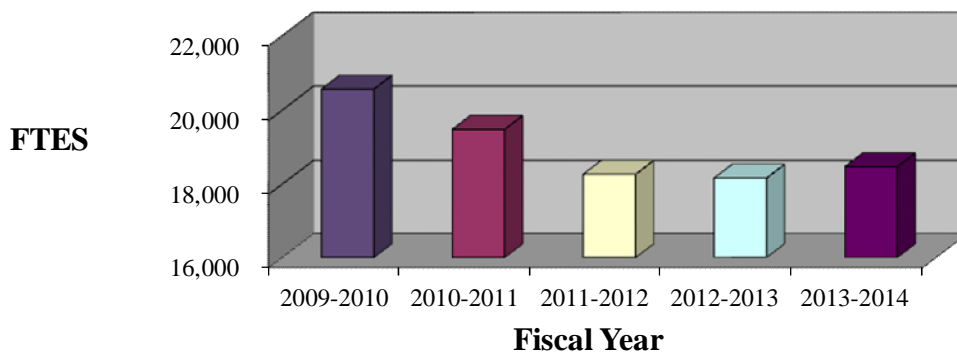
EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

SELECTED HIGHLIGHTS

- During 2013-2014, total full-time equivalent students (FTES) increased by 310 from prior year. This intentional increase was due to additional course sections added in both Fall and Spring semesters. 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 deferred outflows of resources, and total liabilities and deferred inflow of resources, 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, 2014

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)

| | <u>2014</u> | <u>*2013</u> |
|---|------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and investments | \$ 189,350 | \$ 245,569 |
| Accounts receivable | 24,108 | 32,312 |
| Other current assets | 9,430 | 8,282 |
| Total Current Assets | <u>222,888</u> | <u>286,163</u> |
| NONCURRENT ASSETS | | |
| Capital assets, net of depreciation | 257,913 | 220,599 |
| Total Noncurrent Assets | <u>257,913</u> | <u>220,599</u> |
| TOTAL ASSETS | <u>480,801</u> | <u>506,762</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on refunding | 4,035 | 5,897 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued interest payable | 24,019 | 18,283 |
| Unearned revenue | 10,459 | 10,244 |
| Current loans | - | 17,184 |
| Current portion of long-term obligations | 8,045 | 7,595 |
| Total Current Liabilities | <u>42,523</u> | <u>53,306</u> |
| NONCURRENT LIABILITIES | | |
| Long-term obligations | 360,459 | 362,288 |
| Total Noncurrent Liabilities | <u>360,459</u> | <u>362,288</u> |
| TOTAL LIABILITIES | <u>402,982</u> | <u>415,594</u> |
| NET POSITION | | |
| Net investment in capital assets | 38,729 | 51,452 |
| Restricted for: | | |
| Debt service | 9,821 | 10,360 |
| Educational programs | 1,061 | 1,427 |
| Capital projects | 6,015 | 5,409 |
| Unrestricted | 26,228 | 28,417 |
| TOTAL NET POSITION | <u>\$ 81,854</u> | <u>\$ 97,065</u> |

* As restated.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

- Approximately 93.78 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 2013-2014.
- 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 \$1,433,320 and a receivable for apportionment in the amount of \$12,205,264. Student receivables are \$9,266,994 (gross) or \$3,845,167 net of allowance for doubtful accounts.
- Capital assets had a net increase of \$48,826,306. Depreciation expense of \$12,129,188 was recognized during 2013-2014. 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, 2014. Total accounts payable are \$20,465,871; \$2,258,592 of the balance was accrued in the General Fund related to payables for vendors; \$8,769,899 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$6,599,186 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, 2014

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

(Amounts in thousands)

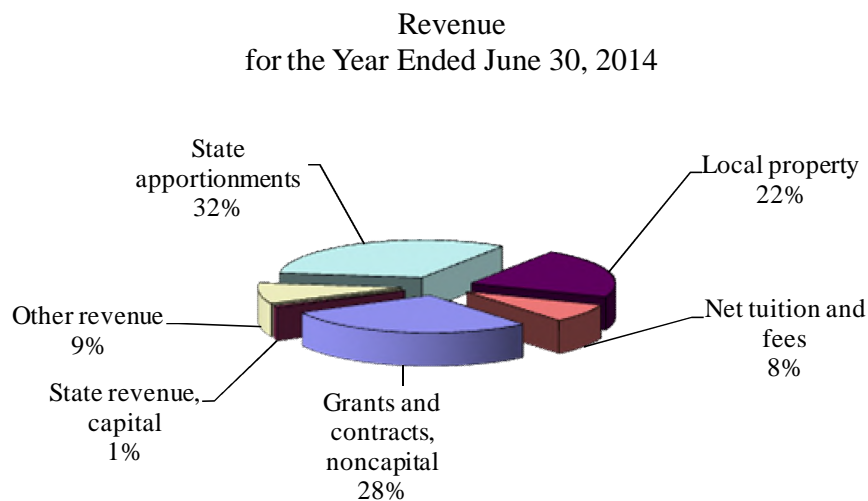
| | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| OPERATING REVENUES | | |
| Tuition and Fees | \$ 27,985 | \$ 27,196 |
| Less: Scholarship discounts and allowances | <u>(12,802)</u> | <u>(11,660)</u> |
| Net tuition and fees | <u>15,183</u> | <u>15,536</u> |
| Auxiliary Enterprise Sales and Charges | | |
| Bookstore | <u>6,353</u> | <u>6,523</u> |
| TOTAL OPERATING REVENUES | <u>21,536</u> | <u>22,059</u> |
| OPERATING EXPENSES | | |
| Salaries | 83,709 | 80,550 |
| Employee benefits | 25,435 | 13,427 |
| Supplies, materials, and other operating expenses and services | 68,688 | 85,861 |
| Depreciation | <u>12,129</u> | <u>10,203</u> |
| TOTAL OPERATING EXPENSES | <u>189,961</u> | <u>190,041</u> |
| OPERATING LOSS | <u>(168,425)</u> | <u>(167,982)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| State apportionments, noncapital | 61,724 | 57,117 |
| Local property taxes | 41,018 | 43,418 |
| Federal grants and contracts, noncapital | 44,228 | 41,145 |
| State grants and contracts, noncapital | 10,045 | 9,478 |
| State taxes and other revenues | 3,424 | 3,017 |
| Investment income | 1,422 | 1,804 |
| Interest expense on capital related debt | (15,450) | (11,027) |
| Interest income on capital asset-related debt, net | 41 | 36 |
| Transfer to agency fund | (125) | (125) |
| Other nonoperating revenue | <u>5,693</u> | <u>8,426</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>152,020</u> | <u>153,289</u> |
| LOSS BEFORE OTHER REVENUES AND LOSSES | <u>(16,405)</u> | <u>(14,693)</u> |
| OTHER REVENUES AND LOSSES | | |
| State revenues, capital | 1,218 | 616 |
| Loss on disposal of capital assets | <u>(24)</u> | <u>-</u> |
| TOTAL OTHER REVENUES AND LOSSES | <u>1,194</u> | <u>616</u> |
| CHANGE IN NET POSITION | <u>\$ (15,211)</u> | <u>\$ (14,077)</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

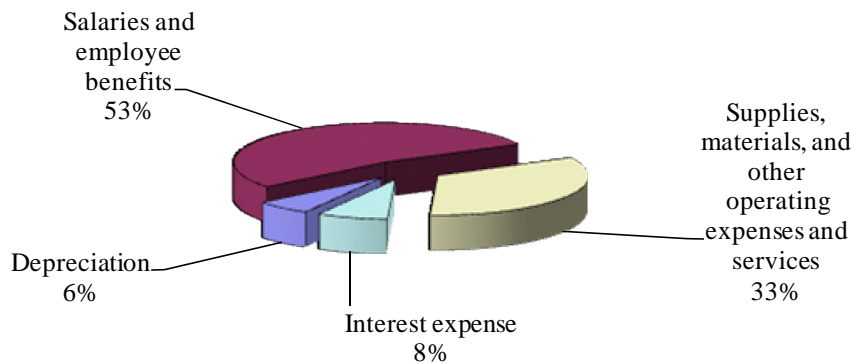
- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Salaries and benefits make up 57.46 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 42.54 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, 2014**

Expense
for the Year Ended June 30, 2014



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, 2014

The Statement of Cash Flows for the years ended June 30, 2014, and 2013, is summarized below:

(Amounts in thousands)

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Cash Flows From | | |
| Operating activities | \$ (156,497) | \$ (165,947) |
| Noncapital financing activities | 143,299 | 155,113 |
| Capital and related financing activities | (44,354) | 171,750 |
| Investing activities | 1,333 | 1,390 |
| Net Change in Cash | <u>(56,219)</u> | <u>162,306</u> |
| Cash - Beginning of Year | <u>245,569</u> | <u>83,263</u> |
| Cash - End of Year | <u>\$ 189,350</u> | <u>\$ 245,569</u> |

- Cash receipts from operating activities are from student tuition and auxiliary sales. Use of cash is payments to employees, vendors, and students related to the instructional program.
- State apportionment received based on the workload measures generated by the District accounts for 40.60 percent of noncapital financing. Cash received from property taxes accounts for 26.98 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 \$1,318,871 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, 2014

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

(Amounts in thousands)

| | Salaries | Employee Benefits | Supplies, Material, and Other Expenses and Services | Depreciation | Total |
|---|------------------|-------------------|---|------------------|-------------------|
| Instructional activities | \$ 43,678 | \$ 11,482 | \$ 894 | \$ - | \$ 56,054 |
| Academic support | 8,603 | 2,550 | 703 | - | 11,856 |
| Student services | 12,170 | 3,408 | 1,946 | - | 17,524 |
| Plant operations and maintenance | 4,680 | 1,939 | 3,537 | - | 10,156 |
| Institutional support services | 9,094 | 4,549 | 7,793 | - | 21,436 |
| Community services and economic development | 2,135 | 611 | 1,436 | - | 4,182 |
| Ancillary services and auxiliary operations | 3,349 | 896 | 1,955 | - | 6,200 |
| Student aid | - | - | 40,371 | - | 40,371 |
| Physical property and related acquisitions | - | - | 10,053 | - | 10,053 |
| Unallocated depreciation | - | - | - | 12,129 | 12,129 |
| Total | <u>\$ 83,709</u> | <u>\$ 25,435</u> | <u>\$ 68,688</u> | <u>\$ 12,129</u> | <u>\$ 189,961</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, 2014, the District had \$257,913,282 invested in capital assets net of accumulated depreciation. Total capital assets of \$354,312,080 consist of land, site and building improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$96,398,798. Capital asset additions of \$49,467,595 occurred during 2013-2014, and depreciation expense of \$12,129,188 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, 2014

Construction in progress of \$69,087,271 at June 30, 2014, includes the construction of the Athletic Fitness Complex, the Manhattan Beach Blvd Parking Structure, the Shops building, the renovation of the Industry and Technical Arts building, the Art and Behavioral and Social Sciences building, the Student Services Center and the improvement of Parking Lot F.

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)

| | 2014 | 2013 |
|---------------------------------|-------------------|-------------------|
| Land | \$ 1,050 | \$ 1,050 |
| Construction in progress | 69,087 | 23,307 |
| Site improvements, net | 34,634 | 39,952 |
| Buildings and improvements, net | 150,424 | 152,675 |
| Vehicles and equipment, net | 2,718 | 3,615 |
| Net Capital Assets | \$ 257,913 | \$ 220,599 |

Obligations

At June 30, 2014, the District had \$365,387,685 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)

| | 2014 | 2013 |
|---|-------------------|-------------------|
| 2003 General Obligation Bond, Series A | \$ - | \$ 1,790 |
| Unamortized premium | - | 274 |
| 2005 General Obligation Refunding Bonds | 30,524 | 31,048 |
| Unamortized premium | 3,639 | 4,043 |
| 2006 General Obligation Bond, Series B | 84,635 | 88,880 |
| Unamortized premium | 3,906 | 4,123 |
| 2012 General Obligation Bond, Series C | 190,767 | 183,536 |
| Unamortized premium | 2,948 | 3,070 |
| 2012 General Obligation Refunding Bonds | 41,490 | 41,755 |
| Unamortized premium | 7,479 | 8,295 |
| Compensated absences | 3,116 | 3,069 |
| Total | \$ 368,504 | \$ 369,883 |

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

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

Revenue generated from the partnership agreement (base year \$4 million) is considered annual one-time funds. Historically, the District used the additional State appropriations to fund annual or one-time activities that would impact enrollment management and program enhancement related costs. During more recent fiscal years, the funds were also used to backfill State categorical programs. There is an accounting "fire wall" between the two districts. While El Camino Community College District is responsible for managing the Education 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 2014-2015 budget is based on a fully funded level of 18,470 FTES.

The District has settled contract and salary negotiations with all bargaining units and unrepresented employee groups. Salary increases including Step and Column advancements have been budgeted in the 2014-2015 fiscal year.

The District's continuing policy of fiscal prudence has positioned the District to withstand economic uncertainty. The District has withstood the recession without incurring any layoffs of full-time permanent staff or any salary reductions. In September 2014, the District celebrated the achievement of fully funding its Other Postemployment Benefits (OPEB) actuarially established accrued liability.

The 2013-2014 California Public Employees' Retirement System (CalPERS) employer contribution rate was 11.442 percent of classified payroll for a total unrestricted General Fund cost of \$2,707,839. The District is budgeting \$2,963,125 for the 2014-2015 estimated contribution at a rate of 11.771 percent. CalPERS is estimating that the employer contribution rate will steadily increase in the upcoming years. The 2013-2014 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 \$3,260,698. The District is budgeting \$3,493,358 for the 2014-2015 fiscal year. The CalSTRS employer contribution rate increased from 8.25 percent in the 2013-2014 fiscal year to 8.88 percent for the 2014-2015 fiscal year, and is expected to increase significantly in upcoming years reaching a rate of 19.10 percent in fiscal year 2021-2022.

The State enrollment fee for credit classes remains at \$46 per unit for the 2014-2015 fiscal year. It is unknown at this time if the enrollment fee will be raised by the State legislature in future years.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The District experienced fewer reductions and delays in General Apportionment payments from the State of California in the 2013-2014 fiscal year. The 2014-2015 State Advance Apportionment schedule continues to show stability in the timing and amount of monthly General Apportionment and quarterly Education Protection Account payments. This cash flow stability allowed the District to operate without the need to participate in any cash borrowing programs in the 2013-2014 fiscal year. It is possible the District may need a slight borrowing of cash during the 2014-2015 fiscal year.

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, 2014**

ASSETS

CURRENT ASSETS

| | |
|--|--------------------|
| Cash and cash equivalents - unrestricted | \$ 917,315 |
| Cash and cash equivalents - restricted | 9,301 |
| Investments - unrestricted | 17,408,202 |
| Investments - restricted | 171,015,151 |
| Accounts receivable | 20,262,718 |
| Student receivable, net | 3,845,167 |
| Prepaid expenses | 54,135 |
| Inventories | 1,505,271 |
| Net OPEB asset | 7,871,175 |
| Total Current Assets | <u>222,888,435</u> |

NONCURRENT ASSETS

| | |
|---|--------------------|
| Nondepreciable capital assets | 70,137,271 |
| Depreciable capital assets, net of accumulated depreciation | 187,776,011 |
| Total Noncurrent Assets | <u>257,913,282</u> |
| TOTAL ASSETS | <u>480,801,717</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|------------------------------|------------------|
| Deferred charge on refunding | <u>4,035,157</u> |
|------------------------------|------------------|

LIABILITIES

CURRENT LIABILITIES

| | |
|--|-------------------|
| Accounts payable | 20,465,871 |
| Accrued interest payable | 3,553,370 |
| Unearned revenue | 10,459,294 |
| Current portion of long-term obligations | 8,045,000 |
| Total Current Liabilities | <u>42,523,535</u> |

NONCURRENT LIABILITIES

| | |
|---|--------------------|
| Noncurrent portion of long-term obligations | <u>360,459,211</u> |
| TOTAL LIABILITIES | <u>402,982,746</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 38,729,013 |
| Restricted for: | |
| Debt service | 9,821,250 |
| Educational programs | 1,061,342 |
| Capital projects | 6,015,029 |
| Unrestricted | 26,227,494 |
| TOTAL NET POSITION | <u>\$ 81,854,128</u> |

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, 2014**

| | |
|--|----------------------|
| OPERATING REVENUES | |
| Student Tuition and Fees | \$ 27,985,366 |
| Less: Scholarship discounts and allowances | (12,802,081) |
| Net tuition and fees | <u>15,183,285</u> |
| Auxiliary Enterprise Sales and Charges | |
| Bookstore | <u>6,352,598</u> |
| TOTAL OPERATING REVENUES | <u>21,535,883</u> |
| OPERATING EXPENSES | |
| Salaries | 83,709,213 |
| Employee benefits | 25,434,948 |
| Supplies, materials, and other operating expenses and services | 28,316,650 |
| Student financial aid | 40,371,182 |
| Depreciation | <u>12,129,188</u> |
| TOTAL OPERATING EXPENSES | <u>189,961,181</u> |
| OPERATING LOSS | <u>(168,425,298)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| State apportionments, noncapital | 61,724,012 |
| Local property taxes, levied for general purposes | 26,423,905 |
| Taxes levied for other specific purposes | 14,594,188 |
| Federal grants and contracts, noncapital | 44,227,482 |
| State grants and contracts, noncapital | 10,045,442 |
| State taxes and other revenues | 3,424,438 |
| Investment income | 1,422,070 |
| Interest expense on capital related debt | (15,450,054) |
| Interest income on capital asset-related debt, net | 41,270 |
| Transfer to fiduciary fund | (125,000) |
| Other nonoperating revenue | <u>5,692,677</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>152,020,430</u> |
| LOSS BEFORE OTHER REVENUES AND LOSSES | <u>(16,404,868)</u> |
| OTHER REVENUES AND LOSSES | |
| State revenues, capital | 1,218,271 |
| Loss on disposal of capital assets | <u>(24,076)</u> |
| TOTAL OTHER REVENUES AND LOSSES | <u>1,194,195</u> |
| CHANGE IN NET POSITION | (15,210,673) |
| NET POSITION, BEGINNING OF YEAR | 98,714,298 |
| PRIOR PERIOD RESTATEMENT (see Note 16) | <u>(1,649,497)</u> |
| NET POSITION, END OF YEAR | <u>\$ 81,854,128</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, 2014

| | |
|--|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and fees | \$ 15,562,280 |
| Payments to vendors for supplies and services | (30,186,260) |
| Payments to or on behalf of employees | (107,854,138) |
| Payments to students for scholarships and grants | (40,371,182) |
| Auxiliary enterprise sales and charges | 6,352,598 |
| Net Cash Flows From Operating Activities | <u>(156,496,702)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State apportionments | 68,570,191 |
| Grants and contracts | 54,492,639 |
| Property taxes - nondebt related | 26,423,905 |
| State taxes and other revenues | 5,309,368 |
| Tax revenue anticipation note | (17,184,325) |
| Other nonoperating | 5,687,099 |
| Net Cash Flows From Noncapital Financing Activities | <u>143,298,877</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| Purchase of capital assets | (45,194,085) |
| Proceeds from capital debt | 7,901,701 |
| State revenue, capital projects | 1,218,271 |
| Deferred charges on refunding | 1,862,380 |
| Property taxes - related to capital debt | 14,594,188 |
| Principal paid on capital debt | (7,495,000) |
| Unamortized premium | (1,833,019) |
| Interest paid on capital debt | (15,450,054) |
| Interest received on capital asset-related debt | 41,270 |
| Net Cash Flows From Capital Financing Activities | <u>(44,354,348)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received from investments | <u>1,333,192</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (56,218,981) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>245,568,950</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 189,349,969</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, 2014**

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

| | |
|---|--------------------------------|
| Operating Loss | <u>\$ (168,425,298)</u> |
| Adjustments to Reconcile Operating Loss to Net Cash Flows | |
| From Operating Activities: | |
| Depreciation expense | 12,129,188 |
| Changes in Operating Assets and Liabilities: | |
| Receivables, net | (188,573) |
| Inventories | (592,481) |
| Prepaid expenses and other assets | (557,406) |
| Accounts payable and accrued liabilities | 668,249 |
| Unearned revenue | 422,004 |
| Compensated absences | 47,615 |
| Total Adjustments | <u>11,928,596</u> |
| Net Cash Flows From Operating Activities | <u><u>\$ (156,496,702)</u></u> |

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

| | |
|--|------------------------------|
| Cash in banks | \$ 926,616 |
| Cash in county treasury | 188,423,353 |
| Total Cash and Cash Equivalents | <u><u>\$ 189,349,969</u></u> |

NONCASH TRANSACTIONS

| | |
|---------------------------------|----------------------------|
| On behalf payments for benefits | <u><u>\$ 2,212,955</u></u> |
|---------------------------------|----------------------------|

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

| | <u>Trust Funds</u> |
|---------------------------|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 885,190 |
| Investments | 524,512 |
| Accounts receivable, net | 6,488 |
| Prepaid expenses | 29,397 |
| Total Assets | <u>1,445,587</u> |
| LIABILITIES | |
| Accounts payable | 31,900 |
| Unearned revenue | 89,910 |
| Due to student groups | 98,501 |
| Total Liabilities | <u>220,311</u> |
| NET POSITION | |
| Unreserved | 1,225,276 |
| Total Net Position | <u>\$ 1,225,276</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, 2014**

| | <u>Trust Funds</u> |
|--------------------------------------|----------------------------|
| ADDITIONS | |
| Federal revenues | \$ 25,595 |
| Local revenues | 931,177 |
| Total Additions | <u>956,772</u> |
| DEDUCTIONS | |
| Services and operating expenditures | <u>1,073,064</u> |
| OTHER FINANCING SOURCES | |
| Transfers in from primary government | <u>125,000</u> |
| Change in Net Position | 8,708 |
| Net Position - Beginning | <u>1,216,568</u> |
| Net Position - Ending | <u><u>\$ 1,225,276</u></u> |

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014

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, 2014

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2014, 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, 2014.

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, 2014

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.

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Charge on Refunding

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

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 within the fund financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Unearned Revenue

Unearned revenue arises when 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 unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year, and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, 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.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 \$16,897,621 of restricted net position.

State Apportionments

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

Property Taxes

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

The voters of the District passed 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*.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Interfund Activity

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

Change in Accounting Principles

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.

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 District has implemented the provisions of this Statement for the year ended June 30, 2014.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$1,649,497. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

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.

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:

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

- 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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

General Authorizations

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

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

Authorized Under Debt Agreements

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, consist of the following:

| | |
|--------------------------------|-----------------------|
| Primary government | \$ 189,349,969 |
| Fiduciary funds | 1,409,702 |
| Total Deposits and Investments | <u>\$ 190,759,671</u> |
| | |
| Cash on hand and in banks | \$ 1,673,556 |
| Cash in revolving fund | 138,250 |
| Investments | 188,947,865 |
| Total Deposits and Investments | <u>\$ 190,759,671</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool.

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:

| Investment Type | Fair Value | Weighted Average Days to Maturity/ Maturity Date |
|------------------------------------|-----------------------|---|
| Los Angeles County Investment Pool | \$ 187,918,765 | 741 |
| Certificate of Deposit | 201,003 | 11/28/2014 |
| Total | <u>\$ 188,119,768</u> | |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2014.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, the District did not have any deposits exposed to custodial credit risk because all balances were insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 - ACCOUNTS RECEIVABLE

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

| | |
|------------------------------------|-------------------------------|
| | <u>Primary Government</u> |
| Federal Government | |
| Categorical aid | \$ 1,307,076 |
| State Government | |
| Apportionment | 12,205,264 |
| Categorical aid | 632,258 |
| Lottery | 1,433,320 |
| Local Sources | |
| Interest | 658,008 |
| Compton Community College District | 293,784 |
| Other local sources | 3,733,008 |
| Total | <u>\$ 20,262,718</u> |
| Student receivables | \$ 9,266,994 |
| Less allowance for bad debt | <u>(5,421,827)</u> |
| Student receivables, net | <u>\$ 3,845,167</u> |
| | <u>Fiduciary Funds</u> |
| Other local sources | <u>\$ 6,488</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, 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 | 23,306,973 | 48,964,432 | 3,184,134 | 69,087,271 |
| Total Capital Assets Not Being Depreciated | <u>24,356,973</u> | <u>48,964,432</u> | <u>3,184,134</u> | <u>70,137,271</u> |
| Capital Assets Being Depreciated | | | | |
| Site improvements | 53,518,010 | - | - | 53,518,010 |
| Buildings and improvements | 208,321,289 | 3,206,526 | 543,134 | 210,984,681 |
| Vehicles and equipment | 19,289,502 | 480,771 | 98,155 | 19,672,118 |
| Total Capital Assets Being Depreciated | <u>281,128,801</u> | <u>3,687,297</u> | <u>641,289</u> | <u>284,174,809</u> |
| Total Capital Assets | <u>305,485,774</u> | <u>52,651,729</u> | <u>3,825,423</u> | <u>354,312,080</u> |
| Less Accumulated Depreciation | <u>84,886,823</u> | <u>12,129,188</u> | <u>617,213</u> | <u>96,398,798</u> |
| Net Capital Assets | <u>\$ 220,598,951</u> | <u>\$ 40,522,541</u> | <u>\$ 3,208,210</u> | <u>\$ 257,913,282</u> |

Depreciation expense for the year was \$12,129,188.

Interest expense on capital related debt for the year ended June 30, 2014, was \$16,479,873. Of this amount, \$1,029,819 was capitalized.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

| | <u>Primary Government</u> |
|------------------------------|-------------------------------|
| Accrued payroll and benefits | \$ 6,599,186 |
| Apportionment | 794,790 |
| Construction | 8,960,030 |
| Student health insurance | 596,772 |
| Litigation | 720,000 |
| Other | 2,795,093 |
| Total | <u>\$ 20,465,871</u> |
| | <u>Fiduciary Funds</u> |
| Other liabilities | <u>\$ 31,900</u> |

NOTE 7 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

| | <u>Primary Government</u> |
|-----------------------|-------------------------------|
| Federal categorical | \$ 78,771 |
| State categorical aid | 1,517,363 |
| Enrollment fees | 8,371,871 |
| Other local | 491,289 |
| Total | <u>\$ 10,459,294</u> |
| | <u>Fiduciary Funds</u> |
| Federal categorical | \$ 89,710 |
| Other local | 200 |
| Total | <u>\$ 89,910</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, there were no amounts owed between the primary 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 2014 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 2014, until 100 percent of principal and interest due is on account in October 2014. The total outstanding Tax and Revenue Anticipation Notes of \$17,000,000 was paid in full to the fiscal agent by October 2014.

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, 2013</u> | <u>Additions</u> | <u>Payments</u> | <u>Outstanding June 30, 2014</u> |
|-------------------|--------------|----------------------|---------------------------------|------------------|----------------------|----------------------------------|
| 12/14/2012 | 0.300% | 11/29/2013 | <u>\$ 17,000,000</u> | <u>\$ -</u> | <u>\$ 17,000,000</u> | <u>\$ -</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 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 | \$ 1,790,000 | \$ - | \$ 1,790,000 | \$ - | \$ - |
| Unamortized premium | 273,796 | - | 273,796 | - | - |
| 2005 General Obligation Refunding Bonds | 31,048,210 | 670,318 | 1,195,000 | 30,523,528 | 3,075,000 |
| Unamortized premium | 4,043,506 | - | 404,350 | 3,639,156 | - |
| 2006 General Obligation Bonds, Series B | 88,880,000 | - | 4,245,000 | 84,635,000 | 4,685,000 |
| Unamortized premium | 4,123,292 | - | 217,015 | 3,906,277 | - |
| 2012 General Obligation Bonds, Series C | 183,535,709 | 7,231,383 | - | 190,767,092 | 185,000 |
| Unamortized premium | 3,069,667 | - | 121,974 | 2,947,693 | - |
| 2012 General Obligation Refunding Bonds | 41,755,000 | - | 265,000 | 41,490,000 | - |
| Unamortized premium | 8,294,823 | - | 815,884 | 7,478,939 | - |
| Total General Obligation Bonds | 366,814,003 | 7,901,701 | 9,328,019 | 365,387,685 | 7,945,000 |
| Other Liabilities | | | | | |
| Compensated absences, net | 3,068,911 | 47,615 | - | 3,116,526 | 100,000 |
| Total Long-Term Obligations | \$ 369,882,914 | \$ 7,949,316 | \$ 9,328,019 | \$ 368,504,211 | \$ 8,045,000 |

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, 2014

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. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2014, the bonds had been paid in full.

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, 2014, the principal balance outstanding (including accreted interest to date) was \$30,523,528 and the unamortized premium was \$3,639,156. Premiums 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. The advanced refunding bonds were paid off in August 2014. 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, 2014, the principal balance outstanding was \$84,635,000 and the unamortized premium was \$3,906,277. Premiums 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, 2014, the principal balance outstanding (including accreted interest to date) was \$190,767,092. Unamortized premium received on issuance of the bonds amounted to \$2,947,693 as of June 30, 2014.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 an 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, 2014, the principal balance outstanding was \$41,490,000. Unamortized premium received on issuance of the bonds amounted to \$7,478,939 as of June 30, 2014.

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | Accreted Interest | | Bonds Outstanding June 30, 2014 |
|------------|---------------|---------------|----------------|--------------------------|-------------|---------------------|---------------------|---------------------------------|
| | | | | Outstanding July 1, 2013 | Issued | Additions | Redeemed | |
| 2003 | 2014 | 2.50 - 5.00% | \$ 63,700,000 | \$ 1,790,000 | \$ - | \$ - | \$ 1,790,000 | \$ - |
| 2005 | 2023 | 3.00 - 5.00% | 40,252,335 | 31,048,210 | - | 670,318 | 1,195,000 | 30,523,528 |
| 2006 | 2031 | 3.50 - 5.00% | 150,000,000 | 88,880,000 | - | - | 4,245,000 | 84,635,000 |
| 2012 | 2038 | 4.00 - 5.00% | 180,812,882 | 183,535,709 | - | 7,231,383 | - | 190,767,092 |
| 2012 | 2023 | 2.00 - 5.00% | 41,755,000 | 41,755,000 | - | - | 265,000 | 41,490,000 |
| | | | | <u>\$ 347,008,919</u> | <u>\$ -</u> | <u>\$ 7,901,701</u> | <u>\$ 7,495,000</u> | <u>\$ 347,415,620</u> |

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

| Fiscal Year | Principal (Including Accreted Interest to Date) | Accreted Interest | Current Interest to Maturity | Total |
|-------------|---|-------------------|------------------------------|----------------------|
| 2015 | \$ 2,900,924 | \$ 174,076 | \$ 1,252,250 | \$ 4,327,250 |
| 2016 | 2,577,604 | 492,396 | 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 | 3,390,000 | - | 852,250 | 4,242,250 |
| 2020-2023 | 15,350,000 | - | 1,582,000 | 16,932,000 |
| Total | <u>\$ 30,523,528</u> | <u>\$ 666,472</u> | <u>\$ 7,131,875</u> | <u>\$ 38,321,875</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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> |
|--------------------|----------------------|---------------------------------|-----------------------|
| 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 | - | 3,324,050 | 3,324,050 |
| 2020-2024 | - | 16,620,250 | 16,620,250 |
| 2025-2029 | 40,655,000 | 11,971,308 | 52,626,308 |
| 2030-2032 | 29,325,000 | 2,132,631 | 31,457,631 |
| Total | <u>\$ 84,635,000</u> | <u>\$ 48,295,906</u> | <u>\$ 132,930,906</u> |

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> |
|--------------------|--|------------------------------|---------------------------------|-----------------------|
| 2015 | \$ 184,125 | \$ 875 | \$ 1,360,000 | \$ 1,545,000 |
| 2016 | - | - | 1,360,000 | 1,360,000 |
| 2017 | 519,524 | 75,476 | 1,360,000 | 1,955,000 |
| 2018 | 1,232,289 | 257,711 | 1,360,000 | 2,850,000 |
| 2019 | 1,786,061 | 493,939 | 1,360,000 | 3,640,000 |
| 2020-2024 | 21,529,290 | 7,215,710 | 6,800,000 | 35,545,000 |
| 2025-2029 | 41,290,208 | 29,304,792 | 6,800,000 | 77,395,000 |
| 2030-2034 | 48,177,413 | 65,637,587 | 6,800,000 | 120,615,000 |
| 2035-2039 | 76,048,182 | 99,244,434 | 4,760,000 | 180,052,616 |
| Total | <u>\$ 190,767,092</u> | <u>\$ 202,230,524</u> | <u>\$ 31,960,000</u> | <u>\$ 424,957,616</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> |
|--------------------|----------------------|---------------------------------|----------------------|
| 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 | 5,385,000 | 1,654,450 | 7,039,450 |
| 2020-2024 | 30,935,000 | 4,017,375 | 34,952,375 |
| Total | <u>\$ 41,490,000</u> | <u>\$ 13,444,225</u> | <u>\$ 54,934,225</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to \$3,116,526.

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 2013-2014, the District contributed \$3,314,335 to the Plan. \$2,678,447 was contributed to the Irrevocable Trust, and \$635,888 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 | (635,888) |
| Contributions made to Irrevocable Trust | (2,678,447) |
| Change in value of Irrevocable Trust | 646,846 |
| Increase in net OPEB asset | (741,099) |
| Net OPEB asset, beginning of year | (7,130,076) |
| Net OPEB asset, end of year | <u><u>\$ (7,871,175)</u></u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Trend Information

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

| Year Ended June 30, | Annual OPEB Cost | Actual Contribution | Percentage Contributed | Net OPEB (Asset)/Obligation |
|------------------------|---------------------|------------------------|---------------------------|--------------------------------|
| 2012 | 2,635,504 | 288,787 | 11% | 7,447,868 |
| 2013 | 1,926,390 | 16,585,377 | 861% | (7,130,076) |
| 2014 | 1,926,390 | 3,314,335 | 172% | (7,871,175) |

Funding Status and Funding Progress

| | |
|---|---------------------|
| Actuarial Accrued Liability (AAL) | \$ 22,214,690 |
| Actuarial Value of Plan Assets | <u>17,189,426</u> |
| 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.

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 24 years. The actuarial value of assets at the actuarial valuation date of October 1, 2013, was \$17,189,426. The value of the assets as of June 30, 2014, was \$19,382,557.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014, 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 2013-2014, the District participated in the Southern California Community Colleges Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 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).

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 was 8.25 percent of annual payroll. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$3,297,291, \$3,465,204, and \$3,295,907, 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. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 2014

Funding Policy

As a result of the implementation of the PEPPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 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, 2014, 2013, and 2012, were \$3,474,122, \$3,495,886, and \$3,405,769, 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, 2014, 2013, and 2012, which amounted to \$2,212,955, \$2,128,224, and \$2,002,091, respectively, (5.541 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, 2014, 2013, and 2012. 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 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, 2014

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, 2014.

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, 2014.

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, 2014, amounted to approximately \$421,000.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Construction Commitments

As of June 30, 2014, 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 | \$ 33,450,464 | December 2015 |
| Industry and Technology (MCS) | 9,296,907 | Spring 2015 |
| Lot C Parking Structure | 1,200,000 | October 2016 |
| Lot F Parking Structure | 675,269 | September 2016 |
| Shops Building | 8,343,235 | Spring 2015 |
| Student Services Center | 2,033,573 | August 2017 |
| Gymnasium | 1,687,174 | August 2017 |
| | <u>\$ 56,686,622</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, 2014.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current fiscal year. As a result, deferring and amortizing bond issuance costs is no longer allowed. The effect on the current fiscal year is as follows:

| <u>Primary Government</u> | |
|--|----------------------|
| Net Position - Beginning | \$ 98,714,298 |
| Restatement of deferred cost of issuance for implementation of GASB Statement No. 65 | <u>(1,649,497)</u> |
| Net Position - Beginning, as Restated | <u>\$ 97,064,801</u> |

REQUIRED SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

| 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, 2014

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 |
| Mrs. Mary E. Combs | Secretary | November 2015 |
| Mr. Cliff Numark | Member | November 2017 |
| Mr. John Vargas | Member | November 2017 |
| Ms. Kimberly Garcia | Student Member | May 2015 |

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, 2014**

| 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 | | \$ 679,500 |
| Federal Direct Student Loans | 84.268 | | 79,489 |
| Federal Work-Study (FWS) | 84.033 | | 604,554 |
| Federal Pell Grant (PELL) | 84.063 | | 36,595,046 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Scholarships for Disadvantaged Students | 93.925 | | 609,635 |
| Total Student Financial Assistance Cluster | | | <u>38,568,224</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| Hispanic Serving Institution - STEM | 84.031C | | 1,139,897 |
| Pass-Through from Mount Saint Mary's College | | | |
| Improving STEM Curricula, Support, and Articulation for Hispanic, Women, and Low-Income Students | 84.031C | P031C110101 | 237,143 |
| Title V - Improving Graduation and Completion Rates | 84.031S | | 683,028 |
| TRIO - Student Support Services | 84.042A | | 217,494 |
| Child Care Access Means Parents in School | 84.335A | | 47,321 |
| OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES | | | |
| Pass-Through the Western Oregon University | | | |
| Western Region Interpreter Education Center (WRIEC) | 84.160A | USDE 12.01 | 153,434 |
| CAREER AND TECHNICAL ACT | | | |
| Pass-Through the California Community Colleges Chancellor's Office | | | |
| Perkins IV, Title I, Part C | 84.048 | 13-C01-014 | 838,408 |
| CTE Transitions | 84.048A | 13-112-720 | 44,025 |
| Total U.S. Department of Education | | | <u>41,928,974</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Medi-Cal Administrative Activities | 93.778 | | 7,097 |
| Head Start Career Advancement Project (CAP) | 93.600 | | 56,505 |
| Pass-Through the California Community Colleges Chancellor's Office | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | [1] | 107,484 |
| Total U.S. Department of Health and Human Services | | | <u>171,086</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, 2014 (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 | \$ 9,148 |
| Total U.S. Department of Agriculture | | | <u>9,148</u> |
| U.S. DEPARTMENT OF COMMERCE | | | |
| NIST Summer Undergraduate Research Fellowship (SURF) Program - Gaithersburg | 11.609 | | 8,935 |
| Pass-Through California Manufacturing Technology Consulting (CMTC) Manufacturing Extension Partnership | 11.611 | 70NANB10H292 | 100,000 |
| Total U.S. Department of Commerce | | | <u>108,935</u> |
| U.S. DEPARTMENT OF DEFENSE | | | |
| Pass-Through Orbital Sciences Corporation Mentor Protégé | 12.000 | 1021300097 | 203,468 |
| Total U.S. Department of Defense | | | <u>203,468</u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Federal Bureau of Prisons - FCI Terminal Island | 16.000 | | 52,142 |
| Total U.S. Department of Justice | | | <u>52,142</u> |
| U.S. DEPARTMENT OF LABOR | | | |
| Pass-Through California Manufacturers and Technology Association (CMTA) | | HG-22589- 12-60-A-6 | |
| H-1B Technical Skills Training | 17.268 | | 617,838 |
| Total U.S. Department of Labor | | | <u>617,838</u> |
| NATIONAL SCIENCE FOUNDATION | | | |
| Achievement Scholarships in Engineering, Mathematics, and Science * | 47.076 | | 144,077 |
| Advanced Aerospace Manufacturing Education * | 47.076 | | 198,944 |
| Pass-Through University of California, Los Angeles Frontier Opportunities in Computing for Underrepresented Students * | 47.070 | CNS-0634520 | 229 |
| Total National Science Foundation | | | <u>343,250</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, 2014 (CONTINUED)**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA Number | Pass-Through Identifying Number | Total Program Expenditures |
|---|----------------|---------------------------------------|----------------------------------|
| SMALL BUSINESS ADMINISTRATION | | | |
| Pass-Through the California Community Colleges Chancellor's Office State Trade and Export Promotion (STEP) Pilot Grant Program | 59.061 | F12-0053 | \$ 39,852 |
| Pass-Through Long Beach Community College District Small Business Development Center | 59.037 | [1] | 328,306 |
| U.S. Small Business Jobs Act | 59.037 | CN 99699.8 | 64,972 |
| Total Small Business Administration | | | <u>433,130</u> |
| U.S. DEPARTMENT OF VETERANS AFFAIRS | | | |
| Veterans Education Representative Fee | 64.000 | | 6,288 |
| Total U.S. Department of Veterans Affairs | | | <u>6,288</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Pass-Through from Global Corporate College Transportation Security Administration Associate Program | 97.000 | [1] | 110,196 |
| Total U.S. Department of Homeland Security | | | <u>110,196</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | |
| Americorps - National Service Awards | 94.006 | | 25,595 |
| Total Expenditures of Federal Awards | | | <u>\$ 44,010,050</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, 2014**

| Program | Program Entitlements | | |
|--|----------------------|------------|-------------------|
| | Current Year | Prior Year | Total Entitlement |
| GENERAL FUND | | | |
| Adv. Mfg. Sector Navigator | \$ 372,500 | \$ - | 372,500 |
| Basic Skill | 195,421 | 297,642 | 493,063 |
| BFAP | 717,047 | - | 717,047 |
| Cal Grants | 1,819,704 | - | 1,819,704 |
| CalWORKs and Regional Effort | 531,885 | 36,983 | 568,868 |
| Career Advancement Academy | 39,596 | 259,821 | 299,417 |
| Career Technical Education 06/07 | - | 93,584 | 93,584 |
| Career Technical Education IV | 41,135 | 372,808 | 413,943 |
| Child Development Center | 93,222 | - | 93,222 |
| Cooperative Agencies Resources for Education (CARE) | 148,051 | - | 148,051 |
| Consortium Planning | 158,564 | - | 158,564 |
| DPSS - Department of Public Social Services | 110,980 | - | 110,980 |
| Deputy Sector Navigator | 168,799 | - | 168,799 |
| Disabled Students Program and Services (DSP&S) | 1,446,992 | 71,309 | 1,518,301 |
| Enrollment Growth for Associated Degree in Nursing Program | 249,500 | 79,185 | 328,685 |
| Extended Opportunity Program and Services (EOP&S) | 1,305,385 | - | 1,305,385 |
| Faculty and Staff Diversity | 8,456 | 27,251 | 35,707 |
| Foster Care Education | 100,947 | - | 100,947 |
| Historically Black Colleges and Universities | 12,000 | - | 12,000 |
| In-Region Investments | 44,214 | - | 44,214 |
| Instructional Equipment | 299,287 | 67,397 | 366,684 |
| Lottery | 676,967 | - | 676,967 |
| MAPP-Model Approaches for Partnerships in Parenting | 29,904 | - | 29,904 |
| Student Success | 1,176,393 | - | 1,176,393 |
| MESA Program | 62,619 | - | 62,619 |
| Puente Reporting | 1,500 | 1,160 | 2,660 |
| Retail/Hospitality | 287,927 | - | 287,927 |
| Staff Development | - | 13,902 | 13,902 |
| State 911 Equipment | - | - | - |
| Teacher Pipeline | 42,000 | 47,077 | 89,077 |
| Transfer and Articulation | - | 703 | 703 |
| TTIP Library Automation | - | 3 | 3 |
| TTIP Total Cost of Operation | - | 10,366 | 10,366 |
| Workforce Innovation Partnership (WIP) | 21,875 | 203,594 | 225,469 |
| Workplace Learning Center - Industry Driven Grants | - | 138,654 | 138,654 |
| Youth Empowerment Strategies for Success | 49,770 | - | 49,770 |
| Total | | | |

See accompanying note to supplementary information.

| Program Revenues | | | | |
|----------------------|------------------------|---------------------|----------------------|-------------------------|
| Cash Received | Accounts Receivable | Unearned Revenue | Total Revenue | Program Expenditures |
| \$ 149,000 | \$ 219,910 | \$ - | 368,910 | \$ 368,910 |
| 493,063 | - | 314,229 | 178,834 | 178,834 |
| 717,047 | - | - | 717,047 | 717,047 |
| 1,819,704 | 3,038 | - | 1,822,742 | 1,822,742 |
| 568,868 | - | 36,209 | 532,659 | 532,659 |
| 259,821 | 39,596 | - | 299,417 | 299,417 |
| 93,584 | - | 93,584 | - | - |
| 413,943 | - | 116,380 | 297,563 | 297,563 |
| 93,222 | - | - | 93,222 | 93,222 |
| 148,051 | - | - | 148,051 | 148,051 |
| 158,564 | - | 109,255 | 49,309 | 49,309 |
| 106,157 | 4,823 | - | 110,980 | 110,980 |
| 93,333 | 75,466 | - | 168,799 | 168,799 |
| 1,518,301 | - | 65,633 | 1,452,668 | 1,452,668 |
| 288,765 | 39,920 | - | 328,685 | 328,685 |
| 1,305,385 | - | - | 1,305,385 | 1,305,385 |
| 35,707 | - | 24,271 | 11,436 | 11,436 |
| 63,894 | 37,053 | - | 100,947 | 100,947 |
| 12,000 | - | 9,158 | 2,842 | 2,842 |
| 26,667 | 17,547 | - | 44,214 | 44,214 |
| 366,684 | - | 168,730 | 197,954 | 197,954 |
| 96,164 | 580,803 | - | 676,967 | - |
| 18,758 | 11,146 | - | 29,904 | 29,904 |
| 1,176,393 | - | 395,911 | 780,482 | 780,482 |
| 47,788 | 14,831 | - | 62,619 | 62,619 |
| 2,660 | - | - | 2,660 | 2,660 |
| 149,000 | 138,928 | - | 287,928 | 287,928 |
| 13,902 | - | 1,665 | 12,237 | 12,237 |
| 166 | - | - | 166 | - |
| 59,077 | 30,000 | - | 89,077 | 89,077 |
| 703 | - | 703 | - | - |
| 3 | - | 3 | - | - |
| 10,366 | - | 10,366 | - | - |
| 225,469 | - | 100,150 | 125,319 | 125,319 |
| 138,654 | - | 71,116 | 67,538 | 67,538 |
| 49,770 | - | - | 49,770 | 49,770 |
| <u>\$ 10,720,633</u> | <u>\$ 1,213,061</u> | <u>\$ 1,517,363</u> | <u>\$ 10,416,331</u> | <u>\$ 9,739,198</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENTS ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2014**

| CATEGORIES | *(Revised)/ Reported Data | Audit Adjustments | Audited Data |
|---|---------------------------------|----------------------|------------------|
| A. Summer Intersession (Summer 2013 only) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 1,188.20 | - | 1,188.20 |
| B. Summer Intersession (Summer 2014 - Prior to July 1, 2014) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 306.88 | - | 306.88 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 15,095.78 | - | 15,095.78 |
| (b) Daily Census Contact Hours | 662.43 | - | 662.43 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit | 8.14 | - | 8.14 |
| (b) Credit | 689.11 | - | 689.11 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 509.25 | - | 509.25 |
| (b) Daily Census Contact Hours | 10.21 | - | 10.21 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| D. Total FTES | 18,470.00 | - | 18,470.00 |
| SUPPLEMENTAL INFORMATION (Subset of Above Information) | | | |
| E. In-Service Training Courses (FTES) | 226.52 | - | 226.52 |
| H. Basic Skills Courses and Immigrant Education | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 1,056.15 | - | 1,056.15 |

* Annual report revised as of November 13, 2014.

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, 2014**

| | 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 | \$ 24,278,265 | \$ - | \$ 24,278,265 | \$ 24,278,265 | \$ - | \$ 24,278,265 |
| Other | 1300 | 14,478,591 | - | 14,478,591 | 14,478,591 | - | 14,478,591 |
| Total Instructional Salaries | | 38,756,856 | - | 38,756,856 | 38,756,856 | - | 38,756,856 |
| Noninstructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 6,997,641 | - | 6,997,641 |
| Other | 1400 | - | - | - | 900,726 | - | 900,726 |
| Total Noninstructional Salaries | | - | - | - | 7,898,367 | - | 7,898,367 |
| Total Academic Salaries | | 38,756,856 | - | 38,756,856 | 46,655,223 | - | 46,655,223 |
| <u>Classified Salaries</u> | | | | | | | |
| Noninstructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 19,082,172 | - | 19,082,172 |
| Other | 2300 | - | - | - | 2,266,719 | - | 2,266,719 |
| Total Noninstructional Salaries | | - | - | - | 21,348,891 | - | 21,348,891 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 1,267,231 | - | 1,267,231 | 1,608,596 | - | 1,608,596 |
| Other | 2400 | - | - | - | - | - | - |
| Total Instructional Aides | | 1,267,231 | - | 1,267,231 | 1,608,596 | - | 1,608,596 |
| Total Classified Salaries | | 1,267,231 | - | 1,267,231 | 22,957,487 | - | 22,957,487 |
| Employee Benefits | 3000 | 8,058,422 | - | 8,058,422 | 17,669,919 | - | 17,669,919 |
| Supplies and Material | 4000 | - | - | - | 891,158 | - | 891,158 |
| Other Operating Expenses | 5000 | - | - | - | 9,441,947 | - | 9,441,947 |
| Equipment Replacement | 6420 | - | - | - | - | - | - |
| Total Expenditures Prior to Exclusions | | 48,082,509 | - | 48,082,509 | 97,615,734 | - | 97,615,734 |

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, 2014**

| | 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 | \$ 97,645 | \$ - | \$ 97,645 | \$ 97,645 | \$ - | \$ 97,645 |
| Student Health Services Above Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | 27,896 | - | 27,896 |
| Noninstructional Staff - Retirees' Benefits and Retirement Incentives | 6740 | - | - | - | 154,226 | - | 154,226 |
| Objects to Exclude | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 382,026 | - | 382,026 |
| 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 | - | - | - | 104,560 | - | 104,560 |
| Noninstructional Supplies and Materials | 4400 | - | - | - | 239,872 | - | 239,872 |
| Total Supplies and Materials | | - | - | - | 344,432 | - | 344,432 |

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, 2014**

| | 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 | \$ - | \$ - | \$ - | \$ 1,672,947 | \$ - | \$ 1,672,947 |
| Capital Outlay | 6000 | | | | | | |
| Library Books | 6300 | - | - | - | - | - | - |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | 442,837 | - | 442,837 |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Total Equipment | | - | - | - | 442,837 | - | 442,837 |
| Total Capital Outlay | | - | - | - | 442,837 | - | 442,837 |
| Other Outgo | 7000 | - | - | - | - | - | - |
| Total Exclusions | | 97,645 | - | 97,645 | 3,122,009 | - | 3,122,009 |
| Total for ECS 84362, 50 Percent Law | | \$ 47,984,864 | \$ - | \$ 47,984,864 | \$ 94,493,725 | \$ - | \$ 94,493,725 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | | 50.78% | | 50.78% | 100.00% | | 100.00% |
| 50% of Current Expense of Education | | | | | \$ 47,246,863 | | \$ 47,246,863 |

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, 2014**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

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, 2014**

| Activity Classification | Object Code | | | | Unrestricted |
|-----------------------------------|----------------------|--|---|--------------------------------------|---------------------|
| EPA Proceeds: | 8630 | | | | \$ 14,099,243 |
| Activity Classification | Activity Code | Salaries and Benefits (Obj 1000-3000) | Operating Expenses (Obj 4000-5000) | Capital Outlay (Obj 6000) | Total |
| Instructional Activities | 1000-5900 | \$ 14,099,243 | | | \$ 14,099,243 |
| Total Expenditures for EPA | | \$ 14,099,243 | - | - | \$ 14,099,243 |
| 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, 2014**

**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 | \$ 17,897,295 |
| General Fund - restricted | 1,061,342 |
| Special Revenue Funds | 37 |
| Debt Service Funds | 13,374,620 |
| Capital Project Funds | 148,183,288 |
| Enterprise Funds | 2,216,353 |
| Internal Service Funds | 1,169,089 |
| Fiduciary Funds | <u>1,575,965</u> |

**Total Fund Balances, Retained Earnings and
Due to Student Groups - All District Funds** \$ 185,477,989

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 | 354,312,080 | |
| Accumulated depreciation is | (96,398,798) | |
| Less fixed assets already recorded in the enterprise funds | <u>(62,117)</u> | 257,851,165 |

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. 4,035,157

Amounts held in trust on behalf of others (Trust and Agency Funds) (1,323,777)

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 7,871,175

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. (3,553,370)

Long-term obligations at year end consist of:

| | | |
|----------------------|------------------|---------------|
| Bonds payable | 347,415,620 | |
| Unamortized premium | 17,972,065 | |
| Compensated absences | <u>3,116,526</u> | (368,504,211) |

Total Net Position \$ 81,854,128

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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: | | \$ 44,227,482 |
| Total Federal Revenue From the Statement of Changes in Fiduciary Net Position | | 25,595 |
| Pell Administrative Allowance | 84.063 | (62,310) |
| Transportation Security Administration Associate Program | 91.117 | (24,281) |
| Federal Bureau of Prisons - FCI Terminal Island | 16.000 | (67,625) |
| Various programs indirect costs recorded in general unrestricted fund | | (88,811) |
| Total Schedule of Expenditures of Federal Awards | | <u>\$ 44,010,050</u> |

Subrecipients

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

| <u>Federal Grantor/Pass-Through Grantor/Program</u> | <u>CFDA Number</u> | <u>Amount Provided to Subrecipients</u> |
|--|------------------------|---|
| U.S. DEPARTMENT OF EDUCATION | | |
| Perkins IV, Title I, Part C - Career Technical Education | | |
| Passed through to Compton Center | 84.048 | \$ 167,247 |
| CMTA H-1B Technical Skills Training | | |
| Passed through to Cerritos Community College District | 17.268 | 190,000 |
| CMTA H-1B Technical Skills Training | | |
| Passed through to North Orange County Community College District | 17.268 | 157,656 |
| | | <u>\$ 514,903</u> |

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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.

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 AUDITOR'S REPORTS



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

Board of Trustees
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, 2014, 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 12, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

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

Vawter, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 12, 2014



**INDEPENDENT AUDITOR'S 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 the 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, 2014. The District's major Federal programs are identified in the Summary of Auditor's 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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 in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Vauvinez, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 12, 2014



INDEPENDENT AUDITOR'S 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 December 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, 2014.

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 December 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. 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, 2014.

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 430 Schedule Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 Proposition 39 Clean Energy
- 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.

Vaurinek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 12, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

| | |
|---|-------------------|
| Internal control over major Federal programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified? | <u>Yes</u> |
| Type of auditor's report issued on compliance for major Federal programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? | <u>Yes</u> |

Identification of major Federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---|---|
| <u>84.007, 84.268, 84.033, 84.063, and 93.925</u> | <u>Student Financial Assistance Cluster</u> |
| <u>84.031C</u> | <u>Hispanic Serving Institution - STEM</u> |
| | <u>Improving STEM Curricula, Support, and</u> |
| | <u>Articulation for Hispanic, Women, and</u> |
| <u>84.031C</u> | <u>Low-Income Students</u> |
| | <u>Title V - Improving Graduation and</u> |
| <u>84.031S</u> | <u>Completion Rates</u> |
| <u>17.268</u> | <u>H-1B Technical Skills Training</u> |
| | <u>Small Business Development Center and</u> |
| <u>59.037</u> | <u>U.S. Small Business Jobs Act</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 300,000</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

STATE AWARDS

| | |
|---|-------------------|
| Type of auditor's report issued on compliance for programs: | <u>Unmodified</u> |
|---|-------------------|

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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

2014-001 PROCUREMENT, SUSPENSION, AND DEBARMENT

Federal Program Affected

U.S. Department of Education (DOE): Title V - Improving Graduation and Completion Rates (CFDA #84.031S); Hispanic Serving Institution - STEM (CFDA #84.031C); and Improving STEM Curricula, Support, and Articulation for Hispanic, Women, and Low-Income Students (CFDA #84.031C)

Compliance Requirement

Procurement, Suspension, and Debarment

Criteria or Specific Requirements

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. (2 CFR part 215.13) require that non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. All transactions with vendors over \$25,000 should be verified they are not suspended or debarred.

Condition

Significant Deficiency: The purchasing department contracts include a suspension and debarment self-certifying statement; however, it appears that outdated contracts are being used in some instances at the College. It was also noted that the District does not have written policies and procedures in place for verifying their contracts.

Questioned Costs

No questioned costs. See Context.

Context

Out of the four vendors tested who had more than \$25,000 in disbursements, two vendors were not adequately checked and documented for suspension and debarment; however, the District did not expend any funds to excluded parties.

Effect

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Cause

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

Recommendation

It is recommended the District adequately verify all vendors who are providing services to federally funded programs in excess of \$25,000 to ensure that the entity is not suspended, debarred, or otherwise excluded. This verification should be checked on the System for Awards Management (SAM) website. The District should also establish policies and procedures for individuals to follow who are approving and creating contracts with Federal funds.

Corrective Action Plan

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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

2013-001 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.

Current Status

Implemented.

2013-002 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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

Current Status

Implemented.