



Board of Trustees
El Camino Community College District
Torrance, California

In planning and performing our audit of the financial statements of El Camino Community College District (the District) for the year ended June 30, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 21, 2007, on the financial statements of El Camino Community College District.

Account Reconciliations - Accounts Receivable

Comment

The District's accounts receivable balance is made up of many sub-accounts within the total reported on the general ledger. Various individuals within the Business Office are responsible for monitoring these sub-accounts. Detailed summaries of the individual balances were provided at year end for audit purposes; however, the summaries provided did not agree to the total general ledger accrued balance. Additionally, the balances at year end included amounts that had been reported in the 2005-2006 fiscal year and had not been received or resolved as to collectibility. The net effect of the differences was not deemed to be material to the District's financial statements.

Recommendation

The Business Office staff should work together closely to properly monitor and reconcile the individual sub-account balance and ensure that all amounts reported within the general ledger are accurate and fully collectible. A complete detailed listing of all accounts receivable is essential to validate the amounts accrued and to ensure all the accruals are received in subsequent months. An analysis of all amounts not received during the year should be performed prior to actually closing the year end general ledger to determine whether or not the accrual remains valid. Amounts determined to not be collectible should be written off prior to the year end closing process. Additionally, the Business Office personnel should work with Information Systems staff to develop an aging report that can be efficiently accessed to monitor the student receivables on a current basis.

District Response

The accounts receivable reconciliation for all funds has been assigned to a single accounting officer. The accounts receivable amounts in all funds will be reconciled monthly by the various accountants and the reconciliations turned into the accounting officer. The accounting officer will reconcile the individual accounts to the master balance sheet accounts receivable accounts. Receivables not received timely will be assessed for validity and action taken as necessary to collect the account or write-off the accrual.

Account Reconciliations - Accounts Payable

Comment

As noted above with the accounts receivable, the accounts payable balance is made up of many sub-accounts within the total accounts payable. Various individuals within the Business Office are responsible for monitoring the sub-accounts. In the prior year, it was noted that the balances reported at year end included amounts that had been reported in the 2005-2006 fiscal year and had not been paid or resolved as to whether the amount was still owed. Upon initial inspection of the District's general ledger, it had appeared that most of these balances were either reconciled or written-off by the District. After further inspection of the accounting records, it was discovered that many of the old balances were simply transferred to other accounts within accounts payable balance, and no action to resolve or reconcile the balances was taken.

It was also noted that the client had accrued contract retentions twice for those contracts which were still outstanding as of both June 30, 2006 and June 30, 2007. For each year, a different sub-account was created. As a contract was completed, the retention accrual was reversed. However, if the contract was still open at the end of both fiscal years, the entire retention through June 30, 2006, was accrued in one sub-account while the entire retention through June 30, 2007, was accrued in another. This resulted in an overstatement of the liability which was deemed to be immaterial to the District's financial statements.

Recommendation

The District Business Office staff should reconcile the accounts payable balances on a monthly basis to ensure that the accruals that were set up are properly paid and posted accurately. During this reconciliation process, if amounts are determined to no longer be valid, the accounts should be cleared to the appropriate current year expense accounts.

District Response

The accounts payable reconciliation for all funds has been assigned to a single accounting officer. The accounts payable amounts in each fund will be reconciled monthly by the various accountants and accounts payable staff. The reconciliations will be forwarded to the accounting officer for review and reconciliation to the balance sheet accounts payable amounts. Payables not paid within three months will be assessed for validity and action taken to write-off the accrual or secure the documents necessary for processing a payment. Retention payment accruals will be examined to determine if they were accrued at the end of the previous year.

Past Due Balances Owed to the District General Fund

Comment

The Bookstore had historically utilized the District General Fund to pay employee salary and benefit costs on a current basis, and then reimbursed the General Fund with sales revenues. During the 2004-2005 fiscal year, it was noted that the payments for past payroll costs had not been remitted, resulting in the balance of over \$1.5 million. The balance was reduced to approximately \$1,006,000 as of June 30, 2007. This balance represents both carryover from the 2004-2005 and 2005-2006 year end. Procedures were implemented to pay current payroll on a current basis.

Recommendation

Amounts loaned between funds should be repaid within the fiscal year. Amounts that remain outstanding at year end should be brought to the Board of Trustees for approval and possible assessment of interest. We noted the District has established a scheduled payment plan to pay down the prior balances owed and pay the current payroll expense on a current basis. This procedure should be monitored during the year to ensure the balance is paid in a timely manner.

District Response

The District has taken Board action to approve a loan to the bookstore to cover payroll payable and interest due on the loan. Current year monthly payroll amounts are automatically transferred from the Bookstore bank account to the District bank account. The process is monitored by the accounting and bookstore management staff.

Capital Assets - Bookstore

Comment

The Bookstore does not have adequate documentation to support the capitalized asset amounts reported on their financials. The supporting documentation provided to the auditor only contained assets which were currently being depreciated. Upon discussion with Bookstore management, it was noted that once an asset is fully depreciated, the item is removed from the listing. The Bookstore does not have a method to track items removed from the depreciation report, therefore, we were unable to agree the reported amount to a complete listing of assets held by the Bookstore.

It was also noted that the Bookstore does not have a formal capitalization policy. Bookstore management stated that they follow the District's policy of a capitalization threshold of \$5,000; however, a review of the depreciation report indicated that assets with a cost as low as \$141 were being depreciated by the Bookstore.

Recommendation

The Bookstore should complete a complete inventory of all capitalized assets and ensure that this listing agrees to the amounts reported on their financial statements. The Bookstore should also develop a capitalization policy and ensure that the capitalization requirements set forth by this policy are being adhered to.

District Response

The Bookstore will complete an inventory of all capitalized assets and record the cost value of these assets on their financial statements. A capitalization policy and accounting for capital assets procedure will be developed and implemented.

Internal Control - Bank Reconciliations

Comment

Several of the District's bank account reconciliations appeared to lack any indication of being reviewed. Review of the reconciliations should be performed by someone independent of that account or fund for proper segregation of duties with the bank account. The following reconciliations were noted to lack an indication of being reviewed:

- Cash Management
- Registration Fund
- Revolving Fund
- Computer Loan
- Business Office
- Auxiliary Service
- Bookstore Checking
- Bookstore Credit Card

It was also noted that the Registration Fund reconciliation contained reconciling items that dated back to November 2005 as of June 30, 2007.

Recommendation

The District should ensure that all bank accounts are being properly reconciled and reviewed as a necessary part of sound internal control practices. Reconciliations should be reviewed for completeness, as well the validity of reconciling items, including outstanding checks and deposits. The reconciliation should have a sign-off and date of completion by the preparer and another sign off and date of review by the reviewer on the face of reconciliation. Any reconciling items over six months should be reviewed by District personnel, and items older than one year should be written off by the District.

District Response

The District's bank reconciliations are reviewed by the Director of Accounting. The reconciliations are reviewed for validity of the outstanding checks and deposits. All items are compared to check registers and the general ledger cash history, cash receipts, and the bank statement.

The District will add a formal signature and date line for both the preparer and the reviewer. All reconciling items will be reviewed for timely resolution with the bank or written off if necessary.

This letter does not affect our report dated December 21, 2007, on the financial statements of the District.

We appreciate the time and assistance the staff of the District Office and the College Business Offices have provided during our audit. We will follow up on each of the areas noted above during the early stage of our fieldwork for the 2007-2008 fiscal year.

Board of Trustees
El Camino Community College District

This report is intended solely for the information and use of the Board, management, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Vawrimek, Tume, Day & Co., LP

Rancho Cucamonga, California
December 21, 2007

**EL CAMINO
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

EL CAMINO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2007

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Assets	16
Statements of Revenues, Expenses, and Changes in Net Assets	17
Statements of Cash Flows	18
Discretely Presented Component Unit - El Camino Community College District Foundation	
Statements of Financial Position	20
Statements of Activities	21
Statements of Cash Flows	22
Notes to Financial Statements	23

SUPPLEMENTARY INFORMATION

District Organization	47
Schedule of Expenditures of Federal Awards	48
Schedule of Expenditures of State Awards	50
Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance	51
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund	
Financial Statements	52
Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets	53
Note to Supplementary Information	54

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	58
Report on State Compliance	60

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	63
Financial Statement Findings and Recommendations	64
Federal Awards Findings and Questioned Costs	65
State Awards Findings and Questioned Costs	66
Summary Schedule of Prior Audit Findings	69

EL CAMINO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2007

ADDITIONAL SUPPLEMENTARY INFORMATION

Governmental Funds	
Balance Sheets - (Unaudited)	72
Statements of Revenues, Expenditures, and Changes in Fund Balance - (Unaudited)	73
Proprietary Funds	
Balance Sheets - (Unaudited)	74
Statements of Revenues, Expenses, and Changes in Retained Earnings - (Unaudited)	75
Statements of Cash Flows - (Unaudited)	76
Fiduciary Funds	
Balance Sheets - (Unaudited)	77
Statements of Revenues, Expenditures, and Changes in Fund Balance - (Unaudited)	78
Note to Additional Supplementary Information	79

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the accompanying basic financial statements of the El Camino Community College District (the District) as of and for the years ended June 30, 2007 and 2006. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the El Camino Community College District Foundation (the Foundation), which represents 100 percent of the assets, net assets, and revenue of the District's aggregate discretely presented component unit as of June 30, 2007 and June 30, 2006, and for the years then ended. Those Statements were audited by other auditors whose reports dated November 9, 2007 and August 24, 2006, were unqualified, and in our opinion, insofar as it relates to the amount included for the Foundation, are based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the El Camino Community College District and its discretely presented component unit as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The Additional Supplementary Information on pages 72 through 79 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Vaurinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 21, 2007



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, 2007. 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, 1947, 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 is to provide 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 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. This is the fourth year of the new reporting format, therefore three years of prior data is presented in the Management's Discussion and Analysis and in the accompanying audited financial statements. This affords a comparative analysis of data.

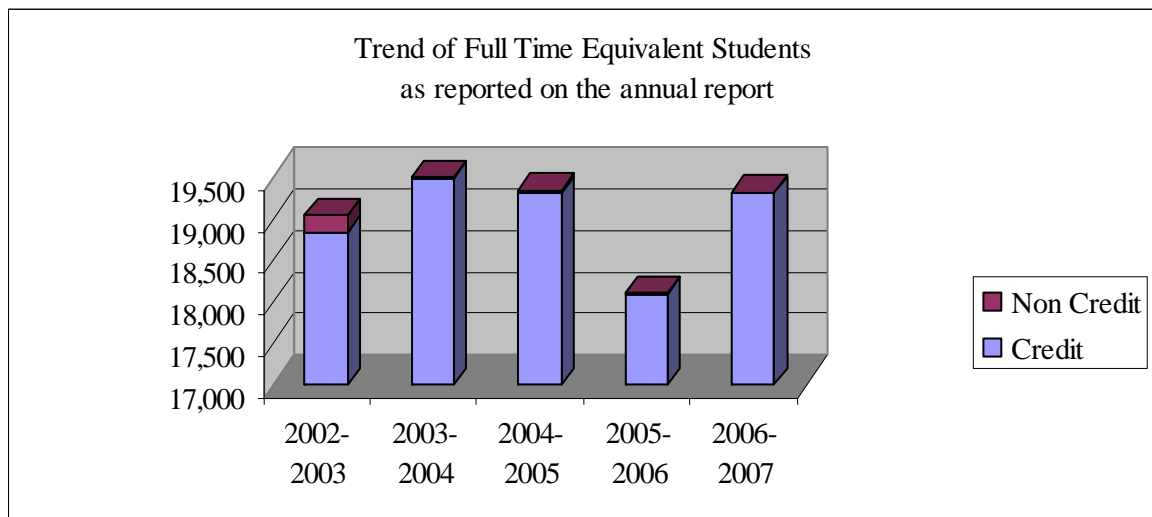
EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

SELECTED HIGHLIGHTS

- During 2006-2007, total full-time equivalent students declined approximately 6.1 percent for credit courses. Credit and non-credit FTES, along with other workload measures, are the basis for the District's State apportionment.



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

STATEMENT OF NET ASSETS

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

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

The Statement of Net Assets is summarized below:

(Amounts in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 201,289	\$ 68,239	\$ 66,270
Accounts receivable	23,152	17,089	14,405
Other current assets	6,736	4,793	4,462
Total Current Assets	<u>231,177</u>	<u>90,121</u>	<u>85,137</u>
NONCURRENT ASSETS			
Capital assets, net of depreciation	88,517	49,711	40,669
Total Noncurrent Assets	<u>88,517</u>	<u>49,711</u>	<u>40,669</u>
TOTAL ASSETS	<u>319,694</u>	<u>139,832</u>	<u>125,806</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued interest payable	21,780	12,982	13,974
Deferred revenue	6,843	6,139	2,726
Amounts held in trust on behalf of others	1,400	1,300	1,217
Current portion of long-term obligations	7,237	9,966	7,465
Total Current Liabilities	<u>37,260</u>	<u>30,387</u>	<u>25,382</u>
NONCURRENT LIABILITIES			
Long-term obligations	203,496	54,880	53,897
Total Noncurrent Liabilities	<u>203,496</u>	<u>54,880</u>	<u>53,897</u>
TOTAL LIABILITIES	<u>240,756</u>	<u>85,267</u>	<u>79,279</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,800	31,769	28,060
Restricted for:			
Debt service	13,763	11,101	8,994
Capital projects	4,020	2,199	105
Unrestricted	18,355	9,496	9,368
TOTAL NET ASSETS	<u>\$ 78,938</u>	<u>\$ 54,565</u>	<u>\$ 46,527</u>

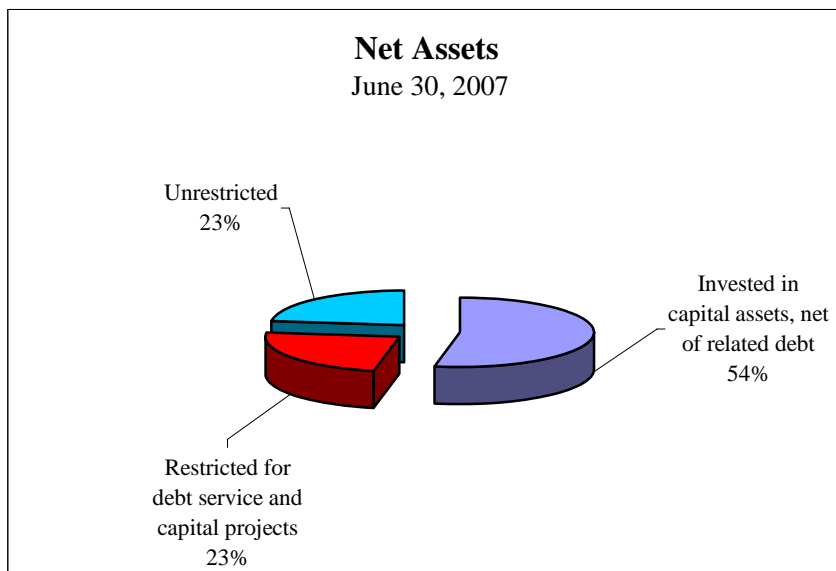
EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

- Approximately 99 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 2006-2007.
- The majority of the accounts receivable balance is from Federal and State source for grant entitlement programs. Also included is an account receivable for the fourth quarter lottery payment of \$1,559,174 and a receivable for apportionment in the amount of \$10,101,299. Student receivables are \$2,736,217.
- Capital assets had a net increase of \$38,806,068. The District had net additions of \$41,382,032 related to purchases of equipment, site improvements, and for construction in progress. Depreciation expense of \$2,644,354 was recognized during 2006-2007. 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, 2007. Total accounts payable are \$18,160,528; \$3,168,768 of the balance was accrued in the General Fund related to payables for vendors; \$7,147,838 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$7,843,922 are for amounts due to or on behalf of employees for wages and benefits.

Long-term obligations include 2003 General Obligation Bonds, Series A, that have been issued in the amount of \$63,700,000, 2005 General Obligation Refunding Bonds that have been issued in the amount of \$40,252,335, and 2006 General Obligation Bonds, Series B, that have been issued in the amount of \$150,000,000. Additional information regarding long-term obligations is included in the Capital Asset and Debt Administration section of this discussion and analysis.



EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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

(Amounts in thousands)

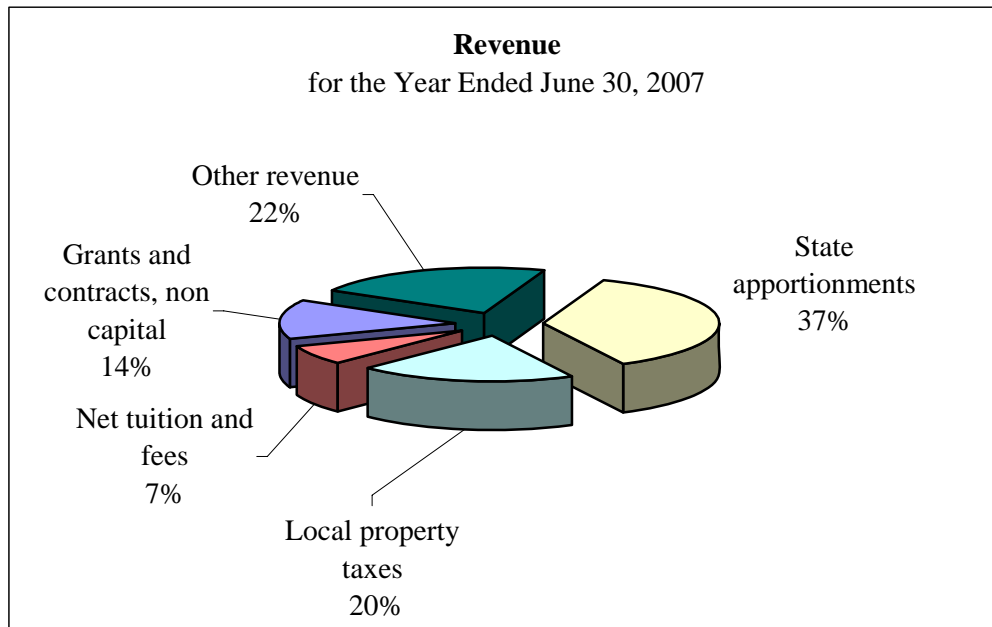
	<u>2007</u>	<u>2006</u>	<u>2005</u>
OPERATING REVENUES			
Tuition and Fees	\$ 16,010	\$ 16,280	\$ 15,577
Less: Scholarship discount and allowance	(3,076)	(3,082)	(3,324)
Net tuition and fees	<u>12,934</u>	<u>13,198</u>	<u>12,253</u>
Grants and Contracts, noncapital:			
Federal	13,509	11,610	11,942
State	12,444	9,250	10,629
Auxiliary Enterprise Sales and Charges			
Bookstore	7,455	6,913	6,845
TOTAL OPERATING REVENUES	<u>46,342</u>	<u>40,971</u>	<u>41,669</u>
OPERATING EXPENSES			
Salaries	78,766	73,469	69,082
Employee benefits	19,960	19,245	19,840
Supplies, materials, and other operating expenses and services	39,451	35,178	34,390
Depreciation	2,644	2,388	1,746
TOTAL OPERATING EXPENSES	<u>140,821</u>	<u>130,280</u>	<u>125,058</u>
OPERATING LOSS	<u>(94,479)</u>	<u>(89,309)</u>	<u>(83,389)</u>
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	69,062	57,006	52,645
Local property taxes	36,804	30,203	28,545
State taxes and other revenues	3,798	3,517	3,168
Investment income, net	8,983	2,504	1,386
Interest expense on capital related debt	(7,632)	(1,926)	(2,440)
Transfer to agency fund	(346)	(342)	(301)
Other nonoperating revenue	6,210	5,465	6,130
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>116,879</u>	<u>96,427</u>	<u>89,133</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>22,400</u>	<u>7,118</u>	<u>5,744</u>
State revenues, capital	1,973	920	4,050
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>1,973</u>	<u>920</u>	<u>4,050</u>
CHANGE IN NET ASSETS	24,373	8,038	9,794
NET ASSETS, BEGINNING OF YEAR	<u>54,565</u>	<u>46,527</u>	<u>36,733</u>
NET ASSETS, END OF YEAR	<u>\$ 78,938</u>	<u>\$ 54,565</u>	<u>\$ 46,527</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

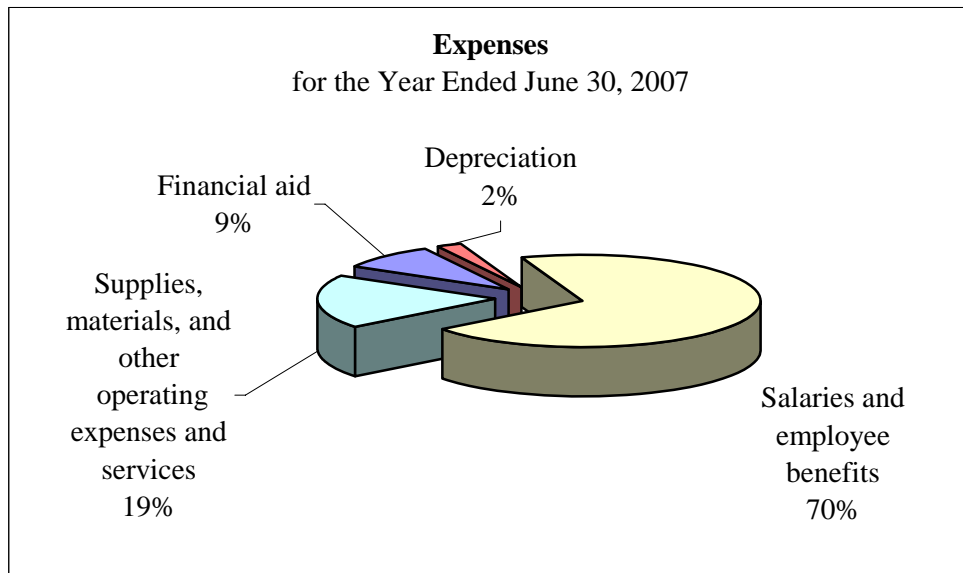
- Tuition and fees are generated by the resident, non-resident, and foreign students attending El Camino Community College District, including fees such as health fees, parking fees, community services classes, and other related fees.
- Noncapital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- Operating expenses are 74 percent related to personnel costs. The balance of operating expenses is for supplies, student financial aid, other services, capital outlay items below the capitalization threshold, insurance, utilities, and depreciation expense.
- State apportionment is generated based on the workload measures reported to the State by the District. The District has experienced increases in the various workload measures.
- Local property taxes are received through the Auditor-Controller's Office for Los Angeles County. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.
- State apportionments, capital, are the amount of capital outlay, deferred maintenance, architectural barrier removal, and hazardous substance funding received from the State through the Department of Finance. Approved State capital outlay projects are typically funded 50 percent by the State.



EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007



STATEMENT OF CASH FLOWS

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

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

The Statement of Cash Flows for the years ended June 30, 2007, 2006, and 2005, are summarized below:

(Amounts in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows From			
Operating activities	\$ (88,487)	\$ (86,078)	\$ (80,472)
Noncapital financing activities	112,102	94,496	92,209
Capital and related financing activities	103,860	(9,179)	(14,582)
Investing activities	5,574	2,731	1,424
Net Change in Cash	<u>133,049</u>	<u>1,970</u>	<u>(1,421)</u>
Cash - Beginning of Year	<u>68,239</u>	<u>66,269</u>	<u>67,690</u>
Cash - End of Year	<u>\$ 201,288</u>	<u>\$ 68,239</u>	<u>\$ 66,269</u>

- Cash receipts from operating activities are from student tuition and from Federal, State, and local grants. Use of cash are 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 59.4 percent of noncapital financing. Cash received from property taxes accounts for 32.8 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 \$8,977,585 was received from the Los Angeles County pool that paid an average rate of 5.43 percent.

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because we 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, 2007, the District had \$88,517,538 invested in capital assets net of accumulated depreciation. Total capital assets of \$132,907,993 consist of land, site and site improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$44,390,455. Capital asset additions of \$41,450,422 occurred during 2006-2007, and depreciation expense of \$2,644,354 was recorded for the fiscal year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

Construction in progress of \$53,128,287 at June 30, 2007, includes the renovation of the Humanities Complex. This project is being funded with bond proceeds and State capital outlay grant money.

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)

	2007	2006	2005
Land	\$ 1,050	\$ 1,050	\$ 1,050
Construction in progress	53,128	14,735	3,824
Site improvements, net	450	423	202
Buildings and improvements, net	31,619	30,937	32,567
Vehicles and equipment, net	2,270	2,566	3,026
Net Capital Assets	<u><u>\$ 88,517</u></u>	<u><u>\$ 49,711</u></u>	<u><u>\$ 40,669</u></u>

Obligations

At June 30, 2007, the District had \$208,037,396 in debt outstanding due to issuance of general obligation bonds. The general obligation bonds were issued to finance the acquisition, construction, and modernization of certain District property and facilities. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District received a bond rating of "AAA" for Standard and Poor's.

Note 8 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

(Amounts in thousands)

	2007	2006	2005
2003 General Obligation Bond, Series A	\$ 11,030	\$ 12,395	\$ 56,580
Unamortized premium	1,917	2,190	2,464
2005 General Obligation Refunding Bonds	33,196	40,801	-
Unamortized premium	6,470	6,874	-
2006 General Obligation Bond, Series B	150,000	-	-
Unamortized premium	5,425	-	-
Compensated absences	2,695	2,586	2,318
Totals	<u><u>\$ 210,733</u></u>	<u><u>\$ 64,846</u></u>	<u><u>\$ 61,362</u></u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

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

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

The District's estimated construction costs as outlined in the Facilities Master Plan of 2002-2003 have steadily increased over the past years. The current increase in estimated costs is now at 150 percent above the original cost estimates. Increasing construction costs will require significant adjustments to the District's facilities construction plan.

The District granted a retro active five percent salary increase for calendar year 2007 and a three percent salary increase for calendar year 2008. The salary increases and associated benefits will reduce the ending balance of the District.

The State of California has indicated that budget funds may be reduced in fiscal years 2007-2008 and 2008-2009. A reduction in funding may impact the District's ability to fund student programs and support an enrollment growth initiative.

The 2006-2007 PERS employer contribution rate was 9.124 percent of classified payroll for a total unrestricted General Fund cost of \$1,910,147. The District is budgeting \$2,239,978 for the 2007-2008 estimated contribution at a rate of 9.306 percent. The 2006-2007 STRS employer contribution rate was 8.250 percent of certificated payroll for a total unrestricted General Fund cost of \$3,118,457. The District is budgeting \$3,486,010 for the 2007-2008 same estimated contribution at a rate of 8.250 percent.

The State enrollment fee for credit classes remains \$20 per unit for the 2007-2008 fiscal year.

Utility costs continue to increase on a local level. The District has increased its utility budget for 2007-2008 by 12 percent.

District paid medical benefits will increase by 8.2 percent in calendar year 2008 and are expected to increase in future years. This increase is paid from the District's unrestricted General Fund.

The continued decline in the local housing market may reduce the amount of property tax revenue received by the District.

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,742,465	\$ 1,882,907
Investments	199,546,177	66,356,456
Accounts receivable	20,415,944	12,776,116
Student receivable	2,736,217	4,312,648
Prepaid expenses	60,206	47,867
Stores inventories	1,640,912	1,137,377
Deferred cost on issuance	2,989,777	1,562,407
Other current assets	2,045,145	2,045,193
Total Current Assets	<u>231,176,843</u>	<u>90,120,971</u>
NONCURRENT ASSETS		
Nondepreciable capital assets	54,178,287	15,784,847
Depreciable capital assets, net of accumulated depreciation	34,339,251	33,926,623
Total Noncurrent Assets	<u>88,517,538</u>	<u>49,711,470</u>
TOTAL ASSETS	<u>319,694,381</u>	<u>139,832,441</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	18,160,528	12,246,347
Accrued interest payable	3,619,143	735,219
Deferred revenue	6,843,218	6,139,070
Amounts held in trust on behalf of others	1,399,878	1,300,413
Accrued compensated absences	100,000	100,000
Bonds payable	7,137,068	9,866,451
Total Current Liabilities	<u>37,259,835</u>	<u>30,387,500</u>
NONCURRENT LIABILITIES		
Accrued compensated absences payable	2,595,460	2,486,221
Bonds payable	200,900,328	52,393,537
Total Noncurrent Liabilities	<u>203,495,788</u>	<u>54,879,758</u>
TOTAL LIABILITIES	<u>240,755,623</u>	<u>85,267,258</u>
NET ASSETS		
Invested in capital assets, net of related debt	42,800,273	31,769,359
Restricted for:		
Debt service	13,763,389	11,101,339
Capital projects	4,020,108	2,199,046
Unrestricted	18,354,988	9,495,439
TOTAL NET ASSETS	<u>\$ 78,938,758</u>	<u>\$ 54,565,183</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 16,010,344	\$ 16,280,783
Less: Scholarship discount and allowance	(3,076,172)	(3,082,569)
Net tuition and fees	<u>12,934,172</u>	<u>13,198,214</u>
Grants and Contracts, noncapital:		
Federal	13,509,234	11,610,406
State	12,444,413	9,249,923
Auxiliary Enterprise Sales and Charges		
Bookstore	7,454,795	6,913,156
TOTAL OPERATING REVENUES	<u>46,342,614</u>	<u>40,971,699</u>
OPERATING EXPENSES		
Salaries	78,765,799	73,469,601
Employee benefits	19,960,130	19,244,743
Supplies, materials, and other operating expenses and services	39,450,853	35,178,268
Depreciation	2,644,354	2,387,843
TOTAL OPERATING EXPENSES	<u>140,821,136</u>	<u>130,280,455</u>
OPERATING LOSS	<u>(94,478,522)</u>	<u>(89,308,756)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	69,062,149	57,006,458
Local property taxes	36,803,792	30,202,719
State taxes and other revenues	3,798,479	3,516,991
Investment income, net	8,982,760	2,503,914
Interest expense on capital related debt	(7,632,489)	(1,926,063)
Transfer to agency fund	(346,453)	(342,300)
Other nonoperating revenue	6,210,941	5,464,818
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>116,879,179</u>	<u>96,426,537</u>
INCOME BEFORE OTHER REVENUES	<u>22,400,657</u>	<u>7,117,781</u>
State revenues, capital	1,972,918	920,314
TOTAL INCOME BEFORE OTHER REVENUES	<u>1,972,918</u>	<u>920,314</u>
INCREASE IN NET ASSETS	24,373,575	8,038,095
NET ASSETS, BEGINNING OF YEAR	<u>54,565,183</u>	<u>46,527,088</u>
NET ASSETS, END OF YEAR	<u>\$ 78,938,758</u>	<u>\$ 54,565,183</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 12,484,552	\$ 16,845,207
Grants and contracts	29,105,296	18,338,326
Payments to vendors for supplies and services	(27,331,556)	(28,718,272)
Payments to or on behalf of employees	(97,679,421)	(89,116,109)
Payments to students for scholarships and grants	(12,634,648)	(10,225,240)
Auxiliary enterprise sales and charges	7,468,882	6,714,924
Other operating receipts	99,465	83,352
Net Cash Flows From Operating Activities	<u>(88,487,430)</u>	<u>(86,077,812)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	66,568,690	53,434,937
Property taxes	36,803,792	30,202,719
State taxes and other revenues	4,108,880	4,625,667
Other nonoperating	4,621,065	6,232,200
Net Cash Flows From Noncapital Financing Activities	<u>112,102,427</u>	<u>94,495,523</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(36,473,985)	(11,206,140)
Proceeds from capital debt	156,690,554	47,674,620
State revenue, capital projects	732,319	1,466,462
Deferred cost on issuance	(1,427,370)	(406,679)
Principal paid on capital debt	(10,508,796)	(44,185,000)
Unamortized premium	(404,350)	(273,796)
Interest paid on capital debt	(4,748,565)	(2,248,094)
Net Cash Flows From Capital Financing Activities	<u>103,859,807</u>	<u>(9,178,627)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	5,574,475	2,730,702
Net Cash Flows From Investing Activities	<u>5,574,475</u>	<u>2,730,702</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	133,049,279	1,969,786
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>68,239,363</u>	<u>66,269,577</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 201,288,642</u></u>	<u><u>\$ 68,239,363</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTUALS		
Operating Loss	\$ (94,478,522)	\$ (89,308,756)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	2,644,354	2,387,843
Changes in Assets and Liabilities:		
Receivables, net	771,369	(1,939,891)
Inventories	(503,535)	64,675
Prepaid items	(12,339)	(8,745)
Accounts payable and accrued liabilities	1,416,560	2,819,852
Deferred revenue	1,575,218	(176,142)
Funds held for others	99,465	83,352
Total Adjustments	<u>5,991,092</u>	<u>3,230,944</u>
Net Cash Flows From Operating Activities	<u><u>\$ (88,487,430)</u></u>	<u><u>\$ (86,077,812)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 1,742,465	\$ 1,882,907
Cash in county treasury	199,546,177	66,356,456
Total Cash and Cash Equivalents	<u><u>\$ 201,288,642</u></u>	<u><u>\$ 68,239,363</u></u>
 NONCASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 1,813,813</u></u>	<u><u>\$ 1,709,844</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,205,062	\$ 1,099,510
Investments	5,213,633	4,604,047
Promises to give	201,000	1,500
Contributions receivable from split-interest agreements	212,592	171,803
Other assets	4,500	4,500
TOTAL ASSETS	<u><u>\$ 6,836,787</u></u>	<u><u>\$ 5,881,360</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	<u>\$ 19,891</u>	<u>\$ 15,539</u>
NET ASSETS		
Unrestricted	1,028,740	832,583
Temporarily restricted	4,371,861	3,822,005
Permanently restricted	1,416,295	1,211,233
TOTAL NET ASSETS	<u><u>6,816,896</u></u>	<u><u>5,865,821</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,836,787</u></u>	<u><u>\$ 5,881,360</u></u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND PROGRAM REVENUES				
Contributions	\$ 160,116	\$ 920,836	\$ 100,000	\$ 1,180,952
Gifts in kind	-	66,749	-	66,749
Contributed services	96,118	-	-	96,118
Investment income	98,794	97,705	-	196,499
Realized and unrealized gain on investments, net	103,344	405,444	-	508,788
Change in value of split-interest agreements	-	14,658	-	14,658
Other support	-	-	-	-
Total Support and Program Revenues	<u>458,372</u>	<u>1,505,392</u>	<u>100,000</u>	<u>2,063,764</u>
NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS	<u>850,474</u>	<u>(850,474)</u>	<u>-</u>	<u>-</u>
NET ASSETS RECLASSIFIED TO PERMANENTLY RESTRICTED	<u>-</u>	<u>(105,062)</u>	<u>105,062</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS	<u>1,308,846</u>	<u>549,856</u>	<u>205,062</u>	<u>2,063,764</u>
EXPENSES				
Program activities	798,640	-	-	798,640
General and administrative	187,964	-	-	187,964
Fundraising	126,085	-	-	126,085
Total Expenses	<u>1,112,689</u>	<u>-</u>	<u>-</u>	<u>1,112,689</u>
CHANGE IN NET ASSETS	196,157	549,856	205,062	951,075
NET ASSETS, BEGINNING OF YEAR	832,583	3,822,005	1,211,233	5,865,821
NET ASSETS, END OF YEAR	<u>\$ 1,028,740</u>	<u>\$ 4,371,861</u>	<u>\$ 1,416,295</u>	<u>\$ 6,816,896</u>

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

2006			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 87,386	\$ 1,236,057	\$ 1,100	\$ 1,324,543
-	19,925	-	19,925
96,118	-	-	96,118
100,662	34,575	-	135,237
5,448	117,630	-	123,078
-	(5,181)	-	(5,181)
2,131	202,187	-	204,318
<u>291,745</u>	<u>1,605,193</u>	<u>1,100</u>	<u>1,898,038</u>
<u>592,085</u>	<u>(592,085)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>883,830</u>	<u>1,013,108</u>	<u>1,100</u>	<u>1,898,038</u>
754,260	-	-	754,260
178,927	-	-	178,927
70,986	-	-	70,986
<u>1,004,173</u>	<u>-</u>	<u>-</u>	<u>1,004,173</u>
(120,343)	1,013,108	1,100	893,865
952,926	2,808,897	1,210,133	4,971,956
<u>\$ 832,583</u>	<u>\$ 3,822,005</u>	<u>\$ 1,211,233</u>	<u>\$ 5,865,821</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 951,075	\$ 893,865
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and unrealized gain on investments	(508,788)	(123,078)
Realized gain on sale of property	-	(3,176)
Contributions for long-term investment	-	(1,100)
Change in value of split-interest agreements	(14,658)	5,181
(Increase) decrease in:		
Promises to give	(199,500)	6,750
Contributions receivable from split-interest agreements	(26,131)	(117,680)
Other receivables	-	2,207
Increase (decrease) in:		
Accounts payable	4,351	(5,225)
Net Cash Flows From Operating Activities	<u>206,349</u>	<u>657,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,433,354)	(4,121,091)
Proceeds from sale of investment	1,332,557	3,554,688
Proceeds from sale of property	-	103,176
Net Cash Flows From Investing Activities	<u>(100,797)</u>	<u>(463,227)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term investment	-	1,100
Net Cash Flows From Financing Activities	<u>-</u>	<u>1,100</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	105,552	195,617
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,099,510</u>	<u>903,893</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,205,062</u>	<u>\$ 1,099,510</u>

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 1 - ORGANIZATION

The El Camino Community College District (the District) was established in 1946 as a political subdivision of the State of California and provides post secondary 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 not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government (the District), as well as the following component units:

- **El Camino Community College District Foundation**

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

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Financial statements for the Foundation can be obtained by calling the Foundation at (310) 660-3683.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

- **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with four joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Southern California Community College District Joint Powers Agency (SCCCD – JPA), the Schools Excess Liability Fund (SELF), the Statewide Association of Community Colleges (SWACC), and the California Statewide Delinquent Tax Finance Authority (CSDTFA).

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. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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. Generally, available is defined as collectible within 90 days.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business-Type Activity model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Cash balances restricted by external sources such as grants and contracts are classified as restricted cash and cash equivalents in the Statement of Net Assets.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

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. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenditures

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Inventory

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

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

Compensated Absences

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Net Assets

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

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

Restricted - Expendable - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$17,783,497 of restricted net assets.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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 and are recorded in the District's financial records when received.

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 State Teachers and the Public Employees Retirement Systems (STRS and PERS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,813,813 and \$0 for STRS and PERS, respectively.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Property Tax

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.

Scholarship Discounts and Allowances

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

Federal Financial Assistance Programs

The District participates in Federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2007 and 2006, the District distributed \$972,213 and \$1,065,518 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Component Unit

The El Camino Community College District Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and the changes in net assets are classified as follows:

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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

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

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

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

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

Investments are reported at fair value based upon quoted market prices.

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

New Accounting Pronouncement

GASB Statement No. 45: In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's revenues, similar to the implementation for GASB Statements No. 34 and 35. GASB Statement No. 45 will be effective for the El Camino Community College District on July 1, 2008. It is anticipated that the District will be in full compliance with this standard by the required implementation date.

Comparative Financial Information

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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, 2007 AND 2006**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 1,632,465
Cash in revolving fund	110,000
Investments	<u>199,546,177</u>
Total Deposits and Investments	<u><u>\$ 201,288,642</u></u>

Interest Rate Risk

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

Specific Identification

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
County Pool - Los Angeles	<u>\$ 199,638,392</u>	543 days*

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2007. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2007</u>
County Pool - Los Angeles	<u>\$ 199,638,392</u>	Not Applicable	Not Applicable

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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, 2007, the District's bank balance of \$1,769,784 was exposed to custodial credit risk because it was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>2007</u>	<u>2006</u>
Federal Government		
Categorical aid	\$ 1,346,179	\$ 462,783
State Government		
Apportionment	10,101,299	7,607,840
Categorical aid	201,271	151,146
Lottery	1,559,174	740,025
Other State sources	383,352	743,878
Local Government		
Interest	3,672,250	263,965
Contract receivables	370,843	491,657
Earned salary advance	573,266	572,676
Other local sources	2,208,310	1,742,146
Total	<u>\$ 20,415,944</u>	<u>\$ 12,776,116</u>
Student receivables	<u>\$ 2,736,217</u>	<u>\$ 4,312,648</u>

Discretely Presented Component Unit

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2007, 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	14,734,847	38,393,440	-	53,128,287
Total Capital Assets Not Being Depreciated	<u>15,784,847</u>	<u>38,393,440</u>	<u>-</u>	<u>54,178,287</u>
Capital Assets Being Depreciated				
Site improvements	2,836,715	71,807	-	2,908,522
Buildings and improvements	64,925,685	2,658,932	-	67,584,617
Vehicles and equipment	7,978,714	326,243	68,390	8,236,567
Total Capital Assets Being Depreciated	<u>75,741,114</u>	<u>3,056,982</u>	<u>68,390</u>	<u>78,729,706</u>
Total Capital Assets	<u>91,525,961</u>	<u>41,450,422</u>	<u>68,390</u>	<u>132,907,993</u>
Less Accumulated Depreciation	<u>41,814,491</u>	<u>2,644,354</u>	<u>68,390</u>	<u>44,390,455</u>
Net Capital Assets	<u>\$ 49,711,470</u>	<u>\$ 38,806,068</u>	<u>\$ -</u>	<u>\$ 88,517,538</u>

Depreciation expense for the year was \$2,644,354.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Capital asset activity for the District for the fiscal year ended June 30, 2006, 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	3,824,350	10,910,497	-	14,734,847
Total Capital Assets Not Being Depreciated	<u>4,874,350</u>	<u>10,910,497</u>	<u>-</u>	<u>15,784,847</u>
Capital Assets Being Depreciated				
Site improvements	2,591,914	250,001	5,200	2,836,715
Buildings and improvements	64,925,685	-	-	64,925,685
Vehicles and equipment	8,117,182	269,901	408,369	7,978,714
Total Capital Assets Being Depreciated	<u>75,634,781</u>	<u>519,902</u>	<u>413,569</u>	<u>75,741,114</u>
Total Capital Assets	<u>80,509,131</u>	<u>11,430,399</u>	<u>413,569</u>	<u>91,525,961</u>
Less Accumulated Depreciation	<u>39,840,217</u>	<u>2,387,843</u>	<u>413,569</u>	<u>41,814,491</u>
Net Capital Assets	<u>\$ 40,668,914</u>	<u>\$ 9,042,556</u>	<u>\$ -</u>	<u>\$ 49,711,470</u>

Depreciation expense for the year was \$2,387,843.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2007	2006
Accrued payroll and benefits	\$ 7,843,922	\$ 6,906,653
Instructional service agreements	139,888	106,227
Construction	7,440,199	2,463,762
Other	2,736,519	2,769,705
Total	<u>\$ 18,160,528</u>	<u>\$ 12,246,347</u>

Discretely Presented Component Unit

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2007	2006
Federal financial assistance	\$ 16,888	\$ 39,365
State categorical aid	1,992,058	394,363
Enrollment fees	4,201,346	4,650,966
Other local	632,926	1,054,376
Total	<u>\$ 6,843,218</u>	<u>\$ 6,139,070</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2007 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
2003 General Obligation Bonds, Series A	\$ 12,395,000	\$ -	\$ 1,365,000	\$ 11,030,000	\$1,405,000
Unamortized premium	2,190,368	-	273,796	1,916,572	-
2005 General Obligation Refunding Bonds	40,800,664	1,265,172	8,870,000	33,195,836	1,132,068
Unamortized premium	6,873,956	-	404,350	6,469,606	-
2006 General Obligation Bonds, Series B	-	150,000,000		150,000,000	4,600,000
Unamortized premium	-	5,425,382		5,425,382	-
Total Bonds and Notes Payable	<u>62,259,988</u>	<u>156,690,554</u>	<u>10,913,146</u>	<u>208,037,396</u>	<u>7,137,068</u>
Other Liabilities					
Compensated absences, net	2,586,221	109,239	-	2,695,460	100,000
Total Other Liabilities	<u>2,586,221</u>	<u>109,239</u>	<u>-</u>	<u>2,695,460</u>	<u>100,000</u>
 Total Long-Term Obligations	 <u>\$ 64,846,209</u>	 <u>\$ 156,799,793</u>	 <u>\$ 10,913,146</u>	 <u>\$ 210,732,856</u>	 <u>\$ 7,237,068</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

The changes in the District's long-term obligations during the 2006 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
2003 General Obligation Bonds, Series A	\$56,580,000	\$ -	\$44,185,000	\$12,395,000	\$1,365,000
Unamortized premium	2,464,164	-	273,796	2,190,368	-
2005 General Obligation Refunding Bonds	-	40,800,664	-	40,800,664	8,501,451
Unamortized premium	-	6,873,956	-	6,873,956	-
Total Bonds and Notes Payable	<u>59,044,164</u>	<u>47,674,620</u>	<u>44,458,796</u>	<u>62,259,988</u>	<u>9,866,451</u>
Other Liabilities					
Compensated absences, net	2,317,546	268,675	-	2,586,221	100,000
Total Other Liabilities	<u>2,317,546</u>	<u>268,675</u>	<u>-</u>	<u>2,586,221</u>	<u>100,000</u>
Total Long-Term Obligations	<u>\$61,361,710</u>	<u>\$47,943,295</u>	<u>\$44,458,796</u>	<u>\$64,846,209</u>	<u>\$9,966,451</u>

Description of Debt

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

Bonded Debt

2003 General Obligation Bonds, Series A

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was \$394,516,464. At June 30, 2007, \$67,132,335 had been issued and \$11,030,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2007, the unamortized premium and issuance costs were \$1,916,572 and \$898,900, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

2005 General Obligation Refunding Bonds

During August 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$40,252,335. The bonds issued included \$25,045,000 of current interest bonds and \$15,207,335 of Capital Appreciation bonds. The Capital Appreciation bonds have a maturing principal balance of \$23,395,000. The bonds mature beginning on August 1, 2006 through August 1, 2022, with interest yields ranging from 3.00 percent to 4.12 percent. At June 30, 2007, the principal balance outstanding (including accreted interest to date) was \$33,195,836 and unamortized premium and issuance costs were \$6,469,606 and \$503,617, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

The bonds are being used to advance refund a portion of the outstanding General Obligation Bonds, Election of 2002, Series 2003A. The amount of the advance refund for these bonds was \$36,820,000. Funds have been placed in an irrevocable escrow account for the future redemption of these bonds. At June 30, 2007, the balance of the funds in the escrow account was \$39,148,355. As the advance refunding has met the requirements of an in-substance defeasance, the debt obligations of \$36,820,000 for the bonds have been removed as long-term obligations of the District.

2006 General Obligation Bonds, Series B

During September 2006, the District issued the 2006 General Obligation Bonds, Series B in the amount of \$150,000,000. The bonds mature beginning August 1, 2007 through August 1, 2031, with interest rates ranging from 3.625 percent to 5.00 percent. At June 30, 2007, the principal balance outstanding was \$150,000,000 and unamortized premium and issuance costs were \$5,425,382 and \$1,587,260, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds
				Outstanding July 1, 2006	Issued	Additions	Redeemed	Outstanding June 30, 2007
2003	2014	2.50 - 5.00%	\$ 63,700,000	\$ 12,395,000	\$ -	\$ -	\$ 1,365,000	\$ 11,030,000
2005	2023	3.00 - 4.12%	40,252,335	40,800,664	-	1,265,172	8,870,000	33,195,836
2006	2031	3.625-5.00%	150,000,000	-	150,000,000	-	-	150,000,000
				<u>\$ 53,195,664</u>	<u>\$ 150,000,000</u>	<u>\$ 1,265,172</u>	<u>\$ 10,235,000</u>	<u>\$ 194,225,836</u>

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

Fiscal Year	Interest to		Total
	Principal	Maturity	
2008	\$ 1,405,000	\$ 450,250	\$ 1,855,250
2009	1,450,000	407,425	1,857,425
2010	1,495,000	352,038	1,847,038
2011	1,560,000	287,200	1,847,200
2012	1,625,000	215,375	1,840,375
2013-2014	3,495,000	176,875	3,671,875
Total	<u>\$ 11,030,000</u>	<u>\$ 1,889,163</u>	<u>\$ 12,919,163</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

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
2008	\$ 1,132,068	\$ 67,932	\$ 1,252,250	\$ 2,452,250
2009	1,007,532	192,468	1,252,250	2,452,250
2010	892,964	302,036	1,252,250	2,447,250
2011	798,060	401,940	1,252,250	2,452,250
2012	707,308	487,692	1,252,250	2,447,250
2013-2017	6,687,904	4,922,096	6,184,375	17,794,375
2018-2022	17,845,000	-	3,348,875	21,193,875
2023	4,125,000	-	103,125	4,228,125
Total	<u>\$ 33,195,836</u>	<u>\$ 6,374,164</u>	<u>\$ 15,897,625</u>	<u>\$ 55,467,625</u>

The 2006 General Obligation Bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 4,600,000	\$ 6,870,368	\$ 11,470,368
2009	3,250,000	6,713,368	9,963,368
2010	3,000,000	6,573,368	9,573,368
2011	1,800,000	6,453,369	8,253,369
2012	2,250,000	6,368,994	8,618,994
2013-2017	22,200,000	29,561,341	51,761,341
2018-2022	29,140,000	23,738,125	52,878,125
2023-2027	37,035,000	15,668,557	52,703,557
2028-2032	46,725,000	5,754,507	52,479,507
Total	<u>\$ 150,000,000</u>	<u>\$ 107,701,997</u>	<u>\$ 257,701,997</u>

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for full-time faculty and staff is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the fiscal year 2006-2007, the District provided insurance premium benefits to 41 retired employees with total expenditures of approximately \$227,000.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 10 - RISK MANAGEMENT

Property and Liability

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 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. During the fiscal year ending June 30, 2007, the District contracted with the Statewide Association of Community Colleges 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 2006-2007, 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 11 - EMPLOYEE RETIREMENT SYSTEMS

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

STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$3,312,809, \$3,122,917, and \$2,901,017, respectively, and equal 100 percent of the required contributions for each year.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The El Camino Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. 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, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2006-2007 was 9.124 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006, and 2005, were \$2,325,626, \$2,176,510, and \$2,229,000, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$1,813,813 (4.517 percent) of salaries subject to STRS. A contribution from the State to CalPERS was not required for the year ended June 30, 2007. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 12 - 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, 2007.

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, 2007.

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

In August 2006, the District entered into a memorandum 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, 2007, amounted to approximately \$325,000.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Central Plant	\$ 9,925,281	1/08
Humanities Complex Replacement	9,190,885	2/08
Learning Resource Center Addition	7,827,307	6/08
Student Services and Activities Replacement	2,203,352	12/12
Lot H Parking Structure	527,145	4/09
Infrastructure Phase 1	6,570,106	1/08
Primary Electrical Distribution System	519,677	9/07
	<u>\$ 36,763,753</u>	

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

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Southern California Community College District (SCCCD - JPA), the Schools Excess Liability Fund (SELF), and the Statewide Association of Community Colleges (SWACC) 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.

SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2007

The El Camino Community College District was established in July 1947 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 Western Association of Schools and Colleges (WASC), 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 2007
Mrs. Mary E. Combs	Vice President	November 2007
Dr. Nathaniel Jackson	Secretary	November 2007
Dr. Ray Gen	Member	November 2009
Ms. Maureen O'Donell	Member	November 2009
Ms. Roxanna Seyeden	Student Member	May 2008

ADMINISTRATION

Dr. Thomas M. Fallo	Superintendent and President of the College
Dr. Francisco Arce	Vice President of Academic Affairs
Dr. Jeffrey Marsee	Vice President of Administrative Services
Dr. Jeanie Nishime	Vice President of Student Services

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster		
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	\$ 665,100
Federal Family Education Loans (FFEL)	84.032	972,213
Federal Work-Study (FWS)	84.033	404,395
Federal Pell Grant (PELL)	84.063	9,744,501
HIGHER EDUCATION ACT		
Global Experience Through Technology (GETT)	84.016A	45,095
Title V - Preparing Tomorrow's Teachers Today	84.031S	255,204
Title V - Preparing Tomorrow's Teachers Today	84.031S	124,334
Title V - Preparing Tomorrow's Teachers Today	84.031S	347,423
Pass-through from Santa Monica College		
Title V- Supporting Student Success in Pre-Transfer Mathematics	84.031S	158,690
Pass-through Los Angeles Unified School District		
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	24,862
Child Care Access Means Parents in School	84.335A	47,041
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES		
Pass-through the Western Oregon University		
Training of Interpreters for Individuals who are Deaf or Hard of Hearing and Individuals who are Deaf-Blind	84.160A	113,909
VOCATIONAL AND APPLIED TECHNOLOGY EDUCATION ACT		
Pass-through the California Community College Chancellors Office		
Title I-C	84.048	713,997
Tech Prep	84.243	67,147
Total U.S. Department of Education		<u>13,683,911</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Pass-through the Community College Foundation		
Independent Living Program	93.674	25,340
Kinship Education Preparation and Support (KEPS)	93.658	41,775
Pass-through the California Community College Chancellors Office		
Temporary Assistance for Needy Families (TANF)	93.558	139,169
Foster and Kinship Care Education Program (FKCE)	93.658	16,921
Total U.S. Department of Health and Human Services		<u>223,205</u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Total Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through the California Department of Education Child and Adult Food Program	10.558	\$ 8,666
Total U.S. Department of Agriculture		<u>8,666</u>
U.S. DEPARTMENT OF STATE		
Preparing Educators for Global Society	S-ECAAS-03-GR-280 (DD)	13,897
Total U.S. Department of State		<u>13,897</u>
NATIONAL SCIENCE FOUNDATION		
Advanced Aerospace Planning	47.076	2,683
Advanced Aerospace Manufacturing Education	47.076	149,886
Total National Science Foundation		<u>152,569</u>
SMALL BUSINESS ADMINISTRATION		
Pass-through Long Beach Community College District Small Business Development Center	59.037	320,980
Total Small Business Administration		<u>320,980</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Education Representative Fee	64.000	1,780
Total U.S. Department of Veterans Affairs		<u>1,780</u>
Total Expenditures of Federal Awards		<u><u>\$14,405,008</u></u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Disabled Students Program and Services (DSP&S)	\$ 1,532,927	\$ -	\$ 1,532,927
Extended Opportunity Program and Services (EOP&S)	1,807,460	-	1,807,460
Cooperative Agencies Resources for Education (CARE)	135,109	-	135,109
Transfer and Articulation	5,000	-	5,000
Matriculation	1,195,281	-	1,195,281
CalWORKs	675,160	-	675,160
Career Technical Education	656,103	-	656,103
Foster Care Education	120,326	-	120,326
TTIP Library Automation	36,697	11,643	48,340
Faculty and Staff Diversity	20,134	52,206	72,340
Puente Reporting	-	2,550	2,550
Small Business Department of Commerce - COCCC	50,000	-	50,000
Small Business Department of Commerce - CITD	205,000	-	205,000
Aerospace Export IDRC	199,875	-	199,875
High School Globalization	248,847	-	248,847
JDIF - Marinetime Basic Skills	187,140	-	187,140
Center for Applied Competitive Technology - CACT	684,922	74	684,996
Quick Start Partnership	449,438	-	449,438
BFAP	606,780	-	606,780
Telecom and Technology	-	1,445	1,445
4CNet Video T-1 Connection	-	12,300	12,300
TTIP Total Cost of Operation	10,595	52,224	62,819
TTIP Technological Human Resource Training	-	455	455
Basic Skill	657,207	-	657,207
Instructional Equipment	1,165,412	114,177	1,279,589
Staff Development	82,598	-	82,598
Careers in Child Care Training Program	148,275	-	148,275
MESA Program	89,000	33,369	122,369
MESA CSEMS Scholarship Grant	3,125	-	3,125
TRIO	11,779	20,652	32,431
JDIF	212,628	-	212,628
Workplace Learning Center - WPLRC State Leadership	205,000	1,340	206,340
Child Development Center	659	-	659
Enrollment Growth for Associated Degree in Nursing Program	68,252	-	68,252
Capacity Building for Nursing Program	55,550	179,487	235,037
Renovation for Capacity Building for Nursing	144,430	299,981	444,411
Cal Grants	1,372,813	-	1,372,813
Total State Programs			

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 1,521,148	\$ -	\$ 8,049	\$ 1,513,099	\$ 1,513,099
1,807,460	-	-	1,807,460	1,807,460
135,109	-	-	135,109	135,109
5,000	-	-	5,000	5,000
1,195,281	-	-	1,195,281	1,195,281
740,840	-	65,680	675,160	675,160
656,103	-	118,554	537,549	537,549
73,324	45,814	-	119,138	119,138
48,183	-	-	48,183	48,183
72,340	-	41,780	30,560	30,560
2,550	-	2,550	-	-
50,000	-	-	50,000	50,000
205,000	-	22,678	182,322	182,322
199,875	-	138,374	61,501	61,501
89,769	-	25,744	64,025	64,025
187,140	-	45,367	141,773	141,773
574,142	-	68,516	505,626	505,626
89,888	107,865	54,179	143,574	143,574
606,780	-	6,361	600,419	600,419
1,445	-	1,445	-	-
12,300	-	-	12,300	12,300
59,705	-	31,893	27,812	27,812
455	-	-	455	455
657,207	-	545,823	111,384	111,384
1,165,412	-	538,337	627,075	627,075
82,450	-	81,382	1,068	1,068
108,170	39,652	-	147,822	147,822
94,494	7,940	-	102,434	102,434
3,125	-	-	3,125	3,125
32,431	-	32,431	-	-
212,628	-	160,605	52,023	52,023
206,340	-	1,340	205,000	205,000
659	-	-	659	659
68,252	-	-	68,252	68,252
284,832	-	-	284,832	284,832
444,411	-	-	444,411	444,411
1,372,814	-	970	1,371,844	1,371,844
<u>\$ 13,067,062</u>	<u>\$ 201,271</u>	<u>\$ 1,992,058</u>	<u>\$ 11,276,275</u>	<u>\$ 11,276,275</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENTS - ANNUAL/ACTUAL ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2007**

CATEGORIES	<u>Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Audited Data</u>
<u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	2,879	-	2,879
2. Weekly census	14,161	-	14,161
3. Daily census	1,385	-	1,385
4. Actual hours of attendance	868	-	868
5. Independent study/work experience	12	-	12
Subtotal	<u>19,305</u>	<u>-</u>	<u>19,305</u>
<u>Noncredit FTES</u>			
Actual hours of attendance	<u>7</u>	<u>-</u>	<u>7</u>
Subtotal	<u>7</u>	<u>-</u>	<u>7</u>
Total FTES	<u>19,312</u>	<u>-</u>	<u>19,312</u>
<u>Basic Skills Courses</u>			
Credit			<u>1,173</u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2007.

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

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

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

General Funds	\$ 14,913,995
Special Revenue Funds	2,761,249
Debt Service Funds	13,763,389
Capital Project Funds	166,340,239
Enterprise Funds	1,640,593
Internal Service Funds	2,502,918
Fiduciary Funds	<u>1,537,737</u>

Total Fund Balance, Retained Earnings and Due to Student Groups - All District Funds	\$ 203,460,120
---	-----------------------

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	132,907,993	
Accumulated depreciation is	(44,390,455)	
Less fixed assets already recorded in the enterprise funds	<u>(276,800)</u>	88,240,738

Expenditures relating to the issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis.	2,989,777
--	-----------

Amounts held in trust on behalf of others (Trust and Agency Funds)	(1,399,878)
--	-------------

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.	(3,619,143)
--	-------------

Long-term obligations at year end consist of:

Bonds payable	194,225,836	
Unamortized premium	13,811,560	
Compensated absences	<u>2,695,460</u>	<u>(210,732,856)</u>
Total Net Assets		<u><u>\$ 78,938,758</u></u>

See accompanying note to supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

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.

Subrecipients

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION HIGHER EDUCATION ACT		
Title V - Preparing Tomorrow's Teachers Today	84.031S	\$ 347,423

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.

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

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

Reconciliation of Annual Financial and Budget Report 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 fund financial statements.

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

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the financial statements of El Camino Community College District (the District) as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 21, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of El Camino Community College District in a separate letter dated December 21, 2007.

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

Vaurinek, Time, Day & Co., LLP

Rancho Cucamonga, California
December 21, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
El Camino Community College District
Torrance, California

Compliance

We have audited the compliance of El Camino Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. El Camino Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of El Camino Community College District's management. Our responsibility is to express an opinion on El Camino Community College District's compliance based on our audit.

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

In our opinion, El Camino Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Vaurinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 21, 2007



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
El Camino Community College District
Torrance, California

We have audited the financial statements of the El Camino Community College District (the District) for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 21, 2007.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 436: Minimum Conditions - Standards of Scholarship

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

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

Section 432: Enrollment Fee

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

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

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

Facilities

Section 434: Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings 2007-1 through 2007-5 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the El Camino Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

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

Vaurinek, Trine, Day, Co., LLP

Rancho Cucamonga, California
December 21, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EL CAMINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.032, 84.033, 84.063, and 84.007	Student Financial Aid Cluster
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 432,150</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

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

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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

MINIMUM CONDITIONS - STANDARDS OF SCHOLARSHIP

Remedial Coursework Published in College Catalogs

2007-1 Condition

As a minimum condition to receive State apportionment for FTES, the El Camino Community College District must adopt regulations consistent with the "Standards of Scholarship" contained in the California Code of Regulations (CCR Section 55761) and publish statements of those regulations under appropriate headings in their catalogs. The regulations require the establishment of the number of remedial coursework that can be taken for credit. Procedures must also be established and documented as to the process a student must undertake to receive a waiver of the established procedures. This ensures that students have meaningful access to information concerning such standards.

Recommendation

The District should implement and publish a policy that clearly identifies exceptions to the remedial coursework policy so that students are informed of requirements and potential exceptions to requirements.

District Response

The District will implement and publish a policy that clearly identifies exceptions to the remedial coursework policy. This policy will be made available to students through the college catalog.

MINIMUM CONDITIONS - STANDARDS OF SCHOLARSHIP

Course Repetition

2007-2 Condition

In our sample of students tested for course repetitions, we noted students who had repeated the same course two times or more times due to substandard coursework are properly being recorded. However, it was noted that the District was claiming apportionment for the second and all additional repeats. California Code of Regulations, Title 5, Sections 55763 and 58161 (b) allows one repetition of a course where substandard work has previously been recorded.

Recommendation

We recommend that the District follow the provisions stated which prohibits districts from claiming apportionment for excessive course repetitions where substandard coursework has been recorded.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

District Response

The District will follow the State provisions and not claim apportionment for excessive course repeats where substandard coursework has been recorded.

Self Assessment of Noncredit Classes

2007-3 Condition

The State Chancellor's Office provided direction to districts to complete a self-assessment of noncredit classes. The District completed the checklist for the computer/library lab courses and properly submitted them to the State Chancellor's Office. However, the District did not complete the self-assessment checklists for all other noncredit courses.

Recommendation

We recommend that the District review their noncredit offerings for compliance with the State Chancellor's Office and complete the self-assessment checklists for all noncredit courses.

District Response

The District has reviewed all noncredit course offerings and will continue on an annual basis in June to complete a self assessment checklist.

SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)

No Sub Fund for Lottery Expenditures

2007-4 Condition

The District has not established a separate account/sub fund to account for the receipt and expenditures of lottery funds in accordance with Government Code, Section 880.5(k). As outlined in the Contracted District Audit Manual, the lack of a separate lottery fund, account, or sub fund will result in a recordkeeping finding.

Recommendation

The District must establish a separate sub fund to account for the expenditures of the lottery as required by the Contracted District Audit Manual.

District Response

The District does track lottery expenditures through the use of an account description. The District will further establish a separate account location code to further identify the lottery expenditures as required by the Contracted District Audit Manual.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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

FTES Claimed for Courses Designed for K-12 Students

2007-5 Condition

It was noted that several concurrent enrollment students were enrolled in a course called Beginning Chorus (MUSIC 58abcd). Upon looking the course up in the regular schedule of classes, the following description was noted: "...designed for students grades 3 through 8 who have auditioned and have been accepted into the South Bay Children's Choir." The description of the course appears to limit enrollment of this course, which is counted for FTES, to those students who meet the above criteria. It was also noted that no student in the course was over the age of 17; therefore the description does appear to be limiting enrollment into the course.

Recommendation

The District should review the course descriptions to ensure that they are in compliance with *Education Code* Section 76002(a) that states all courses being claimed for state apportionment must not only be open to the general public, the course must also be advertised as such in the college catalog, the regular schedule of classes and in any addenda to the college catalog or regular schedule of classes. Should the district decide to continue to offer such courses, then the district should exempt the course from claiming state apportionment for the FTES generated from the course.

District Response

The course will be placed on hold and not be offered until the catalog description is revised to allow all students to register.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

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

FEDERAL COMPLIANCE

CalWORKs - Allowable Costs

2006-1 Finding

The District does not have proper documentation to support the payroll costs charged to the CalWORKs Federal TANF program of \$112,082.

Recommendation

We recommend that the District perform periodic certifications of employees who work on Federal programs. Certifications, personnel activity reports, and all other approved methods of documentation will ensure that salaries being charged to the various Federal programs are reasonable in relation to the work that is actually being performed.

Current Status

Implemented.

STATE COMPLIANCE

CalWORKs - Eligibility

2006-2 Finding

In our sample of 18 CalWORKs recipients, the District did not obtain proper eligibility documentation through the County Welfare Department. Eligibility must be verified at the beginning of each academic term to ensure that the student remains in good standing and to ensure that the student is eligible for services prior to receiving them.

Recommendation

The District should ensure that proper eligibility documentation be obtained for all students to ensure that they are eligible for services prior to receiving them.

Current Status

Implemented.

EL CAMINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Self Assessment of Noncredit Classes

2006-3 Finding

The State Chancellor's Office provided direction to districts to complete a self-assessment of noncredit classes. The District completed the checklist for the computer/library lab courses and properly submitted them to the State Chancellor's Office. However, the District did not complete the self-assessment checklists for all other noncredit courses.

Recommendation

We recommend that the District review their noncredit offerings for compliance with the State Chancellor's Office and complete the self-assessment checklists for all noncredit courses.

Current Status

Not implemented. See current year findings and questioned costs 2007-3.

ADDITIONAL SUPPLEMENTARY INFORMATION

EL CAMINO COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2007**

	<u>General Funds</u>		<u>Special Revenue Funds</u>	
	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Retiree Benefits</u>
ASSETS				
Cash and cash equivalents	\$ (336,786)	\$ 333,136	\$ -	\$ -
Investments	8,801,405	4,046,253	74,075	2,649,718
Accounts receivable	13,296,657	2,070,726	18,310	50,161
Student receivable	2,722,674	-	-	-
Due from other funds	1,006,891	-	-	-
Prepaid expenses	16,615	278	-	-
Stores inventories	19,260	-	-	-
Other current assets	-	117	-	-
Total Assets	\$ 25,526,716	\$ 6,450,510	\$ 92,385	\$ 2,699,879
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 8,059,953	\$ 2,244,448	\$ 29,893	\$ -
Amounts held for others	69,000	-	-	-
Deferred revenue	3,754,212	2,935,618	1,122	-
Total Liabilities	11,883,165	5,180,066	31,015	-
FUND EQUITY				
Fund Balances				
Reserved	36,153	-	-	-
Unreserved				
Designated	-	1,270,444	61,370	2,699,879
Undesignated	13,607,398	-	-	-
Total Fund Equity	13,643,551	1,270,444	61,370	2,699,879
Total Liabilities and Fund Equity	\$ 25,526,716	\$ 6,450,510	\$ 92,385	\$ 2,699,879

See accompanying note to additional supplementary information.

Debt Service Fund	Capital Project Funds		Total Governmental Fund (Memorandum Only)
Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	
\$ -	\$ 145,630	\$ -	\$ 141,980
13,763,389	3,868,038	166,147,800	199,350,678
-	450,098	3,320,169	19,206,121
-	-	-	2,722,674
-	-	-	1,006,891
-	-	-	16,893
-	-	-	19,260
-	-	-	117
<u>\$ 13,763,389</u>	<u>\$ 4,463,766</u>	<u>\$ 169,467,969</u>	<u>\$ 222,464,614</u>
\$ -	\$ 292,361	\$ 7,147,838	\$ 17,774,493
-	-	-	69,000
-	151,297	-	6,842,249
<u>-</u>	<u>443,658</u>	<u>7,147,838</u>	<u>24,685,742</u>
-	-	-	36,153
13,763,389	4,020,108	162,320,131	184,135,321
-	-	-	13,607,398
<u>13,763,389</u>	<u>4,020,108</u>	<u>162,320,131</u>	<u>197,778,872</u>
<u>\$ 13,763,389</u>	<u>\$ 4,463,766</u>	<u>\$ 169,467,969</u>	<u>\$ 222,464,614</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General Funds</u>		<u>Special Revenue Funds</u>	
	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Retiree Benefits</u>
REVENUES				
Federal revenues	\$ 257,393	\$ 2,833,574	\$ 8,666	\$ -
State revenues	73,616,296	9,235,951	184,921	-
Local revenues	32,854,470	4,034,619	239,599	131,390
Total Revenues	<u>106,728,159</u>	<u>16,104,144</u>	<u>433,186</u>	<u>131,390</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	44,980,163	2,641,580	249,892	-
Classified salaries	23,127,922	6,254,529	129,237	-
Employee benefits	15,801,967	1,881,725	100,444	-
Books and supplies	1,486,321	982,132	15,714	-
Services and operating expenditures	8,599,353	2,900,702	1,643	-
Capital outlay	409,001	1,676,021	-	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	<u>94,404,727</u>	<u>16,336,689</u>	<u>496,930</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,323,432</u>	<u>(232,545)</u>	<u>(63,744)</u>	<u>131,390</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	443,448	75,000	1,858,485
Operating transfers out	(3,963,652)	(60,000)	-	-
Other sources	-	-	-	-
Other uses	(12,150)	(235,052)	-	-
Total Other Financing Sources (Uses)	<u>(3,975,802)</u>	<u>148,396</u>	<u>75,000</u>	<u>1,858,485</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>8,347,630</u>	<u>(84,149)</u>	<u>11,256</u>	<u>1,989,875</u>
FUND BALANCE, BEGINNING OF YEAR	<u>5,295,921</u>	<u>1,354,593</u>	<u>50,114</u>	<u>710,004</u>
FUND BALANCE, END OF YEAR	<u>\$13,643,551</u>	<u>\$ 1,270,444</u>	<u>\$ 61,370</u>	<u>\$ 2,699,879</u>

See accompanying note to additional supplementary information.

Debt Service Fund	Capital Project Funds		Total Governmental Fund (Memorandum Only)
Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	
\$ -	\$ -	\$ -	\$ 3,099,633
89,101	1,972,918	-	85,099,187
16,969,488	690,106	8,001,192	62,920,864
<u>17,058,589</u>	<u>2,663,024</u>	<u>8,001,192</u>	<u>151,119,684</u>
-	-	-	47,871,635
-	-	-	29,511,688
-	-	-	17,784,136
-	7,464	-	2,491,631
-	143,935	4,243,897	15,889,530
-	1,366,829	36,413,615	39,865,466
10,235,000	-	-	10,235,000
4,161,539	-	-	4,161,539
<u>14,396,539</u>	<u>1,518,228</u>	<u>40,657,512</u>	<u>167,810,625</u>
<u>2,662,050</u>	<u>1,144,796</u>	<u>(32,656,320)</u>	<u>(16,690,941)</u>
-	676,266	-	3,053,199
-	-	-	(4,023,652)
-	-	155,461,106	155,461,106
-	-	(4,802,532)	(5,049,734)
<u>-</u>	<u>676,266</u>	<u>150,658,574</u>	<u>149,440,919</u>
2,662,050	1,821,062	118,002,254	132,749,978
11,101,339	2,199,046	44,317,877	65,028,894
<u>\$ 13,763,389</u>	<u>\$ 4,020,108</u>	<u>\$ 162,320,131</u>	<u>\$ 197,778,872</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2007**

	Enterprise Funds	Internal Service Fund
	Bookstore	Service Fund
ASSETS		
Cash and cash equivalents	\$ 267,720	\$ 10,000
Investments	-	453,871
Accounts receivable	767,696	7,326
Prepaid expenses	29,723	-
Stores inventories	1,621,652	-
Other current assets	150	2,044,878
Furniture and equipment (net)	276,800	-
Total Assets	\$ 2,963,741	\$ 2,516,075
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 316,257	\$ 13,157
Due to other funds	1,006,891	-
Total Liabilities	1,323,148	13,157
FUND EQUITY		
Retained earnings	1,640,593	2,502,918
Total Liabilities and Fund Equity	\$ 2,963,741	\$ 2,516,075

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds	Internal Service Fund
	Bookstore	Service Fund
OPERATING REVENUES		
Sales revenues	\$ 7,454,795	\$ 1,728,514
OPERATING EXPENSES		
Classified salaries	1,218,797	54,440
Employee benefits	346,635	15,546
Books and supplies	-	605
Services and other operating expenditures	5,734,923	2,702,132
Total Operating Expenses	7,300,355	2,772,723
Operating Loss	154,440	(1,044,209)
NONOPERATING REVENUES (EXPENSES)		
Interest income	5,176	35,871
Miscellaneous revenues	120,217	280,363
Operating transfers in	-	900,000
Operating transfers out	(276,000)	-
Total Nonoperating Revenues (Expenses)	(150,607)	1,216,234
NET CHANGE	3,833	172,025
RETAINED EARNINGS, BEGINNING OF YEAR	1,636,760	2,330,893
RETAINED EARNINGS, END OF YEAR	\$ 1,640,593	\$ 2,502,918

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds	Internal Service Fund
	Bookstore	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales	\$ 7,454,795	\$ 1,728,514
Cash payments to employees for services	(1,565,432)	(69,986)
Cash payments to suppliers for goods and services	-	(605)
Cash payments for other operating expenses	(5,833,295)	(2,696,586)
Net Cash Flows from Operating Activities	<u>56,068</u>	<u>(1,038,663)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers, net	(276,000)	900,000
Nonoperating revenues	120,217	280,363
Net Cash Flows from Noncapital Financing Activities	<u>(155,783)</u>	<u>1,180,363</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	777	-
Net Cash Flows from Capital and Related Financing Activities	<u>777</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	5,176	33,018
Net Cash Flows from Investing Activities	<u>5,176</u>	<u>33,018</u>
Net change in cash and cash equivalents	(93,762)	174,718
Cash and cash equivalents - Beginning	361,482	289,153
Cash and cash equivalents - Ending	<u>\$ 267,720</u>	<u>\$ 463,871</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ 154,440	\$ (1,044,209)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	30,370	-
Changes in assets and liabilities:		
Receivables	14,087	-
Inventories	(507,360)	-
Prepays and other current assets	(10,495)	-
Accounts payable	284,477	5,546
Due to other fund	90,549	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 56,068</u>	<u>\$ (1,038,663)</u>

See accompanying note to additional supplementary information.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2007**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 108,037	\$ 36,732	\$ 24,130
Investments	-	-	(258,372)
Accounts receivable	-	-	389,527
Student receivable	-	-	13,543
Prepaid expenses	-	-	-
Total Assets	\$ 108,037	\$ 36,732	\$ 168,828
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 1,944	\$ 317	\$ 30,000
Deferred revenue	-	-	969
Due to student groups	-	-	-
Total Liabilities	1,944	317	30,969
FUND EQUITY			
Fund Balances			
Unreserved			
Undesignated	106,093	36,415	137,859
Total Fund Equity	106,093	36,415	137,859
Total Liabilities and Fund Equity	\$ 108,037	\$ 36,732	\$ 168,828

See accompanying note to additional supplementary information.

Scholarship and Loan	Auxiliary Services	Associated Student Organization	Other Trust	Total
\$ 437,660	\$ 371,786	\$ 80,180	\$ 264,240	\$ 1,322,765
-	69,000	-	-	(189,372)
-	9,347	3,156	32,771	434,801
-	-	-	-	13,543
-	13,590	-	-	13,590
<u>\$ 437,660</u>	<u>\$ 463,723</u>	<u>\$ 83,336</u>	<u>\$ 297,011</u>	<u>\$ 1,595,327</u>
\$ 7,395	\$ 12,568	\$ 745	\$ 3,652	\$ 56,621
-	-	-	-	969
-	221,047	74,931	-	295,978
<u>7,395</u>	<u>233,615</u>	<u>75,676</u>	<u>3,652</u>	<u>353,568</u>
<u>430,265</u>	<u>230,108</u>	<u>7,660</u>	<u>293,359</u>	<u>1,241,759</u>
<u>430,265</u>	<u>230,108</u>	<u>7,660</u>	<u>293,359</u>	<u>1,241,759</u>
<u>\$ 437,660</u>	<u>\$ 463,723</u>	<u>\$ 83,336</u>	<u>\$ 297,011</u>	<u>\$ 1,595,327</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$ 10,409,601
State revenues	-	-	2,178,772
Local revenues	16,008	20,454	-
Total Revenues	<u>16,008</u>	<u>20,454</u>	<u>12,588,373</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	32,840	12,788	-
Total Expenditures	<u>32,840</u>	<u>12,788</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,832)</u>	<u>7,666</u>	<u>12,588,373</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	24,000	-	-
Operating transfers out	-	-	-
Other uses	-	-	(12,634,648)
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>-</u>	<u>(12,634,648)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	7,168	7,666	(46,275)
FUND BALANCE, BEGINNING OF YEAR	98,925	28,749	184,134
FUND BALANCE, END OF YEAR	<u>\$ 106,093</u>	<u>\$ 36,415</u>	<u>\$ 137,859</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Auxiliary Services	Associated Student Organization	Other Trust	Total
\$ -	\$ -	\$ -	\$ -	\$ 10,409,601
-	-	-	-	2,178,772
282,666	226,103	44,984	356,396	946,611
<u>282,666</u>	<u>226,103</u>	<u>44,984</u>	<u>356,396</u>	<u>13,534,984</u>
238,696	514,126	48,738	365,338	1,212,526
<u>238,696</u>	<u>514,126</u>	<u>48,738</u>	<u>365,338</u>	<u>1,212,526</u>
43,970	(288,023)	(3,754)	(8,942)	12,322,458
-	346,453	-	-	370,453
-	(24,000)	-	-	(24,000)
-	-	-	-	(12,634,648)
<u>-</u>	<u>322,453</u>	<u>-</u>	<u>-</u>	<u>(12,288,195)</u>
43,970	34,430	(3,754)	(8,942)	34,263
386,295	195,678	11,414	302,301	1,207,496
<u>\$ 430,265</u>	<u>\$ 230,108</u>	<u>\$ 7,660</u>	<u>\$ 293,359</u>	<u>\$ 1,241,759</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of the El Camino Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The information is unaudited and is presented at the request of the District management.