

EL CAMINO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
REVENUE BOND CONSTRUCTION FUND
MEASURE E
FINANCIAL AUDIT**

Fiscal Year Ending June 30, 2010

EL CAMINO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
REVENUE BOND CONSTRUCTION FUND
MEASURE E
FINANCIAL AUDIT

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Measure E Citizens' Bond Oversight Committee
El Camino Community College District

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Revenue Bond Construction Fund of the El Camino Community College District as of and for the fiscal year ended June 30, 2010. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Revenue Bond Construction Fund 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 for the Revenue Bond Construction Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Revenue Bond Construction Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Revenue Bond Construction Fund of the El Camino Community College District as of June 30, 2010, 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 March 11, 2011 on our consideration of the El Camino Community College District's internal control over financial reporting and 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 Revenue Bond Construction Fund 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.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

March 11, 2011

EL CAMINO COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
REVENUE BOND CONSTRUCTION FUND

June 30, 2010

ASSETS

Cash in County Treasury	\$ 87,533,196
Accounts Receivable	563,018
Prepaid Expenses	<u>501,884</u>

TOTAL ASSETS \$ 88,598,098

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ <u>2,936,400</u>
TOTAL LIABILITIES	<u>2,936,400</u>

FUND BALANCE

Designated	<u>85,661,698</u>
TOTAL FUND BALANCE	<u>85,661,698</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 88,598,098

See the accompanying notes to the financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
REVENUE BOND CONSTRUCTION FUND

For the Fiscal Year Ended June 30, 2010

REVENUES

Interest and Investment Income	\$ 1,403,317
TOTAL REVENUES	<u>1,403,317</u>

EXPENDITURES

Materials and Supplies	11,566
Other Services	2,527,324
Capital Outlay	<u>19,599,927</u>
TOTAL EXPENDITURES	<u>22,138,817</u>

Net change in fund balance	(20,735,500)
Fund Balance at Beginning of Year	<u>106,397,198</u>
Fund Balance at End of Year	<u>\$ 85,661,698</u>

See the accompanying notes to the financial statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - REVENUE BOND CONSTRUCTION FUND**

For the Fiscal Year Ended June 30, 2010

	Budget *	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest and Investment Income	\$ 2,700,000	\$ 1,403,317	\$ (1,296,683)
TOTAL REVENUES	<u>2,700,000</u>	<u>1,403,317</u>	<u>(1,296,683)</u>
EXPENDITURES			
Materials and Supplies	250,000	11,566	238,434
Other Services	18,290,000	2,527,324	15,762,676
Capital Outlay	256,708,893	19,599,927	237,108,966
TOTAL EXPENDITURES	<u>275,248,893</u>	<u>22,138,817</u>	<u>253,110,076</u>
Deficiency of revenues over expenditures	<u>(272,548,893)</u>	<u>(20,735,500)</u>	<u>251,813,393</u>
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	180,816,464	-	(180,816,464)
TOTAL OTHER FINANCING SOURCES	<u>180,816,464</u>	<u>-</u>	<u>(180,816,464)</u>
Net change in fund balance	<u>\$ (91,732,429)</u>	<u>(20,735,500)</u>	<u>\$ 70,996,929</u>
Fund Balance at Beginning of Year		<u>106,397,198</u>	
Fund Balance at End of Year		<u>\$ 85,661,698</u>	

* The budget reflects amounts remaining and available for current and subsequent years and does not necessarily coincide with actual planned revenues and expenditures in the current year.

See the accompanying notes to the financial statements.

**EL CAMINO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Revenue Bond Construction Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Revenue Bond Construction Fund is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

During the year, Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**EL CAMINO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Revenue Bond Construction Fund are determined by its measurement focus. The Revenue Bond Construction funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Revenue Bond Construction Fund are accounted for in the basic financial statements of the El Camino Community College District.

NOTE 2 - DEPOSITS:

CASH IN COUNTY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s Revenue Bond Construction Fund deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was \$87,827,776.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations, by major object accounts.

**EL CAMINO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT:

On November 5, 2002, the District voters authorized the issuance and sale of general obligation bonds totaling \$394,516,464 which provides that proceeds of the bonds will be used to finance the acquisition and improvement of real property.

The outstanding related bonded debt for the El Camino Community College District at June 30, 2010 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
3/20/2003	2.5 - 5.0%	8/1/2013	\$ 63,700,000	\$ 8,175,000	\$	\$ 1,495,000	\$ 6,680,000
8/30/2005	3.0 - 5.0%	8/1/2022	40,252,335	30,176,173		762,230	29,413,943
9/12/2006	3.75 - 5.0%	8/1/2031	150,000,000	142,150,000		3,000,000	139,150,000
			<u>\$ 253,952,335</u>	<u>\$ 180,501,173</u>	<u>\$ -</u>	<u>\$ 5,257,230</u>	<u>\$ 175,243,943</u>

Series A

On March 20, 2003, \$63,700,000 of general obligation bonds were sold. The annual requirements to amortize Series A bonds payable, outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,560,000	\$ 287,200	\$ 1,847,200
2012	1,625,000	215,375	1,840,375
2013	1,705,000	132,125	1,837,125
2014	<u>1,790,000</u>	<u>44,750</u>	<u>1,834,750</u>
	<u>\$ 6,680,000</u>	<u>\$ 679,450</u>	<u>\$ 7,359,450</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT: (continued)

Refunding

On August 30, 2005, \$40,252,335 of general obligation bonds were sold in order to refund a portion of Series A bonds. The annual requirements to amortize Refunding bonds payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest Component	Total
2011	\$ 681,228	\$ 1,252,250	\$ 518,772	\$ 2,452,250
2012	603,762	1,252,250	591,238	2,447,250
2013	537,344	1,252,250	657,656	2,447,250
2014	478,227	1,252,250	716,773	2,447,250
2015	1,095,223	1,252,250	1,979,777	4,327,250
2016-2020	14,228,159	4,976,125	2,096,841	21,301,125
2021-2023	<u>11,790,000</u>	<u>903,500</u>	<u> </u>	<u>12,693,500</u>
	<u>\$ 29,413,943</u>	<u>\$ 12,140,875</u>	<u>\$ 6,561,057</u>	<u>\$ 48,115,875</u>

Capital appreciation bonds were issued as part of the 2005 refunding issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued has been reflected in the long term debt balance on the El Camino Community College District's financial statements.

**EL CAMINO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT: (continued)

Series B

On September 12, 2006, \$150,000,000 of general obligation bonds were sold. The annual requirements to amortize Series B bonds payable, outstanding as of June 30, 2010, are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 1,800,000	\$ 6,453,369	\$ 8,253,369
2012	2,250,000	6,368,994	8,618,994
2013	3,300,000	6,259,494	9,559,494
2014	4,245,000	6,112,428	10,357,428
2015	4,685,000	5,935,931	10,620,931
2016-2020	26,610,000	26,368,313	52,978,313
2021-2025	33,675,000	19,090,844	52,765,844
2026-2030	42,585,000	9,994,356	52,579,356
2031-2032	20,000,000	961,163	20,961,163
	<u>\$ 139,150,000</u>	<u>\$ 87,544,892</u>	<u>\$ 226,694,892</u>

NOTE 5 – PURCHASE COMMITMENTS

As of June 30, 2010, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$30 million.

**EL CAMINO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS**

June 30, 2010

The audit resulted in adjustments to the fund balance reported on the June 30, 2010 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. Adjustments are as follows:

	<u>Revenue Bond Construction Fund</u>
Annual Financial and Budget Report Fund Balance (CCFS-311)	<u>\$ 85,311,890</u>
Adjustments to Increase/(Decrease) Fund Balance:	
Underaccrual of accounts receivable	39,697
Underaccrual of prepaid expenses	501,884
Underaccrual of accounts payable	<u>(191,773)</u>
Net adjustments	<u>349,808</u>
Annual Financial and Budget Report Fund Balance	<u>\$ 85,661,698</u>



**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**

The Board of Trustees
The Measure E Citizens' Bond Oversight Committee
El Camino Community College District

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Revenue Bond Construction Fund of the El Camino Community College District as of and for the fiscal year ended June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.


**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**

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the District's Board of Trustees, the Citizens' Bond Oversight Committee and District management. It is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

March 11, 2011

**EL CAMINO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

There were no findings related to the financial audit of the Revenue Bond Construction Fund for the year ended June 30, 2010. In addition, there were no findings related to the financial audit of the Revenue Bond Construction Fund for the year ended June 30, 2009.