

**EL CAMINO  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2006**

# EL CAMINO COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
El Camino Community College District  
Torrance, California

We have audited the accompanying basic financial statements of the El Camino Community College District (the District) as of and for the years ended June 30, 2006 and 2005. 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, 2006 and June 30, 2005, and for the years then ended. Those Statements were audited by other auditors whose reports dated August 24, 2006 and September 15, 2005, 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the El Camino Community College District as of June 30, 2006 and 2005, 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.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006, 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, contract 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.

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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 67 through 74 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.

*Wawriack, June Day & Co. CP*

Rancho Cucamonga, California  
November 17, 2006



# EL CAMINO COMMUNITY COLLEGE DISTRICT

16007 Crenshaw Boulevard Torrance, California 90506-0001  
Telephone (310)532-3670 or 1-877-ECAMINO

## ***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, 2006. 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.

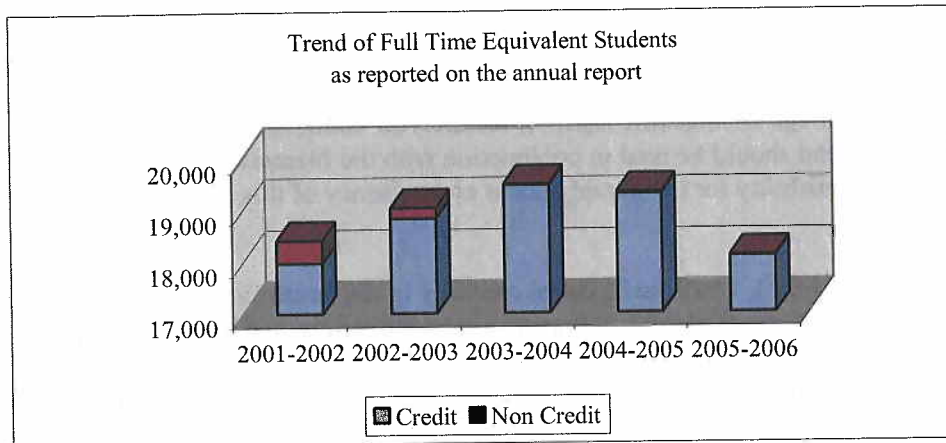
# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

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### SELECTED HIGHLIGHTS

- During 2005-2006, total full-time equivalent students declined approximately 6.3 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, 2006

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>2006</u>	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 68,239	\$ 66,270	\$ 68,056
Accounts receivable	17,089	14,405	15,410
Other current assets	4,793	4,462	4,709
<b>Total Current Assets</b>	<u>90,121</u>	<u>85,137</u>	<u>88,175</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net of depreciation	49,711	40,669	31,997
<b>Total Noncurrent Assets</b>	<u>49,711</u>	<u>40,669</u>	<u>31,997</u>
<b>TOTAL ASSETS</b>	<u>139,832</u>	<u>125,806</u>	<u>120,172</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued interest payable	12,982	13,974	11,352
Deferred revenue	6,139	2,726	2,405
Amounts held in trust on behalf of others	1,300	1,217	1,101
Current portion of long-term obligations	9,966	7,465	7,332
<b>Total Current Liabilities</b>	<u>30,387</u>	<u>25,382</u>	<u>22,190</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term obligations	54,880	53,897	61,249
<b>Total Noncurrent Liabilities</b>	<u>54,880</u>	<u>53,897</u>	<u>61,249</u>
<b>TOTAL LIABILITIES</b>	<u>85,267</u>	<u>79,279</u>	<u>83,439</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	31,769	28,060	19,492
Restricted for:			
Debt service	11,101	8,994	8,714
Capital projects	2,199	105	-
Unrestricted	9,496	9,368	8,527
<b>TOTAL NET ASSETS</b>	<u>\$ 54,565</u>	<u>\$ 46,527</u>	<u>\$ 36,733</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

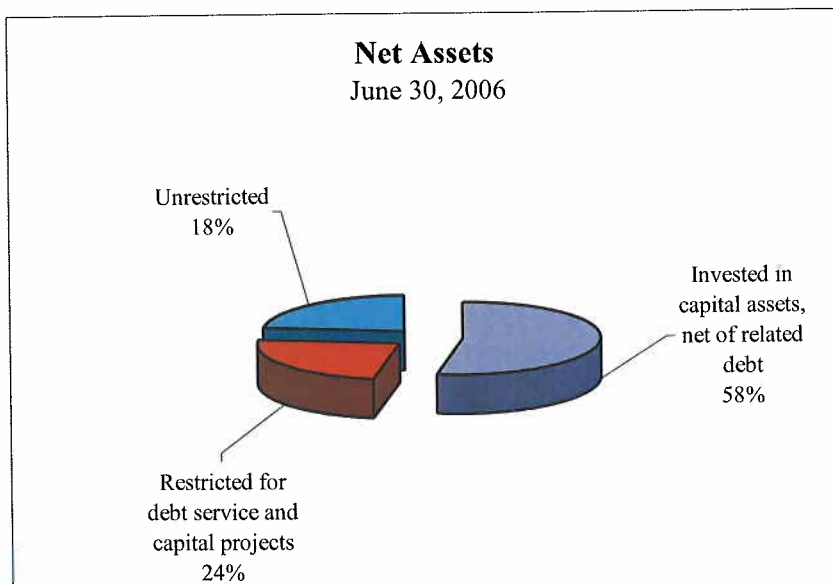
## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2006**

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- Approximately 97 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 2005-2006.
- 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 \$328,524 in unrestricted and \$411,501 Prop 20 restricted. Student receivables are \$4,312,648.
- Capital assets had a net increase of \$9,042,556. The District had net additions of \$11,016,830 related to purchases of equipment, site improvements, and for construction in progress. Depreciation expense of \$2,387,843 was recognized during 2005-2006. 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, 2006. Total accounts payable are \$12,246,347; \$2,596,417 of the balance was accrued in the General Fund related to payables for vendors; \$2,400,928 was accrued in the Revenue Bond Construction fund related to capital outlay. Accrued liabilities of \$6,906,653 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 and 2005 General Obligation Bonds, Series B, that have been issued in the amount of \$40,252,335. 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, 2006**

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### ***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, 2006

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

(Amounts in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>			
Tuition and Fees	\$ 16,280	\$ 15,577	\$ 12,360
Less: Scholarship discount and allowance	(3,082)	(3,324)	(1,726)
Net tuition and fees	<u>13,198</u>	<u>12,253</u>	<u>10,634</u>
Grants and Contracts, noncapital:			
Federal	11,610	11,942	11,991
State	9,250	10,629	9,365
Auxiliary Enterprise Sales and Charges			
Bookstore	6,913	6,845	6,720
<b>TOTAL OPERATING REVENUES</b>	<u>40,971</u>	<u>41,669</u>	<u>38,710</u>
<b>OPERATING EXPENSES</b>			
Salaries	73,469	69,082	64,563
Employee benefits	19,245	19,840	16,908
Supplies, materials, and other operating expenses and services	35,178	34,390	27,379
Depreciation	2,388	1,746	747
<b>TOTAL OPERATING EXPENSES</b>	<u>130,280</u>	<u>125,058</u>	<u>109,597</u>
<b>OPERATING LOSS</b>	<u>(89,309)</u>	<u>(83,389)</u>	<u>(70,887)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State apportionments, noncapital	57,006	52,645	39,248
Local property taxes	30,203	28,545	36,883
State taxes and other revenues	3,517	3,168	2,969
Investment income, net	2,504	1,386	810
Interest expense on capital related debt	(1,926)	(2,440)	(2,491)
Transfer to agency fund	(342)	(301)	(276)
Other nonoperating revenue	5,465	6,130	1,259
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>96,427</u>	<u>89,133</u>	<u>78,402</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES</b>	<u>7,118</u>	<u>5,744</u>	<u>7,515</u>
State revenues, capital	920	4,050	11,947
<b>TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>920</u>	<u>4,050</u>	<u>11,947</u>
<b>CHANGE IN NET ASSETS</b>	8,038	9,794	19,462
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>46,527</u>	<u>36,733</u>	<u>17,271</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 54,565</u>	<u>\$ 46,527</u>	<u>\$ 36,733</u>

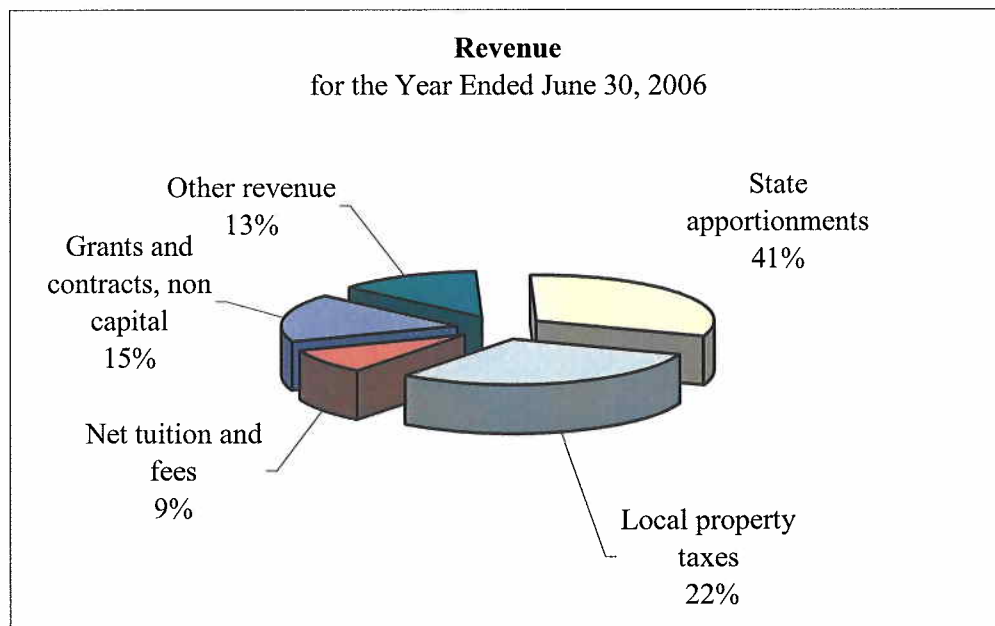
# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2006**

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- 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 71 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. The housing market has remained strong in California. Home sales are turning over quickly which keeps property tax revenues steady and increasing.
- 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.

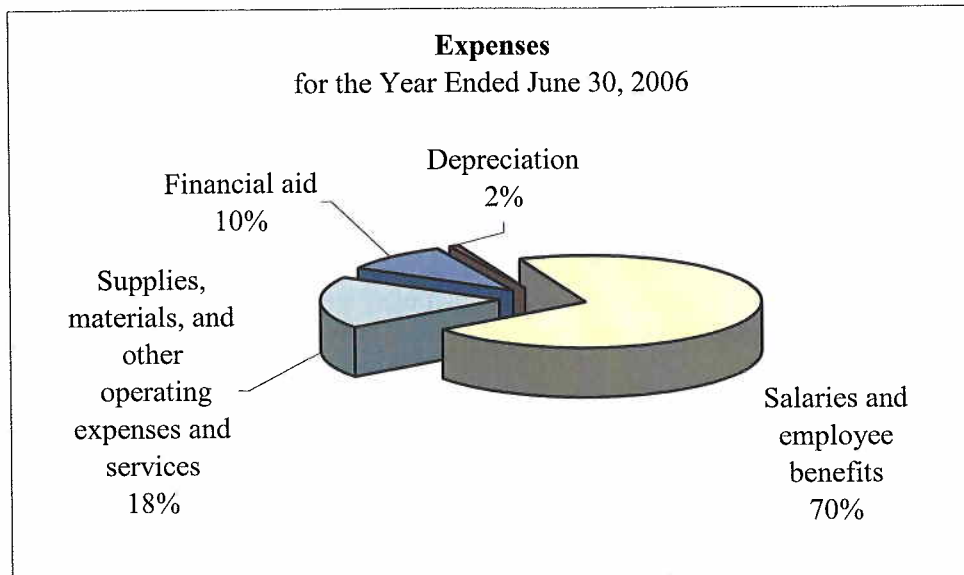


# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### ***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, 2006

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The Statement of Cash Flows for the years ended June 30, 2006, 2005, and 2004, are summarized below:

(Amounts in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Cash Flows From</b>			
Operating activities	\$ (86,078)	\$ (80,472)	\$ (69,380)
Noncapital financing activities	94,496	92,209	73,534
Capital and related financing activities	(9,179)	(14,582)	(9,226)
Investing activities	2,731	1,424	342
<b>Net Change in Cash</b>	<u>1,970</u>	<u>(1,421)</u>	<u>(4,730)</u>
<b>Cash - Beginning of Year</b>	<u>66,269</u>	<u>67,690</u>	<u>72,420</u>
<b>Cash - End of Year</b>	<u>\$ 68,239</u>	<u>\$ 66,269</u>	<u>\$ 67,690</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 56.5 percent of noncapital financing. Cash received from property taxes accounts for 32.0 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 \$2,491,640 was received from the Los Angeles County pool that paid an average rate of 3.98 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, 2006, the District had \$49,711,470 invested in capital assets net of accumulated depreciation. Total capital assets of \$91,525,961 consist of land, site and site improvements, construction in progress, and equipment; these assets have accumulated depreciation of \$41,814,491. Minor capital asset additions of \$11,430,399 occurred during 2005-2006, and depreciation expense of \$2,387,843 was recorded for the fiscal year.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2006**

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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 \$14,734,847 at June 30, 2006, includes the renovation of the Humanities Complex. This project is being funded with bond proceeds and State capital outlay grant money.

Note 4 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

(Amounts in thousands)

	2006	2005	2004
Land	\$ 1,050	\$ 1,050	\$ 1,050
Construction in progress	14,735	3,824	17,202
Site improvements	423	202	76
Buildings and improvements	30,937	32,567	11,597
Vehicles and equipment	2,566	3,026	2,072
<b>Net Capital Assets</b>	<u>\$ 49,711</u>	<u>\$ 40,669</u>	<u>\$ 31,997</u>

### Obligations

At June 30, 2006, the District had \$62,259,988 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)

	2006	2005	2004
2003 General Obligation Bond, Series A	\$ 12,395	\$ 56,580	\$ 63,700
Unamortized premium	2,190	2,464	2,576
2005 General Obligation Refunding Bonds	40,801	-	-
Unamortized premium	6,874	-	-
Compensated absences	2,586	2,318	2,305
<b>Totals</b>	<u>\$ 64,846</u>	<u>\$ 61,362</u>	<u>\$ 68,581</u>

### *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.



# **EL CAMINO COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2006**

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Revenue generated from the partnership agreement are 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 2005-2006 PERS employer contribution rate was 9.116 percent of classified payroll for a total unrestricted General Fund cost of \$1,821,701. The District is budgeting \$1,880,665 for the 2006-2007 estimated contribution at a rate of 9.124 percent. The 2005-2006 STRS employer contribution rate was 8.250 percent of certificated payroll for a total unrestricted General Fund cost of \$2,968,640. The District is budgeting \$2,974,245 for the 2006-2007 same estimated contribution at a rate of 8.250 percent.

The State enrollment fee for credit classes is being reduced from \$26 to \$20 per unit effective January 1, 2007. This reduction in the enrollment fee will impact the Winter and Spring terms of fiscal year 2006-2007.

Utility costs continue to increase on a local level. The District has increased its utility budget for 2006-2007 by one million dollars.

District paid medical benefits will increase by 13 percent in calendar year 2007 and are expected to increase in future years. This increase is paid from the District's unrestricted General Fund.

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.

### ***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, 2006 AND 2005

	2006	2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,882,907	\$ 2,281,995
Investments	66,356,456	63,987,582
Accounts receivable	12,776,116	12,438,903
Student receivable	4,312,648	1,966,787
Prepaid expenses	47,867	39,122
Stores inventories	1,137,377	1,202,052
Deferred cost on issuance	1,562,407	1,155,728
Other current assets	2,045,193	2,065,296
<b>Total Current Assets</b>	<u>90,120,971</u>	<u>85,137,465</u>
<b>NONCURRENT ASSETS</b>		
Nondepreciable capital assets	15,784,847	4,874,350
Depreciable capital assets, net of accumulated depreciation	33,926,623	35,794,564
<b>Total Noncurrent Assets</b>	<u>49,711,470</u>	<u>40,668,914</u>
<b>TOTAL ASSETS</b>	<u>139,832,441</u>	<u>125,806,379</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	12,246,347	12,916,997
Accrued interest payable	735,219	1,057,250
Deferred revenue	6,139,070	2,726,273
Amounts held in trust on behalf of others	1,300,413	1,217,061
Accrued compensated absences	100,000	100,000
Bonds payable	9,866,451	7,365,000
<b>Total Current Liabilities</b>	<u>30,387,500</u>	<u>25,382,581</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued compensated absences payable	2,486,221	2,217,546
Bonds payable	52,393,537	51,679,164
<b>Total Noncurrent Liabilities</b>	<u>54,879,758</u>	<u>53,896,710</u>
<b>TOTAL LIABILITIES</b>	<u>85,267,258</u>	<u>79,279,291</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	31,769,359	28,059,705
Restricted for:		
Debt service	11,101,339	8,993,682
Capital projects	2,199,046	105,724
Unrestricted	9,495,439	9,367,977
<b>TOTAL NET ASSETS</b>	<u>\$ 54,565,183</u>	<u>\$ 46,527,088</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, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 16,280,783	\$ 15,576,690
Less: Scholarship discount and allowance	(3,082,569)	(3,324,301)
Net tuition and fees	<u>13,198,214</u>	<u>12,252,389</u>
Grants and Contracts, noncapital:		
Federal	11,610,406	11,941,854
State	9,249,923	10,629,311
Auxiliary Enterprise Sales and Charges		
Bookstore	6,913,156	6,845,496
<b>TOTAL OPERATING REVENUES</b>	<u>40,971,699</u>	<u>41,669,050</u>
<b>OPERATING EXPENSES</b>		
Salaries	73,469,601	69,082,032
Employee benefits	19,244,743	19,839,855
Supplies, materials, and other operating expenses and services	35,178,268	34,389,847
Depreciation	2,387,843	1,745,890
<b>TOTAL OPERATING EXPENSES</b>	<u>130,280,455</u>	<u>125,057,624</u>
<b>OPERATING LOSS</b>	<u>(89,308,756)</u>	<u>(83,388,574)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	57,006,458	52,644,841
Local property taxes	30,202,719	28,545,078
State taxes and other revenues	3,516,991	3,168,388
Investment income, net	2,503,914	1,386,002
Interest expense on capital related debt	(1,926,063)	(2,440,225)
Transfer to agency fund	(342,300)	(301,000)
Other nonoperating revenue	5,464,818	6,130,256
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>96,426,537</u>	<u>89,133,340</u>
<b>INCOME BEFORE OTHER REVENUES</b>	<u>7,117,781</u>	<u>5,744,766</u>
State revenues, capital	920,314	4,049,510
<b>TOTAL INCOME BEFORE OTHER REVENUES</b>	<u>920,314</u>	<u>4,049,510</u>
<b>INCREASE IN NET ASSETS</b>	8,038,095	9,794,276
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>46,527,088</u>	<u>36,732,812</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 54,565,183</u>	<u>\$ 46,527,088</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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 16,845,207	\$ 12,387,021
Grants and contracts	18,338,326	22,165,302
Payments to vendors for supplies and services	(28,718,272)	(22,237,665)
Payments to or on behalf of employees	(89,116,109)	(88,769,858)
Payments to students for scholarships and grants	(10,225,240)	(10,916,918)
Auxiliary enterprise sales and charges	6,714,924	6,784,708
Other operating receipts	83,352	115,684
<b>Net Cash Flows From Operating Activities</b>	<u>(86,077,812)</u>	<u>(80,471,726)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	53,434,937	51,364,097
Property taxes	30,202,719	28,545,078
State taxes and other revenues	4,625,667	6,924,369
Other nonoperating	6,232,200	5,375,775
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>94,495,523</u>	<u>92,209,319</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(11,206,140)	(9,283,918)
Proceeds from capital debt	47,674,620	-
State revenue, capital projects	1,466,462	4,395,570
Deferred cost on issuance	(406,679)	52,533
Principal paid on capital debt	(44,185,000)	(7,120,000)
Unamortized premium	(273,796)	(112,008)
Interest paid on capital debt	(2,248,094)	(2,514,392)
<b>Net Cash Flows From Capital Financing Activities</b>	<u>(9,178,627)</u>	<u>(14,582,215)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	-	365,699
Interest received from investments	2,730,702	1,058,568
<b>Net Cash Flows From Investing Activities</b>	<u>2,730,702</u>	<u>1,424,267</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,969,786	(1,420,355)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>66,269,577</u>	<u>67,689,932</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 68,239,363</u>	<u>\$ 66,269,577</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, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTUALS</b>		
Operating Loss	\$ (89,308,756)	\$ (83,388,574)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	2,387,843	1,745,890
Changes in Assets and Liabilities:		
Receivables, net	(1,939,891)	(306,956)
Inventories	64,675	227,775
Prepaid items	(8,745)	(12,392)
Accounts payable and accrued liabilities	2,819,852	1,430,570
Deferred revenue	(176,142)	(283,723)
Funds held for others	83,352	115,684
Total Adjustments	<u>3,230,944</u>	<u>2,916,848</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (86,077,812)</u>	<u>\$ (80,471,726)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	1,882,907	2,281,995
Cash in county treasury	66,356,456	63,987,582
<b>Total Cash and Cash Equivalents</b>	<u>\$ 68,239,363</u>	<u>\$ 66,269,577</u>
 <b>NONCASH TRANSACTIONS</b>		
On behalf payments for benefits	<u>\$ 1,709,844</u>	<u>\$ 1,588,351</u>

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

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,099,510	\$ 903,893
Investments	4,604,047	3,914,566
Promises to give	1,500	8,250
Contributions receivable from split-interest agreements	171,803	59,304
Other receivables	-	2,207
Property held for lease	-	100,000
Other assets	4,500	4,500
<b>TOTAL ASSETS</b>	<u><u>\$ 5,881,360</u></u>	<u><u>\$ 4,992,720</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	15,539	20,764
<b>NET ASSETS</b>		
Unrestricted	832,583	952,926
Temporarily restricted	3,822,005	2,808,897
Permanently restricted	1,211,233	1,210,133
<b>TOTAL NET ASSETS</b>	<u><u>5,865,821</u></u>	<u><u>4,971,956</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,881,360</u></u>	<u><u>\$ 4,992,720</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, 2006 AND 2005**

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND PROGRAM REVENUES</b>				
Contributions	\$ 87,386	\$ 1,236,057	\$ 1,100	\$ 1,324,543
Gifts in kind	-	19,925	-	19,925
Contributed services	96,118	-	-	96,118
Special events, net	-	-	-	-
Investment income	100,662	34,575	-	135,237
Realized and unrealized gain on investments, net	5,448	117,630	-	123,078
Change in value of split-interest agreements	-	(5,181)	-	(5,181)
Other support	2,131	202,187	-	204,318
<b>Total Support and Program Revenues</b>	<u>291,745</u>	<u>1,605,193</u>	<u>1,100</u>	<u>1,898,038</u>
<b>NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS</b>	<u>592,085</u>	<u>(592,085)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM PURPOSE AND TIME RESTRICTIONS</b>	<u>883,830</u>	<u>1,013,108</u>	<u>1,100</u>	<u>1,898,038</u>
<b>EXPENSES</b>				
Program activities	754,260	-	-	754,260
General and administrative	178,927	-	-	178,927
Fundraising	70,986	-	-	70,986
<b>Total Expenses</b>	<u>1,004,173</u>	<u>-</u>	<u>-</u>	<u>1,004,173</u>
<b>CHANGE IN NET ASSETS</b>	(120,343)	1,013,108	1,100	893,865
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>952,926</u>	<u>2,808,897</u>	<u>1,210,133</u>	<u>4,971,956</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 832,583</u>	<u>\$ 3,822,005</u>	<u>\$ 1,211,233</u>	<u>\$ 5,865,821</u>

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



2005			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 128,400	\$ 598,029	\$ 4,200	\$ 730,629
100,000	36,827	-	136,827
96,118	-	-	96,118
-	14,490	-	14,490
21,929	71,866	-	93,795
44,109	153,825	-	197,934
-	(1,590)	-	(1,590)
-	-	-	-
390,556	873,447	4,200	1,268,203
499,659	(499,659)	-	-
890,215	373,788	4,200	1,268,203
476,749	-	-	476,749
172,946	-	-	172,946
73,826	-	-	73,826
723,521	-	-	723,521
166,694	373,788	4,200	544,682
786,232	2,435,109	1,205,933	4,427,274
\$ 952,926	\$ 2,808,897	\$ 1,210,133	\$ 4,971,956

**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, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 893,865	\$ 544,682
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and unrealized gain on investments	(123,078)	(197,934)
Realized gain on sale of property	(3,176)	-
Contributions for long-term investment	(1,100)	(4,200)
Contribution of property	-	(100,000)
Change in value of split-interest agreements	5,181	1,590
(Increase) decrease in:		
Promises to give	6,750	(3,822)
Contributions receivable from split-interest agreements	(117,680)	(23,757)
Other receivables	2,207	11,553
Prepaid expenses	-	2,751
Other assets	-	1,000
Increase (decrease) in:		
Accounts payable	(5,225)	2,261
<b>Net Cash Flows From Operating Activities</b>	<u>657,744</u>	<u>234,124</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(4,121,091)	(457,557)
Proceeds from sale of investment	3,554,688	-
Proceeds from sale of property	103,176	-
<b>Net Cash Flows From Investing Activities</b>	<u>(463,227)</u>	<u>(457,557)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions for long-term investment	1,100	4,200
<b>Net Cash Flows From Financing Activities</b>	<u>1,100</u>	<u>4,200</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	195,617	(219,233)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>903,893</u>	<u>1,123,126</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,099,510</u>	<u>\$ 903,893</u>

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **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 Los Angeles County. 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. 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**

During the year ended June 30, 2004, the District 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 eighteen 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 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, 2006 AND 2005

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- **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).

### **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. 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions 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

**The following is a summary of the more significant policies:**

### **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.

### **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.

### **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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### **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.

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.

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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### 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.

### 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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**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.

### **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.

### **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.

### **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. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2006 and 2005, the District distributed \$1,065,518 and \$1,332,063 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 Federal Financial Assistance.



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### 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:

**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.

### Changes in Accounting Principles

- **GASB Statement No. 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and have been implemented by the District in fiscal year 2005-2006.
- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. The District has implemented this statement.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. The District has implemented this statement.

### New Accounting Pronouncements

- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District is not a plan sponsor of an OPEB Plan.
- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The District will be implementing the requirements of this standard in the 2008-2009 fiscal year.

### Comparative Financial Information

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

### NOTE 2 - 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.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### 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 accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

### General Authorizations

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

<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, 2006 AND 2005

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 1,772,907
Cash in revolving fund	110,000
Investments	<u>66,356,456</u>
Total Deposits and Investments	<u><u>\$ 68,239,363</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>\$ 66,156,169</u>	251 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, 2006. 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, 2006</u>
County Pool - Los Angeles	<u>\$ 66,156,169</u>	Not Applicable	Not Applicable

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### 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, 2006, the District's bank balance of \$1,768,526 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### NOTE 3 - ACCOUNTS RECEIVABLE

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

	<u>2006</u>	<u>2005</u>
Federal Government		
Categorical aid	\$ 462,783	\$ 947,726
State Government		
Apportionment	7,607,840	4,419,511
Categorical aid	151,146	162,836
Lottery	740,025	1,344,227
Other State sources	743,878	1,840,864
Local Government		
Interest	263,965	490,753
Contract receivables	491,657	602,029
Earned salary advance	572,676	-
Other local sources	1,742,146	2,630,957
Total	<u>\$ 12,776,116</u>	<u>\$ 12,438,903</u>
Student receivables	<u>\$ 4,312,648</u>	<u>\$ 1,966,787</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, 2006 AND 2005**

**NOTE 4 - CAPITAL ASSETS**

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.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

Capital asset activity for the District for the fiscal year ended June 30, 2005, 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	17,202,366	8,714,655	22,092,671	3,824,350
Total Capital Assets Not Being Depreciated	<u>18,252,366</u>	<u>8,714,655</u>	<u>22,092,671</u>	<u>4,874,350</u>
Capital Assets Being Depreciated				
Site improvements	2,447,586	144,328	-	2,591,914
Buildings and improvements	42,700,744	22,224,941	-	64,925,685
Vehicles and equipment	6,690,362	1,426,820	-	8,117,182
Total Capital Assets Being Depreciated	<u>51,838,692</u>	<u>23,796,089</u>	<u>-</u>	<u>75,634,781</u>
Total Capital Assets	<u>70,091,058</u>	<u>32,510,744</u>	<u>22,092,671</u>	<u>80,509,131</u>
Less Accumulated Depreciation	<u>38,094,327</u>	<u>1,745,890</u>	<u>-</u>	<u>39,840,217</u>
Net Capital Assets	<u>\$ 31,996,731</u>	<u>\$ 30,764,854</u>	<u>\$ 22,092,671</u>	<u>\$ 40,668,914</u>

Depreciation expense for the year was \$1,745,890.

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

**Operating Transfers**

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### *NOTE 6 - ACCOUNTS PAYABLE*

Accounts payable for the District consisted of the following:

	<u>2006</u>	<u>2005</u>
Accrued payroll and benefits	\$ 6,906,653	\$ 3,577,093
Apportionment	-	383,192
Instructional service agreements	106,227	-
Construction	2,463,762	2,239,503
Other	2,769,705	6,717,209
Total	<u>\$ 12,246,347</u>	<u>\$ 12,916,997</u>

### **Discretely Presented Component Unit**

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

### *NOTE 7 - DEFERRED REVENUE*

Deferred revenue for the District consisted of the following:

	<u>2006</u>	<u>2005</u>
Federal financial assistance	\$ 39,365	\$ 8,617
State categorical aid	394,363	601,253
Other State	-	434,978
Enrollment fees	4,650,966	1,003,973
Other local	1,054,376	677,452
Total	<u>\$ 6,139,070</u>	<u>\$ 2,726,273</u>



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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
<b>Bonds and Notes Payable</b>					
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	-
<b>Total Bonds and Notes Payable</b>	<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>
<b>Other Liabilities</b>					
Compensated absences, net	2,317,546	268,675	-	2,586,221	100,000
<b>Total Other Liabilities</b>	<u>2,317,546</u>	<u>268,675</u>	<u>-</u>	<u>2,586,221</u>	<u>100,000</u>
<b>Total Long-Term Obligations</b>	<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>

The changes in the District's long-term obligations during the 2005 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
2003 General Obligation Bonds, Series A	\$63,700,000	\$ -	\$7,120,000	\$56,580,000	\$7,365,000
Unamortized premium	2,576,172	-	112,008	2,464,164	-
<b>Total Bonds and Notes Payable</b>	<u>66,276,172</u>	<u>-</u>	<u>7,232,008</u>	<u>59,044,164</u>	<u>7,365,000</u>
<b>Other Liabilities</b>					
Compensated absences, net	2,304,935	12,611	-	2,317,546	100,000
<b>Total Other Liabilities</b>	<u>2,304,935</u>	<u>12,611</u>	<u>-</u>	<u>2,317,546</u>	<u>100,000</u>
<b>Total Long-Term Obligations</b>	<u>\$68,581,107</u>	<u>\$12,611</u>	<u>\$7,232,008</u>	<u>\$61,361,710</u>	<u>\$7,465,000</u>

#### Description of Debt

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

### 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, 2006, \$67,132,335 had been issued and \$12,395,000 was outstanding. Interest rates range from 2.50 percent to 5.00 percent. At June 30, 2006, the unamortized premium and issuance costs were \$2,190,368 and \$1,027,314, 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, 2006, the principal balance outstanding (including accreted interest to date) was \$40,800,664 and unamortized premium and issuance costs were \$6,873,956 and \$535,093, respectively. Premium and issuance cost are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used to advance refund a portion of the outstanding General Obligation Bonds, Election of 2002, Series 2003A. The amount of the advance refund for these bonds was \$36,820,000. Funds have been placed in an irrevocable escrow account for the future redemption of these bonds. At June 30, 2006, the balance of the funds in the escrow account was \$39,383,206. 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.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest Additions	Redeemed	Bonds Outstanding June 30, 2006
				Outstanding July 1, 2005	Issued			
2003	2014	2.50 - 5.00%	\$ 63,700,000	\$ 56,580,000	\$ -	\$ -	\$ 44,185,000	\$ 12,395,000
2005	2023	3.00 - 4.12%	40,252,335	-	40,252,335	548,329	-	40,800,664
				<u>\$ 56,580,000</u>	<u>\$ 40,252,335</u>	<u>\$ 548,329</u>	<u>\$ 44,185,000</u>	<u>\$ 53,195,664</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2007	\$ 1,365,000	\$ 491,800	\$ 1,856,800
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
2012-2014	5,120,000	392,250	5,512,250
Total	<u>\$ 12,395,000</u>	<u>\$ 2,380,963</u>	<u>\$ 14,775,963</u>

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

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2007	\$ 8,501,451	\$ 368,549	\$ 1,252,250	\$ 10,122,250
2008	1,007,532	192,468	1,252,250	2,452,250
2009	896,700	303,300	1,252,250	2,452,250
2010	794,735	400,265	1,252,250	2,447,250
2011	710,268	489,732	1,252,250	2,452,250
2012-2016	3,844,978	5,885,022	6,261,250	15,991,250
2017-2021	16,995,000	-	4,219,875	21,214,875
2022-2023	8,050,000	-	407,500	8,457,500
Total	<u>\$ 40,800,664</u>	<u>\$ 7,639,336</u>	<u>\$ 17,149,875</u>	<u>\$ 65,589,875</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 2005-2006, the District provided insurance premium benefits to 39 retired employees with total expenditures of approximately \$206,000.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### **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, 2006, 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 2005-2006, 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 insures 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, 2006 AND 2005**

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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 2005-2006 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, 2006, 2005, and 2004, were \$3,122,917, \$2,901,017, and \$2,771,415, respectively, and equal 100 percent of the required contributions for each year.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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### 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 2005-2006 was 9.116 percent of annual payroll.

#### Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005, and 2004, were \$1,871,510, \$2,229,000, and \$2,235,792, 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 \$1,709,844 (4.517 percent) of salaries subject to STRS. A contribution from the State to CalPERS was not required for the year ended June 30, 2006. 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, 2006 AND 2005

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### 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 the General Fund or other applicable funds. 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, 2006.

#### 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, 2006.

#### 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, 2006, amounted to approximately \$269,000.

#### Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Additional Classrooms and Modernization (ACM)	\$ 29,140,325	10/01/07
Campus Site Improvements: Accessibility/Safety/Security (CSI)	218,519	12/01/07
Energy Efficiency Improvements (EEI)	1,539,000	10/01/06
Health and Safety Improvements (HIS)	2,529,238	12/01/07
Information Technology and Equipment	23,248	12/01/08
	<u>\$ 33,450,330</u>	

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

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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### *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.

During the year ended June 30, 2006, the District made payments of \$0, \$57,721, \$1,052,858, and \$0 to SCCC - JPA, SELF, SWACC, and CSDTFA, respectively.

### *NOTE 14 - SUBSEQUENT EVENTS*

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 for the length of time necessary for the center to regain full accreditation as a separate community college.

In September 2006, the District issued General Obligation Bonds, Election of 2002, Series 2006B, in the amount of \$150,000,000. The proceeds of the bonds will be used to finance the acquisition, construction, and moderation of certain District property and facilities and to pay the cost of issuance associated with the bonds.



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*SUPPLEMENTARY INFORMATION*

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# EL CAMINO COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2006**

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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.

### 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
Mr. David Nordel	Student Member	May 2007

### 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. John Baker	Interim Vice President of Student and Community Advancement

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Total Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b>STUDENT FINANCIAL AID CLUSTER [1]</b>		
Federal Pell Grant Program	84.063	\$ 7,884,305
Federal College Work Study	84.033	400,582
Supplemental Educational Opportunity Grant - SEOG	84.007	567,635
Supplemental Educational Opportunity Grant - SEOG - Administration	84.007	44,601
Federal Family Educational Loans	84.032	1,065,518
Title V - ECC/SMC Activity 1 [1]	84.031S	429,965
Title V - ECC/SMC Management and Evaluation [1]	84.031S	97,873
Title V - Santa Monica College [1]	84.031S	318,583
Strengthening Institutions - Hispanic Serving Institutions	84.031	96,735
GETT	[2]	35,186
Child Care Access Means Parents in School	84.335A	53,596
Subtotal		<u>10,994,579</u>
<b>VOCATIONAL AND APPLIED TECHNOLOGY EDUCATION ACT</b>		
VTEA Title I C [1]	84.048	800,676
VTEA Tech Prep [1]	84.353	75,250
Business and International Communication	84.153	37,210
Regional Interpreter Training Project	84.160A	38,169
Subtotal		<u>951,305</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Independent Living Skills Program	93.000	37,679
Kinship Education Preparation and Support	[2]	22,786
Integrating the Mexican Perspective into Teacher Education	84.021A	12,088
Temporary Assistance for Needy Family (TANF)	93.558	146,494
Subtotal		<u>219,047</u>
<b>DEPARTMENT OF STATE</b>		
Fullbright Polish Grant	[2]	28,447
<b>DEPARTMENT OF COMMERCE</b>		
Small Business Development Center/Trade Commerce	59.037	255,818
<b>OFFICE OF TRAFFIC SAFETY</b>		
Operation Be Smart - Stay Safe	20.600	3,796
<b>FEDERAL ASSIGNMENT AGREEMENTS</b>		
Veterans Education	17.804	962
<b>OTHER FEDERAL REVENUE</b>		
NSF Aerospace Planning	[2]	87,519
ATE NSF Articulation	[2]	58,221
Western Region Interpreter Education Center	[2]	72,232
Western Region Outreach Center and Consortium	[2]	3,998
Subtotal		<u>221,970</u>
Total Expenditures of Federal Awards		<u>\$ 12,675,924</u>

[1] Tested as a Major Program.

[2] CFDA Number not available.

See accompanying note to supplementary information.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>GENERAL FUND</b>			
Disabled Students Program and Services (DSP&S)	\$ 1,156,405	\$ -	\$ 1,156,405
Extended Opportunity Program and Services (EOP&S)	1,454,106	-	1,454,106
Cooperative Agencies Resources for Education (CARE)	250,951	-	250,951
Matriculation	782,199	-	782,199
CalWORKs	625,116	-	625,116
Foster Care Education	110,105	-	110,105
CA Virtual University	46,552	-	46,552
TTIP Library Automation	36,697	3,443	40,140
Faculty and Staff Diversity	20,813	34,939	55,752
Puente Reporting	-	2,550	2,550
Small Business Department of Commerce - COCCC	140,550	-	140,550
Small Business Department of Commerce - CITD	178,875	-	178,875
Center for Applied Competitive Technology - CACT	178,875	-	178,875
BFAP	661,817	147,302	809,119
Telecom and Technology	-	1,546	1,546
4CNet Video T-1 Connection	-	12,300	12,300
TTIP Total Cost of Operation	-	36,588	36,588
TTIP Technological Human Resource Training	-	455	455
Instructional Equipment	616,345	120,618	736,963
Careers in Child Care Training Program	160,000	-	160,000
MESA Program	81,500	18,902	100,402
MESA Leadership Development Conference	-	11,305	11,305
MESA CSEMS Scholarship Grant	-	3,125	3,125
TRIO	-	36,265	36,265
JDIF	295,616	-	295,616
Workplace Learning Center - WPLRC State Leadership	178,875	-	178,875
Child Development Center - Playground	-	4,756	4,756
Child Development Center - GIMS	654	-	654
Child Development Center - Pre K Grant	2,396	-	2,396
Enrollment Growth for Associated Degree in Nursing Program	63,937	-	63,937
Cal Grants	1,129,181	27,573	1,156,754
DPSS	160,356	-	160,356
Total State Programs			

See accompanying note to supplementary information.

**Program Revenues**

<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Deferred Revenue</b>	<b>Total Revenue</b>	<b>Program Expenditures</b>
\$ 1,156,405	\$ -	\$ -	\$ 1,156,405	\$ 1,156,405
1,484,480	-	-	1,484,480	1,484,480
250,951	-	-	250,951	250,951
782,199	-	-	782,199	782,199
672,097	-	48,077	624,020	624,020
55,052	54,664	-	109,716	109,716
44,619	-	-	44,619	44,619
127,151	-	95,718	31,433	31,433
57,586	-	47,327	10,259	10,259
2,550	-	2,550	-	-
140,550	-	-	140,550	140,550
178,875	-	-	178,875	178,875
178,898	-	74	178,824	178,824
810,287	14,689	-	824,976	824,976
1,546	-	1,546	-	-
12,300	-	12,300	-	-
36,588	-	36,588	-	-
455	-	455	-	-
738,013	-	114,177	623,836	623,836
79,222	56,665	-	135,887	135,887
80,027	-	12,994	67,033	67,033
11,133	-	-	11,133	11,133
3,125	-	-	3,125	3,125
36,265	-	20,652	15,613	15,613
295,959	-	565	295,394	295,394
178,963	-	1,340	177,623	177,623
4,756	-	-	4,756	4,756
654	-	-	654	654
2,396	-	-	2,396	2,396
63,937	-	-	63,937	63,937
1,165,917	11,538	-	1,177,455	1,177,455
146,766	13,590	-	160,356	160,356
<b>\$ 8,799,722</b>	<b>\$ 151,146</b>	<b>\$ 394,363</b>	<b>\$ 8,556,505</b>	<b>\$ 8,556,505</b>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. <u>Credit Full-Time Equivalent Student (FTES)</u></b>			
1. Summer	1,855	-	1,855
2. Weekly census	14,391	-	14,391
3. Daily census	1,193	-	1,193
4. Actual hours of attendance	750	-	750
5. Independent study/work experience	11	-	11
Subtotal	<u>18,200</u>	<u>-</u>	<u>18,200</u>
<b>B. <u>Noncredit FTES</u></b>			
Actual hours of attendance	28	-	28
Subtotal	<u>28</u>	<u>-</u>	<u>28</u>
Total FTES	<u>18,228</u>	<u>-</u>	<u>18,228</u>
<b>C. <u>Basic Skills Courses</u></b>			
Credit			<u>1,208</u>
<b>D. <u>Gross Square Footage</u></b>			
Existing facilities			<u>1,226,270</u>

See accompanying note to supplementary information.



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Revenue Bond Construction</u>	<u>Student Financial Aid</u>
FUND BALANCE				
Balance, June 30, 2006, (CCFS-311)	\$ 5,287,170	\$ 2,357,508	\$ 37,530,589	\$ 150,870
Decrease in:				
Accounts receivable	-	(1,002,915)	-	-
Accounts payable	8,751	-	-	33,264
Deferred revenue	-	-	6,787,288	-
Balance, June 30, 2006, Fund Financial Statement	<u>\$ 5,295,921</u>	<u>\$ 1,354,593</u>	<u>\$ 44,317,877</u>	<u>\$ 184,134</u>

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, 2006**

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

**Total Fund Balance and Due to Student Groups:**

General Funds	\$ 6,650,514
Special Revenue Funds	760,118
Debt Service Funds	11,101,339
Capital Project Funds	46,516,923
Enterprise Funds	1,636,760
Internal Service Funds	2,330,893
Fiduciary Funds	<u>1,484,547</u>

**Total Fund Balance and Due to Student Groups -  
All District Funds**

**\$ 70,481,094**

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	91,525,961	
Accumulated depreciation is	(41,814,491)	
Less fixed assets already recorded in the enterprise funds	<u>(307,947)</u>	49,403,523

Expenditures relating to the issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis. 1,562,407

Amounts held in trust on behalf of others (Trust and Agency Funds) (1,300,413)

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. (735,219)

Long-term liabilities at year end consist of:

Bonds payable	53,195,664	
Unamortized premium	9,064,324	
Compensated absences	<u>2,586,221</u>	(64,846,209)
<b>Total Net Assets</b>		<u><u>\$ 54,565,183</u></u>

See accompanying note to supplementary information.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

**JUNE 30, 2006**

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### ***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.

#### **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**

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.

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***INDEPENDENT AUDITORS' REPORTS***

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

Board of Trustees  
El Camino Community College District  
Torrance, California

We have audited the financial statements of El Camino Community College District (the District) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 17, 2006. 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 financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of El Camino Community College District in a separate letter dated November 17, 2006.

**Compliance and Other Matters**

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

This report is intended solely for the information 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, Irene Day, B. UP*

Rancho Cucamonga, California  
November 17, 2006





**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, 2006. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 of America, 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 the 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 on the District's compliance with those requirements.

In our opinion, except for finding 2006-1 as described in the accompanying Schedule of Federal Awards Findings and Questioned Costs, 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, 2006.

## Internal Control Over Compliance

The management of El Camino Community College District is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information 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, Irine Day & Co. LLP*

Rancho Cucamonga, California  
November 17, 2006



## 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, 2006 and 2005, and have issued our report thereon dated November 17, 2006.

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

- MIS Implementation - Required Data Elements

### Administration

- Open Enrollment
- Minimum Conditions - Standards of Scholarship
- Student Fee - Instructional Materials and Health Fees
- Apportionment of Instructional Service Agreements/Contracts
- Residency Determination for Credit Courses
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Enrollment Fee
- Students Actively Enrolled
- Salaries of Classroom Instructors (50% Law)
- Use of Matriculation Funds
- CalWORKs - Use of State and Federal TANF Funding
- Allocation of Costs (DSPS and EOPS)
- Non Credit Courses

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 2006-2 and 2006-3 as described in the accompanying Schedule of State Awards 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, 2006.

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.

*Vavinek, Fine, Day & Co. LLP*

Rancho Cucamonga, California  
November 17, 2006

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions 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>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.032, 84.033, 84.007, 84.063</u>	<u>Student Financial Aid Cluster</u>
<u>84.031S</u>	<u>Title V</u>
<u>84.048</u>	<u>Vocational Education Act - Title IC</u>
<u>84.353</u>	<u>Vocational Education Act - Tech Prep</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 380,278</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions 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, 2006**

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None reported.



# EL CAMINO COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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The following findings represent reportable conditions and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

### *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.

#### **District Response**

The District will perform periodic verifications of the activities performed by employees whose salaries are paid by Federal program dollars. This verification will list the activities performed by those employees to ensure the salaries being charged to the various Federal programs are reasonable in relation to the work that is actually being performed. Each employee and manager will sign the certification form.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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

### *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.

#### **District Response**

The District has been receiving eligibility verifications for TANF and CalWORKs students from the County Welfare Department once yearly. Due to constraints at the County Welfare Office, semester verifications were not received. The District will work more diligently with the County Welfare Department to verify the eligibility of CalWORKs recipients at the start of each semester.

### *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.

#### **District Response**

The District is in the process of reviewing its noncredit classes and will complete the self-assessment checklists.

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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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.

### STATE COMPLIANCE

#### *Standards of Scholarship*

##### **2005-1 Finding**

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. The District must comply with the adopted regulations.

#### **Recommendation**

The El Camino Community College District should adopt policies and procedures as required by CCR Section 55761 and appropriately publish the information for access by students.

#### **Current Status**

Implemented.

##### **2005-2 Finding**

During our testing of admissions and records, it was noted that the District was not in compliance with California Code of Regulation Title 5, Section 58161. This Code imposes limitations on the number of times a student may repeat a course and be claimed for State apportionment. The Code recognizes three basic situations:

1. A student may be claimed for apportionment of one repetition if the student has previously received a substandard grade (D, F, or NC), if the District determines that the student needs to repeat the course due to lapse of time, or if the student can demonstrate that his or her previous grade was, at least in part, due to the rest of extenuating circumstances.
2. A student may repeat a course and be claimed for apportionment any number of times to meet a legally mandated training requirement.
3. A student may repeat a course and be claimed for apportionment for three semesters or five quarters where the course content changes each time the course is taken, and the student is gaining an expanded educational experience either because skills or proficiencies are enhanced by supervised repetition or because active participation in individual or group assignments is the basic means of learning.

In our testing, we noted that students who repeated a course more than one time were claimed for apportionment on the District 320 Attendance Report, which is a violation of Title 5, Section 58161.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**Recommendation**

The District should review the policies and procedures in place to prevent excessive repeating of courses and claiming of students on the District Apportionment Attendance Report.

**Current Status**

Implemented.

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*ADDITIONAL SUPPLEMENTARY INFORMATION*

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEETS - (UNAUDITED)  
JUNE 30, 2006**

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 292,655	\$ (20,153)	\$ -
Investments	2,854,896	2,863,337	75,858
Accounts receivable	9,074,683	1,990,981	11,401
Student receivable	4,249,588	-	-
Due from other funds	916,342	-	-
Prepaid expenses	22,935	1,400	-
Stores inventories	23,085	-	-
Other current assets	-	165	-
<b>Total Assets</b>	<u>\$ 17,434,184</u>	<u>\$ 4,835,730</u>	<u>\$ 87,259</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	7,763,618	1,814,456	37,145
Amounts held for others	69,000	-	-
Deferred revenue	4,305,645	1,666,681	-
<b>Total Liabilities</b>	<u>12,138,263</u>	<u>3,481,137</u>	<u>37,145</u>
<b>FUND EQUITY</b>			
Fund Balances			
Reserved	46,020	-	-
Unreserved			
Designated	-	1,354,593	50,114
Undesignated	5,249,901	-	-
<b>Total Fund Equity</b>	<u>5,295,921</u>	<u>1,354,593</u>	<u>50,114</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 17,434,184</u>	<u>\$ 4,835,730</u>	<u>\$ 87,259</u>

See accompanying note to additional supplementary information.

<b>Retiree Benefits</b>	<b>Bond Interest and Redemption</b>	<b>Capital Outlay Projects</b>	<b>Revenue Bond Construction</b>	<b>Total Governmental Fund (Memorandum Only)</b>
\$ -	\$ -	\$ -	\$ -	\$ 272,502
701,092	11,101,339	2,370,915	45,998,235	65,965,672
8,912	-	47,026	720,570	11,853,573
-	-	-	-	4,249,588
-	-	-	-	916,342
-	-	-	-	24,335
-	-	-	-	23,085
-	-	-	-	165
<u>\$ 710,004</u>	<u>\$ 11,101,339</u>	<u>\$ 2,417,941</u>	<u>\$ 46,718,805</u>	<u>\$ 83,305,262</u>
-	-	62,834	2,400,928	12,078,981
-	-	-	-	69,000
-	-	156,061	-	6,128,387
-	-	218,895	2,400,928	18,276,368
-	-	-	-	46,020
710,004	11,101,339	2,199,046	44,317,877	59,732,973
-	-	-	-	5,249,901
<u>710,004</u>	<u>11,101,339</u>	<u>2,199,046</u>	<u>44,317,877</u>	<u>65,028,894</u>
<u>\$ 710,004</u>	<u>\$ 11,101,339</u>	<u>\$ 2,417,941</u>	<u>\$ 46,718,805</u>	<u>\$ 83,305,262</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>
<b>REVENUES</b>			
Federal revenues	\$ 177,179	\$ 2,954,057	\$ -
State revenues	61,293,921	6,427,692	176,790
Local revenues	30,345,979	3,720,714	314,252
<b>Total Revenues</b>	<u>91,817,079</u>	<u>13,102,463</u>	<u>491,042</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Academic salaries	42,209,786	2,070,460	237,460
Classified salaries	21,752,344	5,446,357	146,910
Employee benefits	15,405,885	1,664,336	103,116
Books and supplies	1,453,800	766,693	18,583
Services and operating expenditures	8,654,699	2,816,805	2,277
Capital outlay	241,828	914,643	4,756
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
<b>Total Expenditures</b>	<u>89,718,342</u>	<u>13,679,294</u>	<u>513,102</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,098,737</u>	<u>(576,831)</u>	<u>(22,060)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	50,000	600,317	75,000
Operating transfers out	(2,833,051)	(151,300)	-
Other sources	-	-	-
Other uses	-	(271,694)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(2,783,051)</u>	<u>177,323</u>	<u>75,000</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(684,314)</u>	<u>(399,508)</u>	<u>52,940</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	5,980,235	1,754,101	(2,826)
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 5,295,921</u>	<u>\$ 1,354,593</u>	<u>\$ 50,114</u>

See accompanying note to additional supplementary information.



<b>Retiree Benefits</b>	<b>Bond Interest and Redemption</b>	<b>Capital Outlay Projects</b>	<b>Revenue Bond Construction</b>	<b>Total Governmental Fund (Memorandum Only)</b>
\$ -	\$ -	\$ -	\$ -	\$ 3,131,236
-	95,635	920,314	-	68,914,352
10,004	11,350,583	1,331,070	1,956,633	49,029,235
10,004	11,446,218	2,251,384	1,956,633	121,074,823
-	-	-	-	44,517,706
-	-	-	-	27,345,611
-	-	-	-	17,173,337
-	-	350	-	2,239,426
-	-	120,752	2,703,758	14,298,291
-	-	1,099,694	8,771,802	11,032,723
-	7,365,000	-	-	7,365,000
-	1,973,561	-	-	1,973,561
-	9,338,561	1,220,796	11,475,560	125,945,655
10,004	2,107,657	1,030,588	(9,518,927)	(4,870,832)
350,000	-	1,062,734	-	2,138,051
-	-	-	-	(2,984,351)
350,000	-	-	47,126,291	47,476,291
-	-	-	(39,724,442)	(39,996,136)
700,000	-	1,062,734	7,401,849	6,633,855
710,004	2,107,657	2,093,322	(2,117,078)	1,763,023
-	8,993,682	105,724	46,434,955	63,265,871
\$ 710,004	\$ 11,101,339	\$ 2,199,046	\$ 44,317,877	\$ 65,028,894

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
BALANCE SHEETS - (UNAUDITED)  
JUNE 30, 2006**

	<b>Enterprise Funds</b>	<b>Internal Service Fund</b>
	<b>Bookstore</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 361,482	\$ 10,000
Investments	-	279,153
Accounts receivable	781,783	4,473
Prepaid expenses	19,228	-
Stores inventories	1,114,292	-
Other current assets	150	2,044,878
Furniture and equipment (net)	307,947	-
<b>Total Assets</b>	<b>\$ 2,584,882</b>	<b>\$ 2,338,504</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	31,780	7,611
Due to other funds	916,342	-
<b>Total Liabilities</b>	<b>948,122</b>	<b>7,611</b>
<b>FUND EQUITY</b>		
Retained earnings	1,636,760	2,330,893
<b>Total Liabilities and Fund Equity</b>	<b>\$ 2,584,882</b>	<b>\$ 2,338,504</b>

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, 2006**

	<b>Enterprise Funds</b>	<b>Internal Service Fund</b>
	<b>Bookstore</b>	
<b>OPERATING REVENUES</b>		
Sales revenues	\$ 6,913,156	\$ 2,057,052
<b>OPERATING EXPENSES</b>		
Classified salaries	1,285,428	52,181
Employee benefits	346,172	15,390
Books and supplies	-	266
Services and other operating expenditures	5,342,495	2,742,817
<b>Total Operating Expenses</b>	<b>6,974,095</b>	<b>2,810,654</b>
<b>Operating Loss</b>	<b>(60,939)</b>	<b>(753,602)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	2,270	18,640
Miscellaneous revenues	117,839	48,709
Operating transfers in	-	780,000
Operating transfers out	(276,000)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(155,891)</b>	<b>847,349</b>
<b>NET CHANGE</b>	<b>(216,830)</b>	<b>93,747</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>1,853,590</b>	<b>2,237,146</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 1,636,760</b>	<b>\$ 2,330,893</b>

See accompanying note to additional supplementary information.

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Enterprise Funds</b>	<b>Internal Service Fund</b>
	<b>Bookstore</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales	\$ 6,913,156	\$ 2,057,052
Cash payments to employees for services	(1,631,600)	(67,571)
Cash payments to suppliers for goods and services	-	(266)
Cash payments for other operating expenses	(6,030,940)	(2,805,604)
Net Cash Flows from Operating Activities	<u>(749,384)</u>	<u>(816,389)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers, net	(276,000)	780,000
Nonoperating revenues	117,839	48,709
Net Cash Flows from Noncapital Financing Activities	<u>(158,161)</u>	<u>828,709</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(51,970)	-
Net Cash Flows from Capital and Related Financing Activities	<u>(51,970)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	2,270	45,389
Net Cash Flows from Investing Activities	<u>2,270</u>	<u>45,389</u>
Net change in cash and cash equivalents	(957,245)	57,709
Cash and cash equivalents - Beginning	1,318,727	231,444
Cash and cash equivalents - Ending	<u>\$ 361,482</u>	<u>\$ 289,153</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	(60,939)	(753,602)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	36,966	-
Changes in assets and liabilities:		
Receivables	(198,232)	-
Inventories	62,447	-
Prepays and other current assets	7,728	-
Accounts payable	23,264	(787)
Due to other fund	(620,618)	(62,000)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (749,384)</u>	<u>\$ (816,389)</u>

See accompanying note to additional supplementary information.

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
BALANCE SHEETS - (UNAUDITED)  
JUNE 30, 2006**

	<b>Associated Students Trust</b>	<b>Student Representation Fee</b>	<b>Student Financial Aid</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 100,735	\$ 28,782	\$ -
Investments	-	-	111,631
Accounts receivable	-	-	83,708
Student receivable	-	-	63,060
Prepaid expenses	-	-	-
<b>Total Assets</b>	<b>\$ 100,735</b>	<b>\$ 28,782</b>	<b>\$ 258,399</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	1,810	33	63,582
Deferred revenue	-	-	10,683
Due to student groups	-	-	-
<b>Total Liabilities</b>	<b>1,810</b>	<b>33</b>	<b>74,265</b>
<b>FUND EQUITY</b>			
Fund Balances			
Unreserved			
Undesignated	98,925	28,749	184,134
<b>Total Fund Equity</b>	<b>98,925</b>	<b>28,749</b>	<b>184,134</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 100,735</b>	<b>\$ 28,782</b>	<b>\$ 258,399</b>

See accompanying note to additional supplementary information.

<b>Scholarship and Loan</b>	<b>Auxiliary Services</b>	<b>Associated Student Organization</b>	<b>Other Trust</b>	<b>Total</b>
\$ 411,751	\$ 361,920	\$ 77,833	\$ 257,902	\$ 1,238,923
-	69,000	-	-	180,631
40	1,318	2,362	48,859	136,287
-	-	-	-	63,060
-	4,304	-	-	4,304
<u>\$ 411,791</u>	<u>\$ 436,542</u>	<u>\$ 80,195</u>	<u>\$ 306,761</u>	<u>\$ 1,623,205</u>
25,496	30,578	2,016	4,460	127,975
-	-	-	-	10,683
-	210,286	66,765	-	277,051
<u>25,496</u>	<u>240,864</u>	<u>68,781</u>	<u>4,460</u>	<u>415,709</u>
386,295	195,678	11,414	302,301	1,207,496
<u>386,295</u>	<u>195,678</u>	<u>11,414</u>	<u>302,301</u>	<u>1,207,496</u>
<u>\$ 411,791</u>	<u>\$ 436,542</u>	<u>\$ 80,195</u>	<u>\$ 306,761</u>	<u>\$ 1,623,205</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Associated Students Trust</u>	<u>Student Representation Fee</u>	<u>Student Financial Aid</u>
<b>REVENUES</b>			
Federal revenues	\$ -	\$ -	\$ 8,479,170
State revenues	-	-	1,779,334
Local revenues	13,360	22,353	-
<b>Total Revenues</b>	<u>13,360</u>	<u>22,353</u>	<u>10,258,504</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Services and operating expenditures	23,064	5,205	-
<b>Total Expenditures</b>	<u>23,064</u>	<u>5,205</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(9,704)</u>	<u>17,148</u>	<u>10,258,504</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	24,000	11,601	-
Operating transfers out	(11,601)	-	-
Other sources	-	-	93,128
Other uses	-	-	(10,225,240)
<b>Total Other Financing Sources (Uses)</b>	<u>12,399</u>	<u>11,601</u>	<u>(10,132,112)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	2,695	28,749	126,392
<b>FUND BALANCE, BEGINNING OF YEAR</b>	96,230	-	57,742
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 98,925</u>	<u>\$ 28,749</u>	<u>\$ 184,134</u>

See accompanying note to additional supplementary information.



<b>Scholarship and Loan</b>	<b>Auxiliary Services</b>	<b>Associated Student Organization</b>	<b>Other Trust</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ 8,479,170
-	-	-	-	1,779,334
316,963	226,131	39,850	262,123	880,780
<u>316,963</u>	<u>226,131</u>	<u>39,850</u>	<u>262,123</u>	<u>11,139,284</u>
302,863	708,245	39,746	261,779	1,340,902
<u>302,863</u>	<u>708,245</u>	<u>39,746</u>	<u>261,779</u>	<u>1,340,902</u>
14,100	(482,114)	104	344	9,798,382
-	342,300	-	-	377,901
-	(24,000)	-	-	(35,601)
-	-	-	-	93,128
-	-	-	-	(10,225,240)
<u>-</u>	<u>318,300</u>	<u>-</u>	<u>-</u>	<u>(9,789,812)</u>
14,100	(163,814)	104	344	8,570
372,195	359,492	11,310	301,957	1,198,926
<u>\$ 386,295</u>	<u>\$ 195,678</u>	<u>\$ 11,414</u>	<u>\$ 302,301</u>	<u>\$ 1,207,496</u>

# EL CAMINO COMMUNITY COLLEGE DISTRICT

## NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2006

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### *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.