

**COMPTON
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

COMPTON COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Special Trustee and Board of Trustees
Compton Community College District
Compton, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes as a result of accounting corrections for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The additional supplementary information on pages 91 through 98 has been presented at the request of District management for purposes of additional analysis. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maurine, Irine, Day & Co. LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 20, 2013



**Serving the Communities of
Carson, Compton, Lynwood
North Long Beach, Paramount
and Willowbrook**

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KEITH CURRY, Ed.D.
Chief Executive Officer

THOMAS E. HENRY
Special Trustee

Introduction

The purpose of this management's discussion and analysis (MD&A) is to provide readers with information about the activities, programs, and financial condition of the Compton Community College District (the District) as of June 30, 2013. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

The District was established in 1927 and serves the communities of Compton, Willowbrook, Enterprise, Carson, Lynwood, and Paramount. Students in our college may complete the freshman and sophomore years of a baccalaureate degree and transfer to upper division study at a university or complete a certificated vocational program and move directly to the work force.

On June 30, 2006, the District was notified that its accreditation by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges was being withdrawn. In anticipation of this action, the legislature passed and Governor Schwarzenegger signed legislation known as Assembly Bill 318 (AB 318). AB 318 put in place several operational parameters unique to the Compton Community College District. The first provides for access to \$30 million in the form of a loan that is to be repaid over 20 years from the date the District withdraws the funds. To date, the District has withdrawn approximately \$17.9 million, and the current annual repayment obligation is approximately \$1.3 million. Lastly, the District partnered with El Camino Community College District to ensure that Compton students could continue to have access to accredited educational services. El Camino Community College District provides accredited instructional and student services to students on the Compton campus through a newly established El Camino College Compton Community Educational Center.

Overview of the Financial Statements

The Compton Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. Under the Business-Type Activity (BTA) reporting model, this report consists of three basic financial statements that provide information on the District's governmental activities as a whole: the Statement of Net Position; the Statement of Revenues, Expenditures, and Changes in Net Position; and the Statement of Cash Flows.

The California Community College Chancellor's Office has recommended that all State community colleges follow the BTA model for financial statement reporting purposes.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Financial Highlights

Several construction and modernization projects at the District are in progress. The projects listed below are funded both through State construction revenues and through the District's voter approved General Obligation Bond, Measure CC.

Utility Infrastructure Phase 1
Central Plant/Stadium Lighting

Utility Infrastructure Phase 2
Allied Health Building

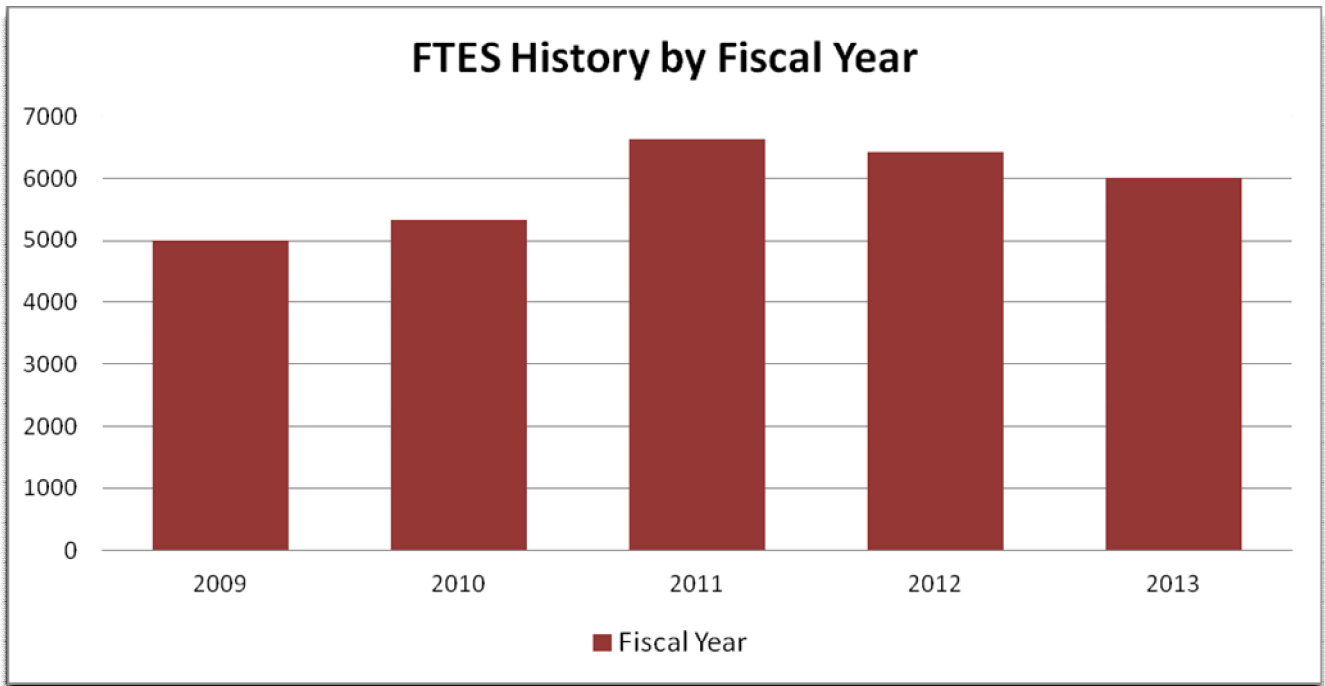
Additionally, the projects listed below are funded only through the District's voter approved General Obligation Bond, Measure CC.

Library Learning Resource Center

Music Building Renovation

Full-Time Equivalent Students Growth

During fiscal year 2012-2013, total Full-Time Equivalent Students (FTES) decreased from 6,424 to 6,000, a decrease of 424 FTES (or 6.6 percent). Credit FTES decreased by 5.8 percent while noncredit FTES decreased by 30.8 percent due to reduced class sections.



COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Statement of Net Position

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

From the data presented, the reader of the Statement of Net Position is able to determine the assets available to continue operations of the District. The reader is also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and 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 position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost, less accumulated depreciation.

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

COMPTON COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

A summary of the Statement of Net Position as of June 30, 2013 and June 30, 2012, is below:

Table 1

	2013	2012	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and investments	\$ 33,934,707	\$ 32,393,301	\$ 1,541,406	4.8%
Accounts receivable, net	22,153,905	13,201,725	8,952,180	67.8%
Other current assets	7,045	94,064	(87,019)	100.0%
Total Current Assets	56,095,657	45,689,090	10,406,567	22.8%
Noncurrent Assets				
Other assets	2,253,418	951,899	1,301,519	136.7%
Capital assets, net of accumulated depreciation	111,676,564	79,782,146	31,894,418	40.0%
Total Noncurrent Assets	113,929,982	80,734,045	33,195,937	41.1%
TOTAL ASSETS	\$ 170,025,639	\$ 126,423,135	\$ 43,602,504	34.5%
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 7,939,608	\$ 4,557,211	\$ 3,382,397	74.2%
Deferred revenue	1,758,704	1,767,502	(8,798)	-0.5%
TRAN payable	8,000,000	1,500,000	6,500,000	433.3%
Current portion of long-term obligations	2,351,254	2,385,978	(34,724)	-1.5%
Interest payable	1,423,306	1,317,479	105,827	8.0%
Total Current Liabilities	21,472,872	11,528,170	9,944,702	86.3%
Noncurrent Liabilities				
Bonds payable	61,973,766	62,266,122	(292,356)	-0.5%
Notes payable	13,912,442	14,693,134	(780,692)	-5.3%
Other long-term obligations	11,890,768	9,262,213	2,628,555	28.4%
Total Noncurrent Liabilities	87,776,976	86,221,469	1,555,507	1.8%
TOTAL LIABILITIES	109,249,848	97,749,639	11,500,209	11.8%
NET POSITION				
Net investment in capital assets	67,807,914	38,494,259	29,313,655	76.2%
Restricted for:				
Debt service	1,698,058	2,253,338	(555,280)	-24.6%
Capital projects	1,547,663	1,452,586	95,077	6.5%
Other special services	391,033	1,632,590	(1,241,557)	-76.0%
Unrestricted	(10,668,877)	(15,159,277)	4,490,400	-29.6%
TOTAL NET POSITION	60,775,791	28,673,496	32,102,295	112.0%
TOTAL LIABILITIES AND NET POSITION	\$ 170,025,639	\$ 126,423,135	\$ 43,602,504	34.6%

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

- The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash and the net increase in cash during fiscal year 2012-2013. Cash assets had increases between fiscal years 2013 and 2012 due to the sale of \$16,147,513 in general obligation bonds and the purchase of capital assets of \$21,204,543.
- The majority of the accounts receivable balance is from Federal and State sources for apportionment and grant and entitlement programs. Included in accounts receivable is approximately \$8.1 million for the January through June 2013 apportionment payment deferrals, and approximately \$11.5 million for reimbursements from State agencies related to construction grant awards. In addition, there is a \$1.3 million net student fee receivable.
- Capital assets had a net increase of \$31.8 million. The District had net additions of \$18.9 million related to construction in progress. Depreciation expense of \$1.5 million was recognized during 2012-2013. The capital asset section of this discussion and analysis provides greater detail.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2013. Total accounts payable are \$7.9 million; \$3.6 million of the balance was accrued in the Capital Projects Fund and the Bond Fund related to construction projects, and \$990 thousand is for amounts due to employees for wages and benefits.
- The District's noncurrent liabilities primarily consist of bonds payable, related to the issuance of Series A, B, C, and refunded a portion of Series A of the 2002 Measure CC General Obligation bonds, and notes payable related to the drawdown from the line of credit through the State. The face value of these bonds at the time of initial sale totaled \$85.5 million, and \$62.8 million represents the remaining long-term obligation to satisfy these obligations. The District has made withdrawals from the line of credit totaling \$17.9 million, and \$14.6 million represents the outstanding balance.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and non-exchange. Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. For example, tuition fees paid by the student are considered an exchange for instructional services. The receipt of State apportionments and property taxes, however, do not include this exchange relationship between the payment and receipt of specified goods or services. These revenues and related expense are classified as nonoperating activities. It is because of the methodology used to categorize between operating and nonoperating combined with the fact that the primary source of funding that supports the District's instructional activities comes from State apportionment and local property taxes, that the results of the District's operations will result in a net operating loss.

COMPTON COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013 and June 30, 2012, is summarized below:

Table 2

	2013	2012	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees (net)	\$ 1,637,577	\$ 1,228,903	\$ 408,674	33.3%
Other operating revenues	1,078,857	49,324	1,029,533	2087.3%
TOTAL OPERATING REVENUES	2,716,434	1,278,227	1,438,207	112.5%
TOTAL OPERATING EXPENSES	38,064,260	38,677,439	(613,179)	-1.6%
OPERATING LOSS	(35,347,826)	(37,399,212)	2,051,386	-5.5%
NONOPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	23,147,881	25,297,605	(2,149,724)	-8.5%
Local property taxes	7,711,349	6,446,568	1,264,781	19.6%
State revenue - other	1,305,184	1,574,613	(269,429)	-17.1%
Grants and contracts, noncapital:				
Federal	860,533	1,167,024	(306,491)	-26.3%
State	3,369,451	3,197,062	172,389	5.4%
Interest and investment income	373,300	323,508	49,792	15.4%
Other nonoperating revenue	4,176,029	2,446,391	1,729,638	70.7%
Loss on asset disposal	-	-	-	-100.0%
Interest expense	(5,266,368)	(3,385,918)	(1,880,450)	55.5%
NET NONOPERATING REVENUES	35,677,359	37,066,853	(1,389,494)	-3.7%
OTHER REVENUES				
State apportionments, capital	24,465,426	845,385	23,620,041	2794.0%
TOTAL OTHER REVENUES	24,465,426	845,385	23,620,041	2794.0%
CHANGE IN NET POSITION	24,794,959	513,026	24,281,933	4733.1%
NET POSITION, BEGINNING OF YEAR	28,673,496	26,983,355	1,690,141	6.3%
RESTATEMENT	7,307,336	1,177,115	6,130,221	520.8%
NET POSITION, END OF YEAR	\$ 60,775,791	\$ 28,673,496	\$32,102,295	112.0%

- State apportionments have decreased 8.5 percent, but net position increased dramatically by 112.7 percent. The increase in net position is related to increase capital construction which the District capitalized \$26.9 million in construction in progress and due to the implementation of a required change in accounting principal which required the capitalization of interest as part of the historical cost of constructing certain business-type activity assets. This change in accounting principle required a restatement of the beginning net position of the District in the amount of \$7,775,140.
- The primary components of tuition and fees are the \$46 per unit enrollment fee that is charged to all students registering for classes and the additional \$216 per unit fee that is charged to all nonresident students.
- Personnel costs account for 69 percent of operating expenses in fiscal year 2013, compared to 72 percent in 2012. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

- The primary revenue sources of the District's nonoperating revenue are: State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities. The amount of State general apportionment received by the District is dependent upon the number of FTES generated and reported to the State, less amounts received from enrollment fees and local property taxes. Increases in either of these latter two revenue categories leads to a corresponding decrease in apportionment.
- State capital apportionments consist of amounts received for capital outlay construction projects. The District currently has three projects that are funded by State capital apportionments.

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

Table 3

	Salaries and Employee Benefits	Supplies, Materials, Other Expenses and Services	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional Activities	\$ 13,329,748	\$ 477,855	\$ 268,310	\$ -	\$ -	\$ 14,075,913
Instructional Administrative and Instructional Governance	1,244,925	128,668	88,928	-	-	1,462,521
Instructional Support Services	938,686	97,124	44,499	-	-	1,080,309
Administrative and Support Activities	709,874	37,781	-	-	-	747,655
Student Counseling and Guidance	514,172	16,684	-	-	-	530,856
Other Student Services	4,075,697	568,443	60,660	-	-	4,704,800
Operation and Maintenance of Plant	1,709,007	1,033,580	85,774	-	-	2,828,361
Planning, Policymaking, and Coordination	369,043	1,314,021	16,380	-	-	1,699,444
General Institutional Support Services	2,439,658	4,682,959	57,019	-	-	7,179,636
Community Services and Economic Development	113,371	9,998	-	-	-	123,369
Ancillary Services and Auxiliary Operation	734,845	281,056	-	-	-	1,015,901
Physical Property and Related Acquisitions	-	506,480	15,423	-	-	521,903
Student Aid	-	324,983	-	315,887	-	640,870
Depreciation	-	-	-	-	1,452,722	1,452,722
Total	\$ 26,179,026	\$ 9,479,632	\$ 636,993	\$ 315,887	\$ 1,452,722	\$ 38,064,260

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also assists users assessing the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

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, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

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

Table 4

	<u>2013</u>	<u>2012</u>
Cash Provided by (Used in)		
Operating activities	\$ (27,430,001)	\$ (36,169,210)
Noncapital financing activities	32,838,033	38,733,580
Capital and related financing activities	(4,226,564)	8,594,771
Investing activities	<u>359,938</u>	<u>303,106</u>
Net Change in Cash and Cash Equivalents	1,541,406	11,462,247
Cash Balance, Beginning of Year	<u>32,393,301</u>	<u>20,931,054</u>
Cash Balance, End of Year	<u><u>\$ 33,934,707</u></u>	<u><u>\$ 32,393,301</u></u>

Capital Assets

At June 30, 2013, the District has \$111.7 million in a broad range of capital assets, including land, construction in progress, buildings, and furniture and equipment. At June 30, 2012, the District's net capital assets were \$87.6 million. Major capital improvement projects are ongoing throughout the District which includes the Utility Infrastructure Phase 1 and Central Plant/Stadium Lighting, Utility Infrastructure Phase 2, and the Allied Health Building projects. These projects are primarily funded through State Construction Revenues and District General Obligation Bonds. Projects are accounted for with our construction in progress account unit the project is completed at which time the cost of the building and/or improvements will be recorded to the depreciable Building and Improvement category.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Debt Obligations

At June 30, 2013, the District has \$90.1 million in debt obligations of which \$65.6 million is in General Obligation Bonds. These bonds are repaid in annual installments, in accordance with obligation requirements, by way of property tax assessments on property within the Compton Community College District's boundaries.

The District issued an advance refunding of \$14.47 million which allowed the District to pay off old debt at lower interest rates in October 2012. The proceeds were used to defease a portion of the General Obligation Bonds, Series 2004A outstanding bonds.

The District notes payable decreased from its principal payment reducing the liability due to the State in the amount of \$14.7 million outstanding. This note is repaid in annual installments, in accordance with obligation requirements.

The District is also obligated to employees of the District for vacation, claims, and retirement payments.

Economic Factors That May Affect the Future

The largest component of revenue the District receives is from the State of California. The most important element of the State funding is the total General Apportionment allocation, which accounts for 75.9 percent of the District's 2012-2013 Unrestricted General Fund revenues. Apportionment revenue is directly tied to the generation and reporting of FTES. Over the last three years, the District has experienced continuing decreases in FTES of 9.4 percent. Looking to fiscal year 2013-2014, the District, based on the State proposed funding, anticipates an increase in FTES in 2014. The District budgeted for a 4.2 percent increase in FTES which is only possible due to the passage of Proposition 30.

Fiscal year 2014 brings much needed stability at the State level due to the passing of Proposition 30 which increases sales tax by ¼ percent for four years and increases income taxes for those making no less than \$250,000 per year for seven years. Each of the increases in sales tax and income tax is schedule to end in December 31, 2016 and December 31, 2018, respectively.

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 show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Compton Community College District at 1111 East Artesia Boulevard, Compton, California 90221.

COMPTON COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2013**

ASSETS

Current Assets

Cash and cash equivalents	\$ 225,159
Investments	33,709,548
Accounts receivable	20,878,625
Student receivables, net	1,275,280
Prepaid expenses	7,045
Total Current Assets	<u>56,095,657</u>

Noncurrent Assets

Deferred charges on refunding	1,347,561
Deferred cost of issuance	905,857
Capital Assets:	
Nondepreciable capital assets	62,277,657
Depreciable capital assets, net of depreciation	49,398,907
Total Capital Assets	<u>111,676,564</u>
Total Noncurrent Assets	<u>113,929,982</u>
TOTAL ASSETS	<u>170,025,639</u>

LIABILITIES

Current Liabilities

Accounts payable	7,939,608
Interest payable	1,423,306
Deferred revenue	1,758,704
TRAN payable	8,000,000
Notes payable	780,692
Bonds payable	1,165,000
Other long-term obligations	405,562
Total Current Liabilities	<u>21,472,872</u>

Noncurrent Liabilities

Compensated absences payable	958,903
Notes payable	13,912,442
Bonds payable	61,973,766
Other long-term obligations	10,931,865
Total Noncurrent Liabilities	<u>87,776,976</u>
TOTAL LIABILITIES	<u>109,249,848</u>

NET POSITION

Net investment in capital assets	67,807,914
Restricted for:	
Debt service	1,698,058
Capital projects	1,547,663
Other activities	391,033
Unrestricted	(10,668,877)
TOTAL NET POSITION	<u>\$ 60,775,791</u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

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

OPERATING REVENUES

Student Tuition and Fees	\$ 4,879,214
Less: Scholarship discount and allowance	(3,241,637)
Net tuition and fees	<u>1,637,577</u>
Other Operating Revenues	<u>1,078,857</u>
TOTAL OPERATING REVENUES	<u><u>2,716,434</u></u>

OPERATING EXPENSES

Salaries	18,866,958
Employee benefits	7,312,068
Supplies, materials, and other operating expenses and services	9,479,632
Student financial aid	315,887
Equipment, maintenance, and repairs	636,993
Depreciation	<u>1,452,722</u>
TOTAL OPERATING EXPENSES	<u><u>38,064,260</u></u>

OPERATING LOSS

(35,347,826)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	23,147,881
Local property taxes, levied for general purposes	3,803,811
Taxes levied for other specific purposes	3,907,538
Federal grants	860,533
State grants	3,369,451
State taxes and other revenues	1,305,184
Investment income	366,616
Interest expense on capital related debt	(5,266,368)
Investment income on capital asset-related debt, net	6,684
Other nonoperating revenue	<u>4,176,029</u>

TOTAL NONOPERATING REVENUES (EXPENSES)

35,677,359

LOSS BEFORE OTHER REVENUES

329,533

OTHER REVENUES

State revenues, capital	<u>24,465,426</u>
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CHANGE IN NET POSITION

24,794,959

NET POSITION, BEGINNING OF YEAR

28,673,496

RESTATEMENT, SEE NOTE 15

7,307,336

NET POSITION, END OF YEAR

\$ 60,775,791

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

COMPTON COMMUNITY COLLEGE DISTRICT

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 1,367,631
Payments to vendors for supplies and services	(3,988,534)
Payments to or on behalf of employees	(25,572,068)
Payments to students for scholarships and grants	(315,887)
Other operating receipts	<u>1,078,857</u>
Net Cash Flows From Operating Activities	<u>(27,430,001)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	25,667,953
Grant and contracts	4,523,696
Property taxes - nondebt related	7,711,349
State taxes and other apportionments	(10,028,117)
Other nonoperating	<u>4,963,152</u>
Net Cash Flows From Noncapital Financing Activities	<u>32,838,033</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(21,204,543)
Proceeds from sale of bonds	16,510,157
State revenue, capital projects	24,465,426
Deferred costs of issuance	(1,301,529)
Principal paid on capital debt	(16,298,083)
Interest paid on capital debt	(6,404,676)
Interest received on capital asset-related debt	<u>6,684</u>
Net Cash Flows From Capital Financing Activities	<u>(4,226,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>359,938</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,541,406</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>32,393,301</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 33,934,707</u></u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

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

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

Operating Loss	<u>\$ (35,347,826)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	1,452,722
Changes in Operating Assets and Liabilities:	
Receivables	(142,618)
Accrued interest payable	105,827
Prepaid expenses	(7,045)
Accounts payable and accrued liabilities	(1,290,972)
Deferred revenue	(8,798)
Tax and revenue anticipation note	6,500,000
Other postemployment benefits	931,497
Claims liabilities	678,816
Compensated absences and retirement incentives	<u>(301,604)</u>
Total Adjustments	<u>7,917,825</u>
Net Cash Flows From Operating Activities	<u><u>\$ (27,430,001)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 225,159
Cash in county treasury	<u>33,709,548</u>
Total Cash and Cash Equivalents	<u><u>\$ 33,934,707</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	\$ 701,358
Board of governors fee waivers	<u>3,241,637</u>
Total Non Cash Transactions	<u><u>\$ 3,942,995</u></u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

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

	<u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 76,323
Investments	112,425
Accounts receivable	32,619
Total Assets	<u>221,367</u>
 LIABILITIES	
Accounts payable	30,369
Due to student groups	103,114
Total Liabilities	<u>133,483</u>
 NET POSITION	
Unreserved	87,884
Total Net Position	<u>\$ 87,884</u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Trust</u>
ADDITIONS	
Local revenues	<u>\$ 46,690</u>
DEDUCTIONS	
Services and operating expenditures	<u>44,471</u>
Change in Net Position	2,219
Net Position - Beginning	44,502
Restatement	<u>41,163</u>
Net Position - Ending	<u><u>\$ 87,884</u></u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - ORGANIZATION

Compton Community College District (the District) is located in the city of Compton, Los Angeles County, California. Compton Community College was established in 1927 as a component of the Compton Union High School District. At that time, State law authorized high school and unified school districts to offer education through a junior college accredited program. In 1950, voters approved a bond issue separating the college from the high school district, establishing a District Governing Special Trustee and Board of Trustees.

Before the loss of its accreditation in August 2006, the college provided post-K-12 educational services to the residents of its service area encompassing 29 square miles. The Chancellor of the Community College System appointed a Special Trustee in the spring of 2004, as his designee to administer the college.

On June 30, 2006, Assembly Bill (AB) 318 was signed into law. AB 318 provided a State loan of \$30 million to the Compton Community College District. The legislation also required the Fiscal Crisis and Management Assistance Team (FCMAT) to conduct a comprehensive assessment of the District in five operational areas and to develop a recovery plan for the District to implement. FCMAT is required to file written status reports at regular intervals on the District's progress in implementing the recovery plan.

The District has worked to provide uninterrupted educational services for the students by partnering with another accredited community college, the El Camino Community College. Under this partnership, instructional services are provided on the Compton campus by the El Camino Community College District as the El Camino College Compton Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with the Foundation for the Compton Community College District (the Foundation) in conjunction with the GASB Statement No. 61 criteria. The Foundation is a separate not for profit organization and the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundation financial statements in the District's annual report. Information on the Foundation may be requested through the Foundation for the Compton Community College District office.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Based on the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

The Foundation for the Compton Community College District is a legally separate, tax exempt, public benefit corporation. The Foundation was not included as a component unit because the economic resources held by the Foundation, in management's opinion, are not significant to the District.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013 and 2012, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

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. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is established based upon management's analysis. The allowance is \$1,237,083 at June 30, 2013.

Prepaid Expenses

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Unamortized Issuance Costs

Amounts paid for fees and underwriting costs associated with General Obligation Bonds previously issued were capitalized and are amortized to interest expense over the life of the bonds. Issuance costs of \$951,899 were capitalized and are amortized using the straight-line method. Amortization of \$46,042 was recognized during fiscal year 2012-2013. At June 30, 2013, the remaining balance is \$905,857.

Deferred Charges on Refunding

Deferred charges on refunding are amortized using the straight-line method.

Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years; vehicles, 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

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

Bond Premiums

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight line method. See Note 10 for additional information.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

Deferred Revenue

Deferred revenue arises 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.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, early retirement incentive, claims payable, capital lease obligations, and OPEB obligations with maturities greater than one year.

Net Position

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

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

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$3,636,754 of restricted net position. At June 30, 2013, the entity-wide financial statements report deficit unrestricted net position in the amount of \$10,668,877.

State Apportionments

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

Property Taxes

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

The voters of the District passed a General Obligation Bond in November 2002 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

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

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2013, was \$701,358 for CalSTRS and \$0 for CalPERS. These amounts are reflected in the District's audited financial statements.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Estimates

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

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the District-wide financial statements.

Changes in Accounting Principles

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

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 15 for more information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

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

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

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

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

The District is an involuntary participant in the Los Angeles County investment pool. The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

As provided by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds based upon the funds' average daily deposit balance during the allocation period.

COMPTON COMMUNITY COLLEGE DISTRICT

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

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

Summary of Deposits and Investments

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

Primary government	\$ 33,934,707
Fiduciary funds	188,748
Total Deposits and Investments	<u>\$ 34,123,455</u>
Cash on hand and in banks	\$ 76,482
Cash in revolving	225,000
Investments	33,821,973
Total Deposits and Investments	<u>\$ 34,123,455</u>

Interest Rate Risk

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	<u>\$ 33,557,809</u>	<u>632</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2013.

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. 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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance of \$388,895 was fully insured by the Federal Deposit Insurance Corporation (FDIC).

COMPTON COMMUNITY COLLEGE DISTRICT

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

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 143,462	\$ -
State Government		
Apportionment	8,050,205	-
Categorical aid	37,802	-
Lottery	501,437	-
Other State sources	11,466,325	-
Local Sources		
Interest	66,241	275
Other local sources	613,153	32,344
Total	<u>\$ 20,878,625</u>	<u>\$ 32,619</u>
Student receivables	\$ 2,512,363	
Less: Allowance for bad debt	<u>(1,237,083)</u>	
Student receivables, net	<u>\$ 1,275,280</u>	

COMPTON COMMUNITY COLLEGE DISTRICT

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	*Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 2,324,000	\$ -	\$ -	\$ 2,324,000
Construction in progress	41,081,216	26,926,497	8,054,056	59,953,657
Total Capital Assets Not Being Depreciated	<u>43,405,216</u>	<u>26,926,497</u>	<u>8,054,056</u>	<u>62,277,657</u>
Capital Assets Being Depreciated				
Buildings and improvements	54,122,298	834,700	-	54,956,998
Site improvements	3,187,030	5,832,028	-	9,019,058
Furniture and equipment	7,454,426	32,831	-	7,487,257
Total Capital Assets Being Depreciated	<u>64,763,754</u>	<u>6,699,559</u>	<u>-</u>	<u>71,463,313</u>
Total Capital Assets	<u>108,168,970</u>	<u>33,626,056</u>	<u>8,054,056</u>	<u>133,740,970</u>
Less Accumulated Depreciation				
Buildings and improvements	12,719,895	1,126,479	-	13,846,374
Site improvements	1,257,374	131,965	-	1,389,339
Furniture and equipment	6,634,415	194,278	-	6,828,693
Total Accumulated Depreciation	<u>20,611,684</u>	<u>1,452,722</u>	<u>-</u>	<u>22,064,406</u>
Net Capital Assets	<u>\$ 87,557,286</u>	<u>\$ 32,173,334</u>	<u>\$ 8,054,056</u>	<u>\$ 111,676,564</u>

* As restated. See Note 15 for more information.

Depreciation expense for the year was \$1,452,722.

Interest expense on capital related debt for the year ended June 30, 2013, was \$6,404,676. Of this amount, \$1,138,308 was capitalized.

The Learning Resource Center (LRC) building is currently unoccupied and has not been placed into service though the construction is substantially complete. The LRC is expected to be completed and occupied during the 2014 fiscal year. The \$23.2 million cost to date has been reported as part of work in progress.

COMPTON COMMUNITY COLLEGE DISTRICT

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 990,940	\$ -
Apportionment	1,472,000	-
Construction	3,622,014	-
Vendor payables	1,854,654	30,369
Total	<u>\$ 7,939,608</u>	<u>\$ 30,369</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	Primary Government
Federal financial assistance	\$ 16,440
State categorical aid	801,889
Student fees	767,303
Other local	173,072
Total	<u>\$ 1,758,704</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds has been eliminated in the consolidation process of the basic financial statements. At June 30, 2013, there were no balances due between the primary government and the fiduciary funds.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2012-2013 year, there were no amounts transferred between the primary government and the fiduciary funds.

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRAN)

The District issued \$4,000,000 of Tax and Revenue Anticipation Notes dated July 2, 2012. The notes matured on June 30, 2013, and yield .45 percent interest. Repayment requirements were that a percentage of principal and interest be deposited to the Repayment Fund each month beginning January 2013 until 100 percent of the principal and interest due was on account in February 2013. The District also issued \$8,000,000 of additional Tax and Revenue Anticipation Notes dated February 20, 2013. The notes mature on December 31, 2013, and yield 2.0 percent interest. Repayment requirements require that 50 percent of the principal and interest be deposited to the Repayment Fund by November 30, 2013, and the remaining principal and interest deposited by December 31, 2013. Both notes were sold to supplement cash flow during the fiscal year.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
July 2, 2012	\$ -	\$ 4,000,000	\$ 4,000,000	\$ -
February 20, 2013	-	8,000,000	-	8,000,000
Total	<u>\$ -</u>	<u>\$ 12,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 8,000,000</u>

COMPTON COMMUNITY COLLEGE DISTRICT

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

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 63,611,122	\$ 14,832,644	\$ 15,305,000	\$ 63,138,766	\$ 1,165,000
Bond premium	2,009,640	1,677,513	237,876	3,449,277	295,720
Note payable	15,448,341	-	755,207	14,693,134	780,692
Total Bonds and Notes Payable	<u>81,069,103</u>	<u>16,510,157</u>	<u>16,298,083</u>	<u>81,281,177</u>	<u>2,241,412</u>
Other Liabilities					
Compensated absences	1,096,918	-	138,015	958,903	-
Early retirement incentive	493,115	-	163,589	329,526	109,842
Claims liability	2,009,000	1,448,644	769,828	2,687,816	-
Other postemployment benefits	3,939,311	1,730,572	799,075	4,870,808	-
Total Other Liabilities	<u>7,538,344</u>	<u>3,179,216</u>	<u>1,870,507</u>	<u>8,847,053</u>	<u>109,842</u>
Total Long-Term Obligations	<u>\$ 88,607,447</u>	<u>\$ 19,689,373</u>	<u>\$ 18,168,590</u>	<u>\$ 90,128,230</u>	<u>\$ 2,351,254</u>

The general obligation bonds are paid from property tax collections and are accounted for by the Los Angeles County Treasurer in the Bond Interest and Redemption Fund. The note payable is an advance apportionment appropriated by the State. Repayment is made from the unrestricted resources of the General Fund. Compensated absences and early retirement incentives are paid from the resources of the fund from which the employee liability was created. The claims liability is paid through a transfer from the General Fund to the Self-Insurance Fund. Other postemployment benefits are paid from the General Fund.

Description of Debt

General obligation bonds were approved by a local election in November 2002 under Proposition 39. The total amount approved by the voters was \$100,000,000. At June 30, 2013, \$85,471,122 had been issued and \$63,138,766 was outstanding. Interest rates on the bonds range from 2.00 to 6.75 percent. On October 4, 2012, \$14,470,000 of Compton Community College District, 2002 General Obligation Refunding Bonds were issued at a premium of \$1,677,513 to advance refund and defease a portion of the District's 2002 General Obligation Refunding Bonds maturing on and after July 1, 2028, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$14,510,000 of the old debt with a final maturity date of August 1, 2023. Interest rates range from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. The Bonds are payable semiannually on January 1 and July 1 of each year commencing on July 1, 2013.

COMPTON COMMUNITY COLLEGE DISTRICT

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,447,380. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2023 using the straight-line method. The outstanding principal balance of these Bonds at June 30, 2013, was \$14,470,000.

Debt Maturity

Issue Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2013
1/14/2004	3.00-4.00%	\$ 41,000,000	\$ 34,920,000	\$ -	\$ -	\$ 15,190,000	\$ 19,730,000
8/27/2009	3.00-6.75%	15,000,000	13,690,000	-	-	115,000	13,575,000
3/22/2012	2.59-6.65%	15,001,122	15,001,122	-	362,644	-	15,363,766
10/4/2012	2.00-5.00%	14,470,000	-	14,470,000	-	-	14,470,000
		<u>\$ 85,471,122</u>	<u>\$ 63,611,122</u>	<u>\$ 14,470,000</u>	<u>\$ 362,644</u>	<u>\$ 15,305,000</u>	<u>\$ 63,138,766</u>

The 2002 Series A bonds mature through fiscal year 2029 as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 790,000	\$ 955,400	\$ 1,745,400
2015	910,000	921,400	1,831,400
2016	70,000	901,450	971,450
2017	80,000	898,000	978,000
2018	90,000	893,938	983,938
2019-2023	655,000	4,379,256	5,034,256
2024-2028	13,130,000	3,021,219	16,151,219
2029	4,005,000	100,125	4,105,125
Total	<u>\$ 19,730,000</u>	<u>\$ 12,070,788</u>	<u>\$ 31,800,788</u>

COMPTON COMMUNITY COLLEGE DISTRICT

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

The 2002 Series B bonds mature through fiscal year 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 140,000	\$ 857,664	\$ 997,664
2015	165,000	851,914	1,016,914
2016	190,000	844,695	1,034,695
2017	220,000	835,964	1,055,964
2018	250,000	825,370	1,075,370
2019-2023	1,810,000	3,887,271	5,697,271
2024-2028	3,085,000	2,896,784	5,981,784
2029-2033	5,000,000	1,991,250	6,991,250
2034-2035	2,715,000	278,775	2,993,775
Total	<u>\$ 13,575,000</u>	<u>\$ 13,269,687</u>	<u>\$ 26,844,687</u>

The 2002 Series C bonds mature through fiscal year 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ -	\$ 389,850	\$ 389,850
2015	149,130	5,870	389,850	544,850
2016	153,541	11,459	389,850	554,850
2017	142,877	17,123	389,850	549,850
2018	140,773	24,227	389,850	554,850
2019-2023	1,183,250	166,750	1,924,750	3,274,750
2024-2028	1,394,349	1,530,651	1,816,250	4,741,250
2029-2033	2,804,470	6,645,530	1,816,250	11,266,250
2034-2038	9,395,376	7,319,624	1,473,375	18,188,375
Total	<u>\$ 15,363,766</u>	<u>\$ 15,721,234</u>	<u>\$ 8,979,875</u>	<u>\$ 40,064,875</u>

The 2013 Series A refunding bonds mature through fiscal year 2023 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 235,000	\$ 692,450	\$ 927,450
2015	35,000	689,750	724,750
2016	965,000	670,100	1,635,100
2017	1,095,000	628,900	1,723,900
2018	1,225,000	576,375	1,801,375
2019-2023	10,915,000	1,801,375	12,716,375
Total	<u>\$ 14,470,000</u>	<u>\$ 5,058,950</u>	<u>\$ 19,528,950</u>

COMPTON COMMUNITY COLLEGE DISTRICT

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

Note Payable

Assembly Bill 318 appropriated \$30 million to the Board of Governors of the California Community Colleges as an emergency apportionment to finance, among other things, activities described in Article 5 of Chapter 5, Part 46 of the Education Code. The balance available to the District is \$12,103,200. The financing does not constitute a borrowing, but is instead an advance apportionment subject to repayment with interest. At June 30, 2013, the District had received \$17,896,800 with \$14,693,134 outstanding.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 780,692	\$ 511,728	\$ 1,292,420
2015	807,241	485,179	1,292,420
2016	834,904	457,516	1,292,420
2017	863,734	428,686	1,292,420
2018	893,786	398,633	1,292,419
2019-2023	4,966,679	1,495,422	6,462,101
2024-2028	5,262,549	524,078	5,786,627
2029	283,549	3,904	287,453
Total	<u>\$ 14,693,134</u>	<u>\$ 4,305,146</u>	<u>\$ 18,998,280</u>

Compensated Absences

At June 30, 2013, the liability for compensated absences was \$958,903.

Early Retirement Incentives

The District has approved an Early Retirement Incentive Program in accordance with CalSTRS which is summarized below. A total of nine employees are participating in the program. The District made the final payment of \$57,271 during the year which removed the CalSTRS liability.

The District has approved an Early Retirement Incentive Program in accordance with Public Agency Retirement Services (PARS) which is summarized below. A total of nine employees are participating in the program. Payments to PARS will occur through 2016 as follows:

<u>Fiscal Year</u>	<u>Total</u>
2014	\$ 109,842
2015	109,842
2016	109,842
Total	<u>\$ 329,526</u>

Claims Liability

At June 30, 2013, the liability for claims liability was \$2,687,816. See Note 12 for additional information.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$1,517,534, and contributions made by the District during the year were \$799,075. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$236,359 and \$(23,321), respectively, which resulted in an increase to the net OPEB obligation of \$931,497. As of June 30, 2013, the net OPEB obligation was \$4,870,808. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Compton Community College Plan (the Plan) is a single-employer defined benefit healthcare plan administered by Compton Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 83 retirees and beneficiaries currently receiving benefits and 204 active plan members.

During the 2012-2013 fiscal year, the District established a GASB Statement No. 43 trust with the Benefit Trust Company to fund future OPEB obligations. The trust will be administered by Keenan & Associates in representation of the District. As of June 30, 2013, the value of the plan assets was \$167,167.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2012-2013, the District contributed \$799,075 to the Plan, \$599,075 of which was used for current premiums and \$200,000 was used for the initial payment to the pension trust fund.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,517,534
Interest on net OPEB obligation	236,359
Adjustment to annual required contribution	<u>(23,321)</u>
Annual OPEB cost (expense)	1,730,572
Contributions made	<u>(799,075)</u>
Increase in net OPEB obligation	931,497
Net OPEB obligation, beginning of year	<u>3,939,311</u>
Net OPEB obligation, end of year	<u><u>\$ 4,870,808</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,526,034	\$ 523,436	34%	\$ 3,114,455
2012	1,531,757	706,901	46%	3,939,311
2013	1,730,572	799,075	46%	4,870,808

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 15,366,693
Actuarial Value of Plan Assets	167,167
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 15,199,526</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	1.09%
Covered Payroll	N/A
UAAL as Percentage of Covered Payroll	N/A

The above noted actuarial accrued liability was based on the March 1, 2013, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2013, actuarial valuation, the entity age normal cost method was used. The actuarial assumptions included a five percent investment rate of return. The District has not formed an irrevocable trust and currently funds the benefits on a strictly pay-as-you-go basis. Healthcare cost trend rates at four percent per year. The UAAL is being amortized at a level percentage of payroll method using a 30 year amortization period.

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2013, the District contracted with the Statewide Association of Community Colleges (SWACC) 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

The District is self-insured for the first \$500,000 of each workers' compensation claim. The District also participated in School Alliance for Workers' Compensation Excess II Joint Powers Authority to provide excess workers' compensation coverage.

Claims Liability

The District records an estimated liability for workers' compensation claims against the District. Claims liability is based on the ultimate cost of the reported claims including future claim adjustment expense and an estimate for claims incurred, but not reported, based on historical experience. The amount of the liability is based on Bay Actuarial Consultants report dated May 6, 2013. The projected liability for unpaid losses reported in the Statement of Net Position is \$2,687,816 and was calculated using the expected confidence level discounted at three percent. Changes in the reported liability are shown in the following table:

	Workers' Compensation
Liability Balance, July 1, 2011	\$ 2,009,000
Claims and changes in estimates	313,999
Claims payments	(313,999)
Liability Balance, June 30, 2012	2,009,000
Claims and changes in estimates	1,448,644
Claims payments	(769,828)
Liability Balance, June 30, 2013	<u>\$ 2,687,816</u>
Assets Available to Pay Claims at June 30, 2013	<u><u>\$ 2,319,142</u></u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative CalSTRS 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 8.0 percent. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$874,944, \$898,835, and \$1,026,063, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$746,643, \$744,544, and \$757,542, respectively, and equal 100 percent of the required contributions for each year.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2013, which amounted to \$701,358, (5.176 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2013. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

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

The District is a member of the Statewide Association of Community Colleges (SWACC) and School Alliance for Workers' Compensation Excess II (SAWCX II) Joint Powers Authority. The District pays annual premiums for its property liability and excess workers' compensation coverage. The relationship between the District and each Joint Powers Authority (JPA) is such that they are not component units 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, 2013, the District made payments of \$336,544 and \$58,600 to SWACC and SAWCX II, respectively.

COMPTON COMMUNITY COLLEGE DISTRICT

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

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$7,775,140. Additionally, the financial statements reflect corrections of accumulated accounting errors which were discovered and corrected by management.

	Primary Government
Net Position - Beginning	\$ 28,673,496
Restatement of capital assets for implementation of GASB Statement No. 62	7,775,140
Adjustments to reflect a write-off of uncollectable accounts receivable	(739,609)
Adjustments to reflect the clearing of deferred revenue	8,615
Adjustments to reflect the removal of student rep funds from the unrestricted General Fund	(41,163)
Adjustments to reflect over-accrual of salary payments	15,151
Adjustments to reflect over-accrual of payments to vendors and removal of stale dated checks	289,202
Net Position - Beginning, as Restated	<u>\$ 35,980,832</u>
	Fiduciary Funds
Net Position - Beginning	\$ 44,502
Restatement of student representation fee funds	41,163
Net Position - Beginning, as Restated	<u>\$ 85,665</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES, which are attributable to the 2012-2013 fiscal year, have been deferred to the 2013-2014 fiscal year. The total amount of funding deferred into the 2013-2014 fiscal year was \$8,050,205. As of July 31, 2013, this amount has been received.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Financial Condition

The Compton Community College District has continued to deal with the State-wide recessionary economy within California. As noted above, the State has been withholding the cash for apportionment funding beyond June 30. This has created shortfalls in cash flows which have resulted in the need to utilize short-term borrowings in the form of Tax and Revenue Anticipation Notes. The District has received a line of credit through the California Community Colleges Chancellor's Office in the form of an Advance Apportionment as a result of Assembly Bill 318. This has not, however, eased the strain on the current resources and budget of the District. No additional amounts have been drawn down from the line of credit during the 2012-2013 fiscal year; however, the District is responsible for repayment of both principal and interest from the Unrestricted General Fund which, for the 2012-2013 year, was \$1,292,419. The ending fund balance in the Unrestricted General Fund increased by \$1,961,976 during 2012-2013 and did meet the State recommendation of providing a five percent reserve for economic uncertainties going into the 2013-2014 fiscal year.

Continued reductions in State funding are anticipated during 2013-2014, and the State has decreased the deferral of apportionment payments – both in amount and in duration – with an anticipated \$3.6 million being deferred into July 2013 based on the Governor's budget signed on June 27, 2013.

Budgetary reductions have been implemented in a variety of areas; however, these continued reductions and cash flow shortfalls are negatively impacting the District's ability to achieve financial stability on a long-term basis.

On an entity-wide basis, the financial statements are showing a deficit unrestricted ending balance in the amount of \$(10,668,877). This is due primarily to the long-term obligations of the District. The District has borrowed over \$16 million from future apportionments which will result in decreases in funding from the State Chancellor's Office in future years. Additionally, obligations to current employees, as well as retirees for health benefit costs, are \$4.9 million at June 30, 2013, and are anticipated to grow to \$15.4 million over the next 30 years as the costs of these benefits are amortized. During the 2012-2013 fiscal year, the District created an irrevocable pension trust and made a \$200,000 contribution during the year.

The ability of the District to maintain financial stability is dependent both on current term funding and the ability to meet the obligations noted above as they come due.

Grants

The District received 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, 2013.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Construction Commitments

The District is currently in the midst of various construction projects funded primarily through the General Obligation Bonds as well as State approved construction grants.

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Library Learning Resource Center	\$ 3,656,303	2014
Infrastructure Phase I	8,401,435	2014
Infrastructure Phase II	5,740,434	2014
MIS Building Renovation	68,991	2014
Music Building	116,269	2015
	<u>\$ 17,983,432</u>	

NOTE 17 - ACCREDITATION

The Compton Community College District's accreditation was revoked as a community college district effective July 14, 2006. As a result, the educational and student financial aid programs have been administered through the El Camino Community College District as the El Camino College Compton Center. This revocation of accreditation was the result of deficiencies in the education programs, student support programs, governance, and fiscal stability. The District is under the oversight and governance of a Special Trustee, and the governance authority of the Board has been suspended.

The District is currently working with the El Camino Community College District to implement improvements and processes to regain full and independent accreditation to serve the community and students of Compton and surrounding areas. This process is anticipated to take several years.

NOTE 18 - SUBSEQUENT EVENTS

On August 20, 2013, the District received a favorable legal settlement in the amount of \$480,000. The litigation arose from the construction of the Learning Resource Center as a result of a contracted vendor not performing their required construction related obligations. The District underwent mediation commencing July 15, 2013, and received the settlement payment, in full, on October 2, 2013.

In November 2013, the District issued the 2002 General Obligation Bonds, Series D, in the amount of \$16,554,972. The purpose of the issuance is to finance the acquisition, construction, modernization, and renovation of District sites and facilities, and to pay the costs associated with the issuance. Interest rates on the bonds range from 4.0 to 5.25 percent.

REQUIRED SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2009	\$ -	\$ 15,327,267	\$ 15,327,267	0%	N/A	N/A
March 1, 2011	-	15,723,057	15,723,057	0%	N/A	N/A
March 1, 2013	167,167	15,366,693	15,199,526	1%	N/A	N/A

SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2013

The Compton Community College District was established on July 1, 1927, and is comprised of an area of approximately 29 square miles located in Los Angeles County. The Assembly Bill 61 authorized the Board of Governors to suspend the authority of the Special Trustee and Board of Trustees of the District effective 2006, due to the loss of accreditation. The student academic programs, including student financial aid, are administered through the El Camino Community College District as the El Camino College Compton Center. Assembly Bill 318 extended the provisions of Assembly Bill 61 to a period of five years from the effective date of the Bill which was June 30, 2006, plus a period lasting until the State Chancellor, FCMAT, Director of Finance, and the Secretary of Education concur with the Special Trustee that the District has met the requirements in Assembly Bill 318.

SPECIAL TRUSTEE

Mr. Thomas E. Henry

BOARD OF TRUSTEES – NON-VOTING

<u>MEMBER</u>	<u>TERM EXPIRES</u>
Ms. Lorraine Cervantes	December 2013
Mr. Andres Ramos	December 2013
Mr. Charles Davis	December 2013
Dr. John Hamilton	December 2013
Dr. Deborah Sims LeBlanc	December 2013

ADMINISTRATION

Dr. Keith Curry	Chief Executive Officer
Ms. Barbara Perez	Vice President, Compton Center
Mr. Felipe R. Lopez	Chief Business Officer
Ms. Rachelle Sasser	Dean, Human Resources
Dr. Ricky Shabazz	Dean, Student Services
Ms. Wanda Morris	Dean, Student Learning, Division 1
Dr. Rodney Murray	Dean, Student Learning, Division 2
Vacant	Dean, Student Success, Division 3

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Funded:			
TRIO Cluster:			
Upward Bound	84.047A		\$ 66,889
Upward Bound Math and Science	84.047M		191,644
Total TRIO Cluster			<u>258,533</u>
Total U.S. Department of Education			<u>258,533</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
		04055-CACFP-	
Child and Adult Food Care Program	10.558	19-7-IC	47,762
Summer Food Service Program	10.559	13004	2,460
Total U.S. Department of Agriculture			<u>50,222</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	122,374
Passed through the County of Los Angeles - Department of Public Social Services (DPSS) Community College CalWORKs Program Contract			
Temporary Assistance for Needy Families (TANF)	93.558	CCCP12004	135,919
Total TANF Cluster			<u>258,293</u>
Passed through the California Community Colleges Chancellor's Office:			
Foster and Kinship Care Education (FKCE)	93.658	[1]	79,080
Passed through the California Community Colleges Foundation:			
Partnering for Safety and Permanence - Model Approach to Partnership Permanency and Safety - PS MAPP	93.674	817-120	1,197
Passed through the Los Angeles County Office of Education:			
Medi-Cal Administration Activities	93.778	C-11509:09:04	14,150
Passed through the California Department of Education:			
Child Care and Development Fund (CCDF) Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-2089	83,524
Child Care and Development Block Grant	93.575	CCTR-2089	34,036
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-2172	52,825
Child Care and Development Block Grant	93.575	CSPP-2172	23,216
Passed through the Yosemite Community College District, Child Development Training Consortium:			
Child Development Training Consortium	93.575	12-13-4159	5,457
Total CCDF Cluster			<u>199,058</u>
Total U.S. Department of Health and Human Services			<u>551,778</u>
Total Expenditures of Federal Awards			<u>\$ 860,533</u>

[1] Pass-through entity identifying number not available.
See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Basic Skills	\$ 96,158	\$ 156,913	\$ 253,071
Board of Financial Assistance Program	296,985	-	296,985
CalWORKs	375,045	-	375,045
Cooperative Agencies Resources for Education (CARE)	387,673	480,132	867,805
Disabled Students Program Services	163,541	-	163,541
Extended Opportunity Program and Services	715,397	8,936	724,333
Faculty and Staff Diversity	4,173	47,357	51,530
Matriculation	157,738	-	157,738
Cal Grant	302,334	-	302,334
Special Trustee	325,000	-	325,000
Foster and Kinship CARE	53,189	-	53,189
CHILD DEVELOPMENT FUND			
General Child Care and Development Program	132,033	-	132,033
California State Preschool Program	143,078	-	143,078
Child and Adult Care Food Program	2,917	-	2,917
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 253,071	\$ -	\$ 151,861	\$ 101,210	\$ 101,210
296,985	-	-	296,985	296,985
378,233	-	7	378,226	378,226
867,805	-	480,491	387,314	387,314
163,541	-	47	163,494	163,494
724,268	-	9,496	714,772	714,772
51,530	-	51,530	-	-
157,738	-	17,538	140,200	140,200
302,334	-	-	302,334	315,886
325,000	-	90,919	234,081	234,081
53,189	-	-	53,189	53,189
116,042	17,353	-	133,395	133,395
192,565	19,930	-	212,495	143,078
2,397	519	-	2,916	2,916
<u>\$ 3,884,698</u>	<u>\$ 37,802</u>	<u>\$ 801,889</u>	<u>\$ 3,120,611</u>	<u>\$ 3,064,746</u>

COMPTON COMMUNITY COLLEGE DISTRICT

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

CATEGORIES	<u>*Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit**	-	-	-
2. Credit	903	-	903
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit**	-	-	-
2. Credit	174	-	174
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,755	-	3,755
(b) Daily Census Contact Hours	573	-	573
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	18	-	18
(b) Credit	157	-	157
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	333	-	333
(b) Daily Census Contact Hours	87	-	87
D. Total FTES	<u>6,000</u>	<u>-</u>	<u>6,000</u>

* The amended annual attendance report was used.

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 5,254,193	\$ -	\$ 5,254,193	\$ 5,254,193	\$ -	\$ 5,254,193
Other	1300	3,431,509	-	3,431,509	3,431,509	-	3,431,509
Total Instructional Salaries		8,685,702	-	8,685,702	8,685,702	-	8,685,702
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,373,657	-	2,373,657
Other	1400	-	-	-	320,500	-	320,500
Total Noninstructional Salaries		-	-	-	2,694,157	-	2,694,157
Total Academic Salaries		8,685,702	-	8,685,702	11,379,859	-	11,379,859
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	4,226,538	-	4,226,538
Other	2300	-	-	-	628,452	-	628,452
Total Noninstructional Salaries		-	-	-	4,854,990	-	4,854,990
Instructional Aides							
Regular Status	2200	450,742	-	450,742	450,742	-	450,742
Other	2400	116,500	-	116,500	116,500	-	116,500
Total Instructional Aides		567,242	-	567,242	567,242	-	567,242
Total Classified Salaries		567,242	-	567,242	5,422,232	-	5,422,232
Employee Benefits	3000	2,636,530	-	2,636,530	5,180,783	-	5,180,783
Supplies and Material	4000	-	-	-	353,173	-	353,173
Other Operating Expenses	5000	-	-	-	4,117,307	-	4,117,307
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		11,889,474	-	11,889,474	26,453,354	-	26,453,354

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 325,127	\$ -	\$ 325,127	\$ 460,206	\$ -	\$ 460,206
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	311,401	-	311,401
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	717,220	-	717,220
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	717,220	-	717,220

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 837,569	\$ -	\$ 837,569
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		325,127	-	325,127	2,326,396	-	2,326,396
Total for ECS 84362, 50 Percent Law		\$ 11,564,347	\$ -	\$ 11,564,347	\$ 24,126,958	\$ -	\$ 24,126,958
Percent of CEE (Instructional Salary Cost/Total CEE)		47.93%		47.93%	100.00%		100.00%
50% of Current Expense of Education					\$ 12,063,479		\$ 12,063,479

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 4,971,438
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ 4,971,438			\$ 4,971,438
Total Expenditures for EPA		\$ 4,971,438	-	-	\$ 4,971,438
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

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

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

Total Fund Balance and retained earnings:

General Funds	\$ 8,222,092
Special Revenue Funds	1,477
Capital Project Funds	24,267,057
Debt Service Funds	3,121,364
Internal Service Funds	(368,674)
Fiduciary Funds	554,097

**Total Fund Balance and Retained Earnings
- All District Funds**

\$ 35,797,413

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:	133,740,970
Accumulated depreciation is:	<u>(22,064,406)</u>

111,676,564

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

(87,884)

Certain costs related to the issuance of long-term obligations are recorded as expenditures in the year of issuance in the governmental funds, but are capitalized in the Statement of Net Position and amortized over the life of the related long-term obligations.

2,253,418

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

(1,423,306)

Long-term obligations at year-end consist of:

Bonds payable	63,138,766
Bond premium	3,449,277
Notes payable	14,693,134
Compensated absences	958,903
Other postemployment benefits (OPEB)	4,870,808
Early retirement incentive	<u>329,526</u>

Total Net Position

\$ 60,775,791

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements. The information in this schedule is presented to comply with reporting requirements of OMB Circular A-133.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical I funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITORS' REPORTS



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

Special Trustee and Board of Trustees
Compton Community College District
Compton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of Compton Community College District (the District) for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2013.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 and correction of accounting errors for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies as items 2013-1 through 2013-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-6.

We noted certain matters that we reported to management of the District in a separate letter dated December 20, 2013.

Compton Community District's Responses to the Findings

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

Purpose of This Report

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



Rancho Cucamonga, California
December 20, 2013



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

Special Trustee and Board of Trustees
Compton Community College District
Compton, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Vaurinik, Irine, Day & Co. LLP

Rancho Cucamonga, California
December 20, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Special Trustee and Board of Trustees
Compton Community College District
Compton, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 421 Salaries of Classroom Instructors (50 Percent Law) – Finding 2013-6. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

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

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

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

The District does not charge fees for instructional and other materials; therefore, the compliance tests within this section were not applicable.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

Maurice J. Fine, Day & Co. LLP

Rancho Cucamonga, California
December 20, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMPTON COMMUNITY COLLEGE DISTRICT

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

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.047A and 84.047M</u>	<u>TRIO Cluster</u>
<u>93.596 and 93.575</u>	<u>CCDF Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

COMPTON COMMUNITY COLLEGE DISTRICT

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

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

2013-1 DISTRICT FINANCIAL CONDITION

Criteria or Specific Requirement

The District is required to maintain operational and budgetary financial stability both at the fund level and the entity-wide level.

Condition

The District's Unrestricted General Fund has continued to receive reduced State Apportionment funding in each of the last three years as part of a repayment plan for loans received through an established line of credit. As a result, significant reductions in expenditures have occurred. With the reductions in spending, the District has been able to maintain the State recommended level for reserves for economic uncertainties. The District's Unrestricted General Fund has the ongoing responsibility for the majority of employee compensation and benefits costs. The Unrestricted General Fund is also providing support for the Child Development Fund and the obligations paid through the Workers' Compensation Internal Service Fund.

Compounding the District's reduced funding is the current practice by the State of deferring cash payments for the revenue earned by several months – and moving significant amounts of the cash payment into the next fiscal year. At June 30, 2013, the District was owed over \$8 million for apportionment earned during the 2012-2013 year.

Due to the deferral of State apportionment, it has been necessary for the District to issue two separate Tax and Revenue Anticipation Notes (TRANS) during the 2012-2013 year. The first issuance in July 2012 was \$4 million, and the subsequent issuance occurred in February 2013 for \$8 million. These issuances were necessary for the District's cash flow to fund normal operations and payment of employee salaries and benefits.

On an entity-wide full accrual basis, the District's unrestricted ending balance/deficit is \$(10.5) million. This is due primarily to the growing obligation for the postemployment health care benefits and the obligation to repay the line of credit to the State Chancellor's Office. The current unfunded postemployment liability is over \$4.8 million based on the fiscal year 2013 actuarial report provided to the District and will grow to over \$15.5 million as the obligation is amortized over the coming 30 years. The District did create an irrevocable pension trust in the current year to initiate funding for the liability and correspondingly made the first contribution payment in June of 2013. The full liability of the note payable is \$14.7 million and will be repaid by \$1.2 million annual payments over the coming 15 years.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Recommendation

The long-term planning for the continued financial stability of the District should continue to include attention to obligations that will be coming due in the future, such as the postemployment healthcare benefits and the annual line of credit repayments, which impact the District both at the fund level and the entity-wide financial statement level. The plan to provide contributions to the irrevocable pension trust should be evaluated each year as the cash flow of the District to fund this obligation may be impacted.

As noted in observations 2013-2 and 2013-6, the obligations of both the Child Development Fund and the Workers' Compensation Fund should continue to be analyzed to determine the impact on the overall financial condition of the District as a whole.

Management's Response and Corrective Action Plan

The District agrees with this recommendation. The District has implemented a five-year budget plan (the plan) which was shared with various campus committees and adopted by the Board on September 11, 2012. This plan is a working document which is continually updated as information becomes available to the District. This plan also incorporates a long-term planning tool for the District to monitor ending fund balance and available reserve amounts. The District also revised its minimum unrestricted general reserve from 3 percent to 5 percent as noted in Board Policy 6200 Budget Preparation which was adopted on September 3, 2013. These tools will continued to be refined to assist the District in devolving more accurate long-term outlook of the financial position of the District that allows for better decision making.

2013-2 FINANCIAL REPORTING SYSTEM RECONCILIATIONS

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

As noted in the prior years' audits, the District is utilizing two separate systems for monitoring accounting transactions - the PeopleSoft System supported by the Los Angeles County Office of Education and the locally supported DataTel System. DataTel is primarily used for student records and student service transactions such as enrollment; with PeopleSoft being the official books of record for budget monitoring, daily transactional analysis, and audit purposes. During the later portion of the 2012-2013 fiscal year, the District has implemented procedures to reconcile the two systems and is preparing monthly reconciling reports; however, as of the fiscal year end, the two systems had not been completely reconciled.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Recommendation

The District should continue with their implementation strategy to reconcile the two systems. Formal training should be provided to the business employees to ensure process understanding and proper document retention. The reconciliation process should be continued on a monthly basis with review from a member of Business management. Reconciling variances should be addressed immediately to prevent the discrepancies from rolling forward into the next month.

Management's Response and Corrective Action Plan

The District agrees with this finding. The District will continue to implement and modify procedures that have been established; however, it should be noted the two financial systems were reconciled as of June 30, 2013, and were so prior to the report date.

2013-3 DISTRICT CASH ACCOUNTS

Criteria or Specific Requirement

Best accounting practices require a regular review and reconciliation of all cash accounts maintained by the District.

Condition

The District maintains various cash accounts to collect and remit funds to the County Treasury. These accounts have not been consistently monitored and reconciled during the 2012-2013 fiscal year. As these collections are recorded only in the cash accounts, revenues are not recognized until the County Treasury has received the deposit. We also noted the reconciliation process has not consistently identified individual revenue accounts to post which results in student fees not being properly accounted for during the year by fee type. The District has implemented a formal reconciliation process during the latter portion of the fiscal year; however, the cash clearing account was not adequately reconciled on a monthly basis for the entire year.

Recommendation

The process to reconcile the cash accounts on at least a monthly basis – and more frequently when large balances have been received – and transmitted to the County Treasury must be documented and included in a written procedure manual. The transmittals to the County Treasury must include the detail of the individual revenue accounts to be credited, and the supporting documentation must be maintained for review and audit purposes. The District's implementation of the reconciling process must be maintained and performed within a timely manner.

Management's Response and Corrective Action Plan

The District agrees with this finding. The District will continue to implement the formal reconciliation process that was established to ensure monthly reconciliations are completed timely.

COMPTON COMMUNITY COLLEGE DISTRICT

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

2013-4 PAYROLL CLEARANCE FUND AND RELATED BENEFITS LIABILITY

Criteria or Specific Requirement

Best accounting practices require the District maintain a system of review and reconciliation over all funds and activities of the District.

Condition

The District maintains a Payroll Clearance Fund to account for benefit and payroll deductions and the corresponding payment to the appropriate organization. This fund should consistently net to \$0 as it is a clearing fund only and has no separate revenue or expenditure activity. The Payroll Clearance Fund has not been consistently reconciled on a timely basis.

Recommendation

The District must designate and train an employee in the proper reconciliation of the Payroll Clearance Fund. All balances owed to outside third parties, or balances collected for other purposes, should be identified and remitted to the proper agency in a timely manner. The Chief Business Officer should implement formal reconciliation and review process that will assist staff in completing this task on a monthly basis.

Management Response and Corrective Action Plan

The District agrees with this finding. The District is currently working with consultants in assisting with formalizing written procedures and providing training and assigning duties to the appropriate staff.

2013-5 DEFICIT ENDING BALANCE – INTERNAL SERVICE FUND

Criteria or Specific Requirement

Best accounting practices require the District to maintain adequate financial resources, both at an entity-wide level and at the specific fund level.

Condition

The District maintains a Self-Insurance Fund for employee workers' compensation benefits. The District has received an actuarial report noting the liability both for current claims and for those claims incurred, but not reported, and has posted a liability within this fund in the amount of \$2.7 million. The Self-Insurance Fund does not have sufficient assets to cover this liability which has resulted in a negative retained earnings balance of \$369 thousand. This liability will ultimately become the responsibility of the various programs and funds within the District which record payroll expense – specifically the District's Unrestricted General Fund. This has the possibility of negatively impacting the financial stability of the operations of the District.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Recommendation

The District should review the actuarial report obtained for workers' compensation benefits and determine a funding rate through payroll which will provide adequate resources to offset the liability in the Workers' Compensation Fund. The established rate for payroll should be applied across all funds and programs and accounted for in the Workers' Compensation Fund.

Management's Response and Corrective Action Plan

The District agrees with this finding. The District is currently reviewing its actuarial report for workers' compensation to evaluate the appropriate rate that should be established to adequately fund current and future claim liability. Over the past couple of years, the District's estimated actuarial liability increased dramatically from \$2.0 million to \$2.7 million as of June 30, 2013. However, the District believes its Workers' Compensation Fund has adequate assets to pay current claims and will establish a plan in order to fund future claims.

COMPTON COMMUNITY COLLEGE DISTRICT

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

None reported.

COMPTON COMMUNITY COLLEGE DISTRICT

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

The following finding represents an instance of noncompliance and/or questioned costs relating to State program laws and regulations.

2013-6 50 Percent Law Calculation

Criteria or Specific Requirement

Education Code Section 84362 requires that a minimum of 50 percent of the District's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors".

Condition

Significant Deficiency - As of June 30, 2013, the District is not in compliance with the requirements of the provisions of *Education Code* Section 84362. The District's calculation as presented in the CCFS-311 Annual Financial and Budget Report was 47.93 percent. The District was required to file a waiver with the State Chancellor's Office to report the shortfall.

Questioned Costs

Based on the calculation, the District's shortfall is \$499,132.

Recommendation

The District should revise their 2013-2014 budget to ensure expenditures applicable to the provision calculations will allow the District to meet the required percentage threshold.

Management's Response and Corrective Action Plan

The District's 2013-2014 budget includes the hiring of nine new faculty positions that are essential for the District to meet its requirement that a minimum of 50 percent of the current expense of education is spent for salaries of classroom instructors.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2012-1 DISTRICT FINANCIAL CONDITION

Criteria or Specific Requirement

The District is required to maintain operational and budgetary financial stability both at the Fund level and the Entity-Wide level.

Condition

The District's Unrestricted General Fund has received reduced State Apportionment funding in each of the last three years. As a result, significant reductions in expenditures have occurred. With the reductions in spending, the District has been able to maintain the State recommended level for reserves for economic uncertainties. The District's Unrestricted General Fund has the ongoing responsibility for the majority of employee compensation and benefits costs, as well as the repayment of advance apportionment funding received. Principal and interest payments for the line of credit borrowing are approximately \$1.3 million each year through 2029. Employee compensation and benefits are currently 78 percent of the total Unrestricted General Fund Expenditures.

Compounding the District's reduced funding is the current practice by the State of deferring cash payments for the revenue earned by several months – and moving significant amounts of the cash payment into the next fiscal year. At June 30, 2012, the District was owed over \$9.1 million for apportionment earned during the 2011-2012 year. The ending cash balance in the Unrestricted General Fund was \$1.4 million which is not sufficient to cover normal payroll processing without borrowing from other funds or issuing short-term debt.

Due to the deferral of State Apportionment, it has been necessary for the District to issue a mid-year Tax and Revenue Anticipation Note (TRAN), as well as issuing another TRAN in July 2012. The amount of the TRAN was increased from \$1.5 million to \$4.0 million.

On an entity-wide full-accrual basis, the District's unrestricted ending balance/deficit is approximately \$(15.2) million. This is due primarily to the growing obligation for the postemployment health care benefits. As described in the Notes to the Financial Statements (Notes 10 and 11), the District is obligated to pay future healthcare benefit costs for retirees. The liability is over \$15.7 million and is currently not funded, nor has the District begun to set aside reserve amounts for this obligation.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Recommendation

The District should begin the process of budgeting on a minimum three-year cycle. This will allow for a longer term analysis of the actual needs of the District and the resources – both revenue and cash – that will be available to fund the needs. As changes in the funding formula are instituted, the effect on the District's expenditures should be evaluated and, if necessary, plans for reductions instituted.

The long-term planning should include attention to obligations that will be coming due in the future such as the postemployment healthcare benefits.

Current Status

In process. See current year finding 2013-1.

2012-2 CHILD DEVELOPMENT FUND

Criteria or Specific Requirement

Expenditures related to the Child Development Fund and program are to be self sustaining with current program revenues and fees received for the services provided.

Condition

The expenditures within the Child Development Fund exceeded the revenues provided by Federal and State programs and fees charged for services by \$90 thousand. This has been the result of continued reductions in the Federal and State program funding, while maintaining expenditures at previous levels. The current year ending balance of \$38 thousand will not support the level of expenditures incurred during the 2011-2012 fiscal year, and the fund is in danger of showing a deficit if the expenditures are not reduced in the 2012-2013 year.

Recommendation

The District should review the 2012-2013 budget and determine costs which can be reduced, or revenue sources that can be enhanced, in order to ensure the fund is financially stable. It is recommended the budgetary review cycle mirror the Unrestricted General Fund as noted above and encompass a minimum three-year review. Due to the issues noted above within the Unrestricted General Fund, any pressure to provide additional support to the fund may negatively impact the stability of the Unrestricted General Fund.

Current Status

In process. See management letter.

COMPTON COMMUNITY COLLEGE DISTRICT

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

2012-3 ACTIVITY CODING OF EXPENDITURES

Criteria or Specific Requirement

Districts are required by the California Community Colleges Chancellor's Office *Budget and Accounting Manual* (BAM) to properly classify expenditures by four digit activity codes as described in the *Taxonomy of Programs* (TOP) manual. All activities are typically classified as either instructional or administrative and support.

Condition

During the final review and reconciliation of the general ledger and activity reported in the Unrestricted General Fund, the District noted a significant amount of expenditures had not been properly coded to the activity codes for the corresponding TOPs activity classifications. The reconciliation of the activity codes was primarily the result of the preparation of the District's 50% Law calculation.

The specific coding of expenditures by activity code will provide a basis for whether expenditures are of an instructional or noninstructional nature, or whether the expenditure is related to auxiliary or community activities in determining the Current Expense of Education (CEE). Personnel have primarily focused on coding expenditures related to Fund and Object, without reviewing the criteria for the activity classification. While the expenditures have been appropriately identified through the closing process, journal entries to move the activity to the proper coding have not been completed to ensure the actual general ledger agrees with year-end reporting.

Recommendation

The District should provide additional training to all managers and staff that provide the account code string required for expenditure posting to the general ledger to ensure that expenditures are properly classified at the time the expenditure takes place in order to eliminate the need for re-classification of amounts at year-end. Transactions related to all expenditures including employee compensation and benefits should be reviewed to ensure the appropriate activity code reflects the job descriptions and actual duties that are being performed.

Current Status

Implemented.

2012-4 YEAR-END CLOSING AND ACCOUNTING PROCESSES

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Condition

As has been noted in prior years' audits, the District's internal controls have not been implemented to a sufficient degree to prevent and detect material misstatements from occurring during the year.

The District's accounting staff has undergone significant changes in personnel over the past several years. The Chief Business Officer position was filled as of April 30, 2012, which provided for a more accurate closing process; however, reconciliations of activity throughout the year have continued to require significant review and analysis which is ongoing.

Recommendation

Consistent and adequately trained staff within all areas of the District Business Office must remain a high priority. The Chief Business Officer must continue to evaluate the strengths of internal control processes and procedures. Additionally, properly trained support staff which are necessary to ensure accurate reporting during the year must be included in the evaluation process.

Current Status

Implemented.

2012-5 MANAGEMENT OVERSIGHT AND MONITORING

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

During the past six years, the District Business Office leadership has been under seven different Chief Business Officers and three different Special Trustees. The turnover has exacerbated the conditions noted above related to the accounting and closing process and has frustrated attempts at providing training of Business Office staff.

Recommendation

The training of staff should be a primary objective of the individual placed in the CBO position with sound internal control policies and practices a key component of the training, as well as general accounting theory training. An assessment of the accounting skills of the Business Office personnel should be conducted by the Chief Business Officer to ensure individuals have been assigned the proper tasks based upon their skill levels.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Current Status

Implemented.

2012-6 FINANCIAL REPORTING SYSTEM RECONCILIATIONS

Criteria or Specific Requirement

The California *Education Code*, the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring.

Condition

As noted in the prior years' audits, the District is utilizing two separate systems for monitoring accounting transactions - the PeopleSoft System supported by the Los Angeles County Office of Education and the locally supported DataTel System. DataTel is primarily used for student records and student service transactions such as enrollment, with PeopleSoft being the official books of record for budget monitoring, daily transactional analysis, and audit purposes. With the addition of the CBO in April 2012, we noted that the reconciliations for year end were completed; however, the two systems are not properly reconciled on a regular basis during the year.

Recommendation

The process to reconcile these two systems on a monthly basis must be documented with a written procedure manual and staff appropriately trained on the proper reconciliation methodology. Training for specific staff within the Business Office to provide for the reconciliations should be provided by the CBO to ensure more than one individual has the ability to provide for the reconciliation of activity. Supervisory review and approval of all reconciling journal entries should be included with this process. These reconciliations should be maintained to document that all transactions have been appropriately recorded throughout the year.

Current Status

In process. See current year finding 2013-2.

2012-7 ANALYSIS OF ACCOUNT BALANCES AND JOURNAL ENTRIES

Criteria or Specific Requirement

Best accounting practices require a regular review and reconciliation of all account balances with correcting journal entries reviewed and approved by the Chief Business Officer.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Condition

Balances in asset and liability accounts have been rolled forward from prior year without benefit of a reconciliation to ensure the amounts are still valid. Reconciliations of the Accounts Receivable and Payable balances was started for the 2011-2012 year-end closing; however, we noted balances in several of these accounts have been carried forward for the past several years. We also noted credit balances remaining in asset accounts and debit balances are included in the liability accounts. In some instances, these may offset each other, but have not been reconciled. Journal entries to support correcting and/or reconciling entries have not been consistently reviewed during the year to ensure they are appropriate and accurate.

Recommendation

A thorough review and reconciliation of all asset and liability account balances in all funds should be performed immediately. Adjustments that are necessary to properly record the activity should be presented to the Chief Business Officer for review prior to posting.

Current Status

Implemented.

2012-8 DISTRICT CASH ACCOUNTS

Criteria or Specific Requirement

Best accounting practices require a regular review and reconciliation of all cash accounts maintained by the District.

Condition

The District maintains various cash accounts to collect and remit funds to the County Treasury. These accounts have not been consistently monitored and reconciled, and transmittals of the cash to the County Treasury have not been processed consistently during the year. As these collections are recorded only in the cash accounts, revenues are not recognized until the County Treasury has received the deposit. We also noted the reconciliation process does not identify individual revenue accounts to post to which results in student fees not being properly accounted for during the year by fee type.

Recommendation

The process to reconcile the cash accounts on at least a monthly basis – and more frequently when large balances have been received – and transmit to the County Treasury must be documented and included in a written procedure manual. The transmittals to the County Treasury must include the detail of the individual revenue accounts to be credited, and the supporting documentation must be maintained for review and audit purposes.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Current Status

In process. See current year finding 2013-3.

2012-9 GENERAL OBLIGATION BOND FUND ACCOUNTABILITY

Criteria or Specific Requirement

The District is required to maintain a separate fund for accountability purposes for the proceeds and expenditures of general obligation bond funds.

Condition

The District's Revenue Bond Construction Fund is utilized to provide cash flow to the State funded construction projects accounted for within the Capital Outlay Projects Fund. Some of these projects are funded jointly by both revenue sources, and some are 100 percent funded by the Bond or State. During the 2011-2012 fiscal year, the District claimed and/or received reimbursements totaling \$845,385 for State funded construction project expenditures incurred during the 2009-2010 and 2010-2011 fiscal years. These expenditures had not been transferred out of the Revenue Bond Construction Fund to the Capital Outlay Project Fund. A reclassifying journal entry has been provided to the District to properly post this activity.

Recommendation

The expenditures for State funded projects should be specifically accounted for by project to track the amount that is due for reimbursement from the approved State projects. On a quarterly basis, the District should reconcile the construction project expenditures and prepare a journal entry to properly allocate all construction project expenditures to the proper account and fund.

Current Status

Implemented.

2012-10 PAYROLL CLEARANCE FUND AND RELATED BENEFITS LIABILITY

Criteria or Specific Requirement

Best accounting practices require the District maintain a system of review and reconciliation over all funds and activities of the District.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Condition

The District maintains a Payroll Clearance Fund to account for benefit and payroll deductions and the corresponding payment to the appropriate organization. This fund should consistently net to \$0 as it is a clearing fund only and has no separate revenue or expenditure activity. The Payroll Clearance Fund has not been consistently reconciled on a timely basis. The District personnel have received training in prior years on the proper reconciliation and accounting for the fund; however, changes in personnel and responsibilities have again allowed the balances in this fund to accumulate and amounts may not have been appropriately applied.

Recommendation

The District must designate and train an employee in the proper reconciliation of the Payroll Clearance Fund. All balances owed to outside third parties, or balances collected for other purposes, should be identified and remitted to the proper agency in a timely manner. The Chief Business Officer should develop a reconciliation and review process that will assist staff in completing this task on a monthly basis.

Current Status

In process. See current year finding 2013-4.

Federal Awards Findings

2012-11 REPORTING

Federal Program Affected

U.S. Department of Health and Human Services, Child Care and Development Block Grant (CFDA #s 93.596 and 93.575)

Compliance Requirement

The District is required to report to the oversight agency on a quarterly basis the activity within the grants.

Condition

Significant Deficiency: As noted in the prior year audit report, quarterly financial reports, including the final report for annual activity, were not supported by the financial records of the District.

Questioned Costs

None.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Context

All four quarterly reports for the 2011-2012 year were selected and tested for compliance. The final annual report detailing the activity for the year did not agree to the financial records of the District.

Effect

By not properly reporting the expenditure activity of the Child Care and Development Block Grant to the awarding agency, future awards may be impacted. Additionally, while no questioned costs are noted, the accuracy of the information is vital to the agencies review of the program.

Cause

Financial information that was reported within the general ledger was not reconciled to the quarterly reports or the final financial activity report.

Recommendation

Each report prepared for submission to the awarding agency must go through a supervisory review to ensure that all costs associated with the program are included within the report. The supporting documentation for the report submitted should be maintained with all other accountability records for the program.

Current Status

Implemented.

State Awards Findings

2012-12 INSTRUCTIONAL SERVICE AGREEMENTS

Criteria or Specific Requirement

Education Code Section 84752 allows for the offering of educational programs to a third party under an approved contract or agreement between the District and the third party. The California State Chancellor's Office has provided guidance and legal opinion as to the criteria that are required to be in the agreement and part of the instructional program.

Condition

The District implemented the finding noted in the prior year audit report related to the Instructional Service Agreement with the Universal Beauty School instructional contract; however, it was noted that the final instructor agreements which are to be signed by the instructors were not signed until after the commencement of instruction.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Questioned Costs

None.

Context

Of the 12 instructional courses offered through the school, two of the agreements were signed in November 2011 when instruction actually started in September 2011.

Effect

By not having the proper agreement signed and in place for each instructor prior to the start of instruction, the District is at risk of failing to meet the compliance requirements related to the Instructional Services Agreements.

Cause

These two instances appear to be isolated as the District was in the process of completing all Instructional Services Agreements to comply with the prior year comment related to noncompliance.

Recommendation

Continued monitoring of instructional contracts offered through the Instructional Services Agreement contracts is necessary to ensure compliance with the required State requirements for claiming FTES credit for courses provided through this arrangement.

Current Status

Implemented.

2012-13 CalWORKs AND STATE TANF REPORTING

Criteria or Specific Requirement

Districts are required to expend CalWORKs Program and State TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students and report the related expenditures to the State Chancellor's office by August 31 of each year.

Condition

The required reporting was submitted timely to the State Chancellor's Office; however, immaterial discrepancies between the report submitted and the final general ledger accounting of program expenditures.

Questioned Costs

None.

COMPTON COMMUNITY COLLEGE DISTRICT

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

Context

The discrepancy noted was an underreporting of expenditures of \$401. Total reported expenditures were \$409,071, and actual expenditures noted on the general ledger were \$409,421.

Effect

The District has under reported the expenditures of the CalWORKs and State TANF programs.

Cause

The District continued to reconcile the general ledger accounts subsequent to the required filing timeline of the CalWORKs and State TANF program expenditures.

Recommendation

Reconciliation of program expenditures during the year will provide more accurate and timely information for the reporting requirement for these programs.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION
(UNAUDITED)

COMPTON COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2013**

	General Unrestricted	Line of Credit General Unrestricted	General Restricted
ASSETS			
Cash and cash equivalents	\$ 25,000	\$ -	\$ 159
Investments	9,704,552	743,361	1,195,221
Accounts receivable	8,556,715	1,700	459,312
Student loans receivable	1,275,280	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
Total Assets	\$ 19,561,547	\$ 745,061	\$ 1,654,692
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,644,269	\$ 62,500	\$ 275,103
Due to other funds	-	-	-
Other current liabilities	8,000,000	-	-
Deferred revenue	767,303	-	990,033
Total Liabilities	12,411,572	62,500	1,265,136
FUND BALANCES			
Nonspendable	25,000	-	-
Restricted	-	-	389,556
Undesignated	7,124,975	682,561	-
Total Fund Balances	7,149,975	682,561	389,556
Total Liabilities and Fund Balances	\$ 19,561,547	\$ 745,061	\$ 1,654,692

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ 25,159
39,424	3,121,364	1,445,813	14,893,551	31,143,286
68,352	-	11,472,911	69,751	20,628,741
-	-	-	-	1,275,280
-	-	-	11,237,648	11,237,648
-	-	7,045	-	7,045
<u>\$ 107,776</u>	<u>\$ 3,121,364</u>	<u>\$ 12,925,769</u>	<u>\$ 26,200,950</u>	<u>\$ 64,317,159</u>
\$ 104,931	\$ -	\$ 140,458	\$ 3,481,556	7,708,817
-	-	11,237,648	-	11,237,648
-	-	-	-	8,000,000
1,368	-	-	-	1,758,704
<u>106,299</u>	<u>-</u>	<u>11,378,106</u>	<u>3,481,556</u>	<u>28,705,169</u>
-	-	7,045	-	32,045
1,477	3,121,364	1,540,618	22,719,394	27,772,409
-	-	-	-	7,807,536
<u>1,477</u>	<u>3,121,364</u>	<u>1,547,663</u>	<u>22,719,394</u>	<u>35,611,990</u>
<u>\$ 107,776</u>	<u>\$ 3,121,364</u>	<u>\$ 12,925,769</u>	<u>\$ 26,200,950</u>	<u>\$ 64,317,159</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Line of Credit		
	General Unrestricted	General Unrestricted	General Restricted
REVENUES			
Federal revenues	\$ 14,150	\$ -	\$ 599,563
State revenues	24,135,313	-	2,667,648
Local revenues	6,341,269	163,966	890,423
Total Revenues	<u>30,490,732</u>	<u>163,966</u>	<u>4,157,634</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	11,379,859	-	559,405
Classified salaries	5,422,231	-	1,174,460
Employee benefits	5,180,784	-	488,965
Books and supplies	353,173	-	290,348
Services and operating expenditures	4,117,307	779,784	821,447
Capital outlay	303,406	-	275,634
Debt service - principal	755,208	-	-
Debt service - interest and other	537,212	-	-
Total Expenditures	<u>28,049,180</u>	<u>779,784</u>	<u>3,610,259</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,441,552</u>	<u>(615,818)</u>	<u>547,375</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(426,937)	-	-
Other sources	-	-	-
Other uses	(52,639)	-	(504,256)
Total Other Financing Sources (Uses)	<u>(479,576)</u>	<u>-</u>	<u>(504,256)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,961,976	(615,818)	43,119
FUND BALANCE, BEGINNING OF YEAR	4,416,143	1,298,379	1,593,979
RESTATEMENT	771,856	-	(1,247,542)
FUND BALANCE, END OF YEAR	<u>\$ 7,149,975</u>	<u>\$ 682,561</u>	<u>\$ 389,556</u>

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
\$ 246,820	\$ -	\$ -	\$ -	\$ 860,533
345,808	377,033	24,465,426	-	51,991,228
9,772	3,961,179	32,671	119,934	11,519,214
<u>602,400</u>	<u>4,338,212</u>	<u>24,498,097</u>	<u>119,934</u>	<u>64,370,975</u>
37,813	-	-	-	11,977,077
431,205	-	-	-	7,027,896
173,053	-	-	-	5,842,802
27,169	-	-	23,117	693,807
4,987	-	7,197	563,168	6,293,890
-	-	24,395,823	1,234,130	26,208,993
-	795,000	-	-	1,550,208
-	2,675,186	-	-	3,212,398
<u>674,227</u>	<u>3,470,186</u>	<u>24,403,020</u>	<u>1,820,415</u>	<u>62,807,071</u>
<u>(71,827)</u>	<u>868,026</u>	<u>95,077</u>	<u>(1,700,481)</u>	<u>1,563,904</u>
45,937	-	-	-	45,937
-	-	-	-	(426,937)
-	-	-	16,147,513	16,147,513
<u>(1,280)</u>	<u>-</u>	<u>-</u>	<u>(16,060,513)</u>	<u>(16,618,688)</u>
<u>44,657</u>	<u>-</u>	<u>-</u>	<u>87,000</u>	<u>(852,175)</u>
(27,170)	868,026	95,077	(1,613,481)	711,729
38,611	2,253,338	1,452,586	24,332,875	35,385,911
(9,964)	-	-	-	(485,650)
<u>\$ 1,477</u>	<u>\$ 3,121,364</u>	<u>\$ 1,547,663</u>	<u>\$ 22,719,394</u>	<u>\$ 35,611,990</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2013**

	<u>Internal Service Fund</u>
ASSETS	
Cash and cash equivalents	\$ 200,000
Investments	2,149,575
Accounts receivable	3,918
Total Assets	<u>\$ 2,353,493</u>
 LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 34,351
Claim liabilities	2,687,816
Total Liabilities	<u>2,722,167</u>
 FUND EQUITY	
Retained earnings (deficit)	<u>(368,674)</u>
Total Liabilities and Fund Equity	<u>\$ 2,353,493</u>

See accompanying note to additional supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2013**

	Internal Service Fund
OPERATING REVENUES	
Contracted services	\$ 1,065,371
OPERATING EXPENSES	
Services and other operating expenditures	1,830,627
Operating Loss	<u>(765,256)</u>
NONOPERATING REVENUES	
Interest income	10,594
Operating transfers in	381,000
Total Nonoperating Revenues	<u>391,594</u>
NET LOSS	(373,662)
RETAINED EARNINGS, BEGINNING OF YEAR	4,988
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ (368,674)</u>

See accompanying note to additional supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 1,064,596
Cash payments to employees for services	<u>(1,139,839)</u>
Net Cash Flows From Operating Activities	<u>(75,243)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating transfers received	<u>381,000</u>
Net Cash Flows From Noncapital Financing Activities	<u>381,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>10,594</u>
Net Cash Flows From Investing Activities	<u>10,594</u>
Net increase in cash and cash equivalents	316,351
Cash and cash equivalents - Beginning	<u>2,033,224</u>
Cash and cash equivalents - Ending	<u><u>\$ 2,349,575</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (765,256)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Receivables	(775)
Accrued liabilities	11,972
Claim liabilities	678,816
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (75,243)</u></u>

See accompanying note to additional supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2013**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 73,027	\$ 3,296	\$ -
Investments	-	36,190	416,687
Accounts receivable	32,344	52	245,966
Total Assets	\$ 105,371	\$ 39,538	\$ 662,653
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,010	\$ -	\$ 196,440
Due to student groups	83,695	3,296	-
Total Liabilities	87,705	3,296	196,440
FUND BALANCES			
Restricted	-	-	446,213
Unreserved			
Undesignated	17,666	36,242	20,000
Total Fund Balances	17,666	36,242	466,213
Total Liabilities and Fund Balances	\$ 105,371	\$ 39,538	\$ 662,653

See accompanying note to additional supplementary information.

Scholarship and Loan	Total
\$ -	\$ 76,323
76,235	529,112
223	278,585
<u>\$ 76,458</u>	<u>\$ 884,020</u>
\$ 26,359	\$ 226,809
16,123	103,114
<u>42,482</u>	<u>329,923</u>
-	446,213
33,976	107,884
<u>33,976</u>	<u>554,097</u>
<u>\$ 76,458</u>	<u>\$ 884,020</u>

COMPTON COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Associated Students Trust</u>	<u>Student Representation Fee</u>	<u>Student Financial Aid</u>
REVENUES			
State revenues	\$ -	\$ -	\$ 296,714
Local revenues	39,063	7,137	3,062
Total Revenues	<u>39,063</u>	<u>7,137</u>	<u>299,776</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	<u>32,413</u>	<u>12,058</u>	<u>-</u>
Total Expenditures	<u>32,413</u>	<u>12,058</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,650</u>	<u>(4,921)</u>	<u>299,776</u>
OTHER FINANCING SOURCES (USES)			
Other uses	<u>-</u>	<u>-</u>	<u>(315,887)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(315,887)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	6,650	(4,921)	(16,111)
FUND BALANCE, BEGINNING OF YEAR	11,016	-	464,478
RESTATEMENT	<u>-</u>	<u>41,163</u>	<u>17,846</u>
FUND BALANCE, END OF YEAR	<u>\$ 17,666</u>	<u>\$ 36,242</u>	<u>\$ 466,213</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Total
\$ -	\$ 296,714
490	49,752
<u>490</u>	<u>346,466</u>
-	<u>44,471</u>
-	<u>44,471</u>
<u>490</u>	<u>301,995</u>
-	<u>(315,887)</u>
-	<u>(315,887)</u>
490	(13,892)
33,486	508,980
-	59,009
<u>\$ 33,976</u>	<u>\$ 554,097</u>

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Compton 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 basic financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.