Compton Community College District

Annual Financial Report

June 30, 2010

COMPTON COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2010

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Compton Community College District (the District) as of and for the year ended June 30, 2010 as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Compton Community College District as of June 30, 2010, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations of Compton Community College District.

As discussed in Note 16 to the financial statements, the District has lost accreditation through the Western Association of Schools and Colleges and no longer operates the instructional programs for students nor does the District provide for Federal student financial aid.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 44 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.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 30, 2010

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

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Introduction

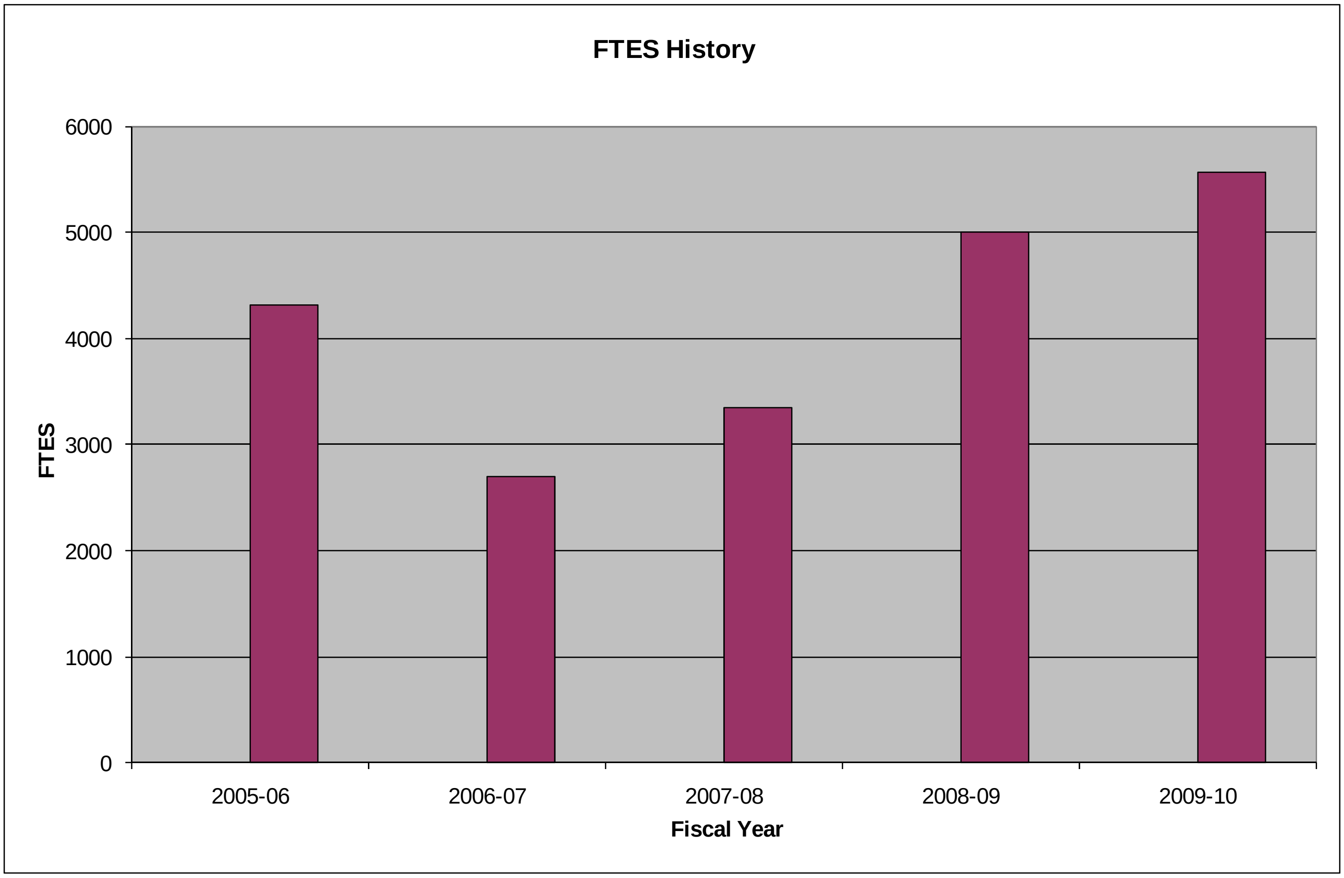
The following discussion and analysis provides an overview of the financial position and activities of the Compton Community College District (the District) for the year ended June 30, 2010. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

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 $16.9 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.

Selected Highlights

- During fiscal year 2009-2010, total Full-Time Equivalent Students (FTES) increased 321 students (or 6.4 percent). During this time, the District was in the second of a three year restoration funding window provided for under SB 361. Under this window, the District will be compensated for the FTES generated prior to the significant loss in enrollment experienced in 2005-2006.



Full Time Equivalent Student	2005-06	2006-07	2007-08	2008-09	2009-10
Total FTES	4,314.00	2,695.00	3,347.00	5,000.00	5,321.00
% Increase (Decrease)	-32.60%	-37.53%	24.19%	49.39%	6.42%

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year, and 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 Assets 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 Assets presents end-of-year data concerning assets, liabilities, and net assets.

From the data presented, the reader of the Statement of Net Assets 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 Assets provides a picture of the net assets and their availability for expenditure by the District.

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

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

A summary of the Statement of Net Assets as of June 30, 2010 and June 30, 2009, is below:

Table 1

	2010	2009	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and cash equivalents	$ 26,056,372	$ 17,153,927	$ 8,902,445	51.9%
Accounts receivable, net	9,000,969	7,331,020	1,669,949	22.8%
Total Current Assets	35,057,341	24,484,947	10,572,394	43.2%
Noncurrent Assets				
Other assets	729,228	772,124	(42,896)	-5.6%
Capital assets, net of accumulated depreciation	75,327,111	72,415,466	2,911,645	4.0%
Total Noncurrent Assets	76,056,339	73,187,590	2,868,749	3.9%
TOTAL ASSETS	$ 111,113,680	$ 97,672,537	$ 13,441,143	13.8%
LIABILITIES				
Current Liabilities				
Accounts payable	$ 6,529,237	$ 3,216,985	$ 3,312,252	103.0%
Deferred revenue	1,729,200	2,320,406	(591,206)	-25.5%
Current portion of long-term obligations	1,895,990	1,192,010	703,980	59.1%
Interest payable	1,314,232	1,153,506	160,726	13.9%
Total Current Liabilities	11,468,659	7,882,907	3,585,752	45.5%
Noncurrent Liabilities				
Bonds payable	51,581,877	37,818,458	13,763,419	36.4%
Notes payable	16,179,083	16,886,330	(707,247)	-4.2%
Other long-term obligations	5,326,864	4,417,445	909,419	20.6%
Total Noncurrent Liabilities	73,087,824	59,122,233	13,965,591	23.6%
TOTAL LIABILITIES	84,556,483	67,005,140	17,551,343	26.2%
NET ASSETS				
Invested in capital assets, net of related debt	36,663,828	36,004,141	659,687	1.8%
Restricted for:				
Capital projects	1,023,933	1,156,826	(132,893)	-11.5%
Other special services	2,166,545	2,498,611	(332,066)	-13.3%
Unrestricted	(13,297,109)	(8,992,181)	(4,304,928)	47.9%
TOTAL NET ASSETS	26,557,197	30,667,397	(4,110,200)	-13.4%
TOTAL LIABILITIES AND NET ASSETS	$ 111,113,680	$ 97,672,537	$ 13,441,143	13.9%

- 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 2009-2010. Both assets and liabilities had significant increases between fiscal years 2010 and 2009 due to the sale of $15,000,000 in capital projects bonds.

- 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 $5.1 million for the January through June 2010 apportionment payment deferrals, and approximately $1.1 million for reimbursements from State agencies related to construction grant awards. In addition, there is a $1.0 million net student fee receivable.

- Capital assets had a net increase of $2.9 million. The District had net additions of $4.3 million related to construction in progress. Depreciation expense of $1.7 million was recognized during 2009-2010. 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, 2010. Total accounts payable are $6.5 million; $0.9 million of the balance was accrued in the Capital Projects Fund, and the Bond Fund related to capital outlay. $0.9 million is for amounts due to or on-behalf of employees for wages and benefits.

- The District's non-current liabilities primarily consist of bonds payable, related to the issuance of Series A and B 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 $56 million, and $51 million represents the remaining long-term obligation to satisfy these obligations. The District has made three withdrawals from the line of credit totaling $17.9 million, and $16.9 million represents the outstanding balance.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the financial results of the District's operations, as well as its non-operating 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 non-operating activities. It is because of the methodology used to categorize between operating and non-operating 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.

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2010 and June 30, 2009, is summarized below:

Table 2

	2010	2009	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees (net)	$ 1,657,317	$ 1,382,947	$ 274,370	19.8%
Other operating revenues	172,077	552,435	(380,358)	-68.9%
TOTAL OPERATING REVENUES	1,829,394	1,935,382	(105,988)	-5.5%
TOTAL OPERATING EXPENSES	42,046,779	39,557,987	2,488,792	6.3%
OPERATING LOSS	(40,217,385)	(37,622,605)	(2,594,780)	6.9%
NONOPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	22,455,645	21,631,726	823,919	3.8%
Local property taxes	6,369,081	7,868,834	(1,499,753)	-19.1%
State revenue - other	852,783	74,457	778,326	1045.3%
Grants and contracts, noncapital:				
Federal	1,524,519	1,571,598	(47,079)	-3.0%
State	4,458,440	5,683,961	(1,225,521)	-21.6%
Interest and investment income	477,144	329,841	147,303	44.7%
Other nonoperating revenue	1,942,517	1,474,624	467,893	31.7%
Interest expense	(3,049,933)	(1,909,007)	(1,140,926)	59.8%
NET NONOPERATING REVENUES	35,030,196	36,726,034	(1,695,838)	-4.6%
OTHER REVENUES				
State apportionments, capital	1,076,989	1,602,326	(525,337)	-32.8%
TOTAL OTHER REVENUES	1,076,989	1,602,326	(525,337)	-32.8%
CHANGE IN NET ASSETS	(4,110,200)	705,755	(4,815,955)	-682.4%
NET ASSETS, BEGINNING OF YEAR	30,667,397	29,961,642	705,755	2.4%
NET ASSETS, END OF YEAR	$ 26,557,197	$ 30,667,397	$ (4,110,200)	-13.4%

- State apportionments have increased 3.8 percent, but net assets decreased 13.4 percent.
- The primary components of tuition and fees are the $26 per unit enrollment fee that is charged to all students registering for classes and the additional $181 per unit fee that is charged to all non-resident students.
- Personnel costs account for 66 percent of operating expenses in fiscal year 2010, compared to 68 percent in 2009. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

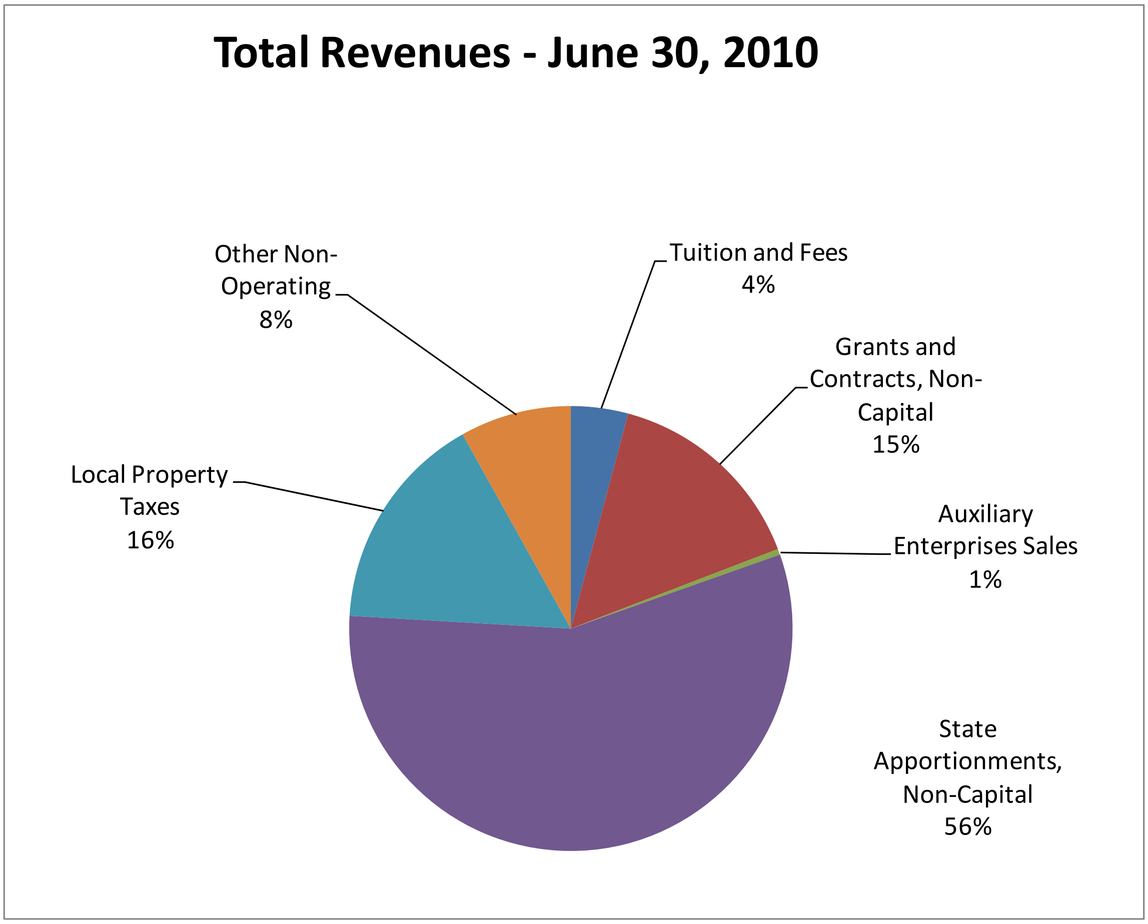
- The principal components of the District's non-operating revenue are: non-capital State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities. The amount 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.

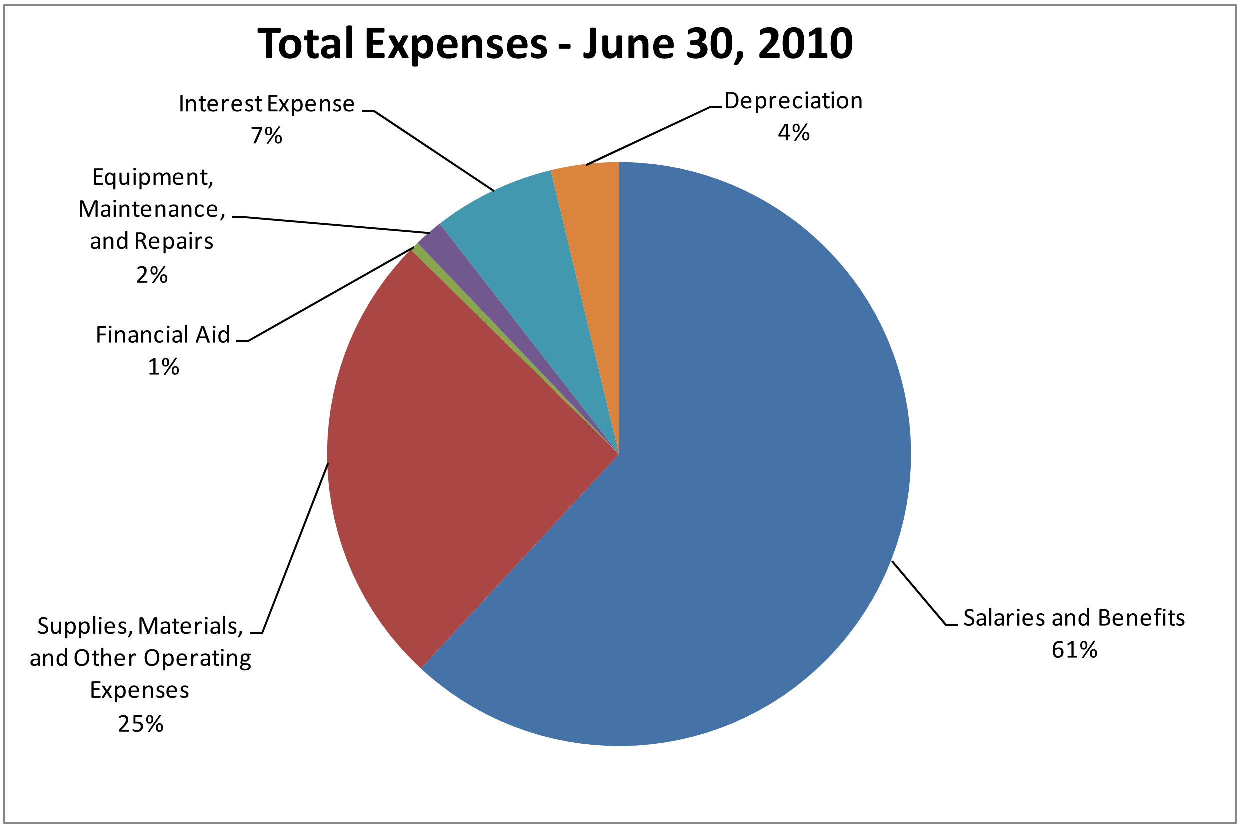
- State capital apportionments consist of amounts received for capital outlay, scheduled maintenance, and facility construction. Approved capital outlay projects are typically funded at 50 percent of the project cost by the State.

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	$ 13,226,396	$ 678,516	$ 200,146	$ -	$ -	$ 14,105,058
Academic Support	2,085,583	272,497	184,845	-	-	2,542,925
Instructional Support Services	2,389,059	701,034	-	-	-	3,090,093
Student Services	4,198,987	1,718,314	250,460	232,108	-	6,399,869
Operation and Maintenance of Plant	3,370,443	2,236,467	35,159	-	-	5,642,069
Planning, Policymaking, and Coordination	212,074	1,121,683	7,679	-	-	1,341,436
Institutional Support Services	2,391,871	2,661,900	48,032	-	-	5,101,803
Community Services and Economic Development	30,580	56,828	-	-	-	87,408
Ancillary Services and Auxiliary Operation	-	94,048	-	-	-	94,048
Physical Property and Related Acquisitions	-	1,945,170	-	-	-	1,945,170
Depreciation	-	-	-	-	1,696,900	1,696,900
Total	$ 27,904,993	$ 11,486,457	$ 726,321	$ 232,108	$ 1,696,900	$ 42,046,779


Total Revenues - June 30, 2010
Other Non-Operating 8%
Tuition and Fees 4%
Grants and Contracts, Non-Capital 15%
Local Property Taxes 16%
Auxiliary Enterprises Sales 1%
State Apportionments, Non-Capital 56%


Total Expenses - June 30, 2010
Interest Expense 7%
Depreciation 4%
Equipment, Maintenance, and Repairs 2%
Financial Aid 1%
Supplies, Materials, and Other Operating Expenses 25%
Salaries and Benefits 61%

Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, 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 Assets.

The Statement of Cash Flows for the fiscal years ended June 30, 2010 and June 30, 2009, is summarized below:

Table 4

	2010	2009
Cash Provided by (Used in)		
Operating activities	$ (34,235,199)	$ (35,855,619)
Non-capital financing activities	32,531,913	41,926,395
Capital and related financing activities	10,182,670	(2,819,912)
Investing activities	423,061	382,793
Net Change in Cash and Cash Equivalents	8,902,445	3,633,657
Cash Balance, Beginning of Year	17,153,927	13,520,270
Cash Balance, End of Year	$ 26,056,372	$ 17,153,927

- Cash receipts from operating activities are from student tuition and from Federal, State, and local grants. Use of cash is for payments to employees, vendors, and students related to the instructional program.

- State apportionment received based on the workload measures generated by the District accounts for 64 percent in fiscal year 2010 and 46 percent in fiscal year 2009 of non-capital financing. Cash received from property taxes accounts for 12 percent in fiscal year 2010 and 9 percent in fiscal year 2009 of the cash generated in this section.

- The majority of the activity in the capital and related financing activities is for the purchase of capital assets (buildings, building improvements, and equipment).

- Cash from Capital Financing activities was significant during fiscal 2010 as $15 million in bonds were sold resulting in a net increase of $10.2 million in cash related to capital financing activities.

Cash and Cash Equivalents

More than 99 percent of the cash balance is cash deposited in the Los Angeles County Treasury Pool, and less than one percent is cash deposited in local financial banking institutions. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and return on investments.

Other Post Benefit Obligations

Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Statements No. 43 and No. 45 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. The District had an actuarial study performed in 2009 to identify the cost and amount needed to fund on an annual basis retiree health benefits. This study determined the District's Unfunded Actuarial Accrued Liability to be $15.3 million.

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 77 percent of the District's 2009-2010 Unrestricted General Fund. Apportionment revenue is directly tied to the generation and reporting of FTES. Over the last three years, the District has experienced an increase in FTES of 97 percent. Looking to fiscal year 2010-2011, the District is poised and ready to continue this increasing trend despite concerns about proposed funding cuts. Presently, the District has experienced a 20 percent increase in FTES so far comparing 2010-2011 compared to 2009-2010.

Fiscal year 2011 brings much uncertainty at the State level, with a continued deficit and expenditure imbalances. The potential of major reductions in funding or a suspension of Proposition 98 funding especially in 2012, cannot be ruled out at this time. The budget development will require careful watch on the Governor's January budget proposal, as well as monitoring during the Spring, up to and including the May revision. A plan to deal with potential and significant reductions will have to be in place in the event reductions appear likely.

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.

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2010

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 25,000
Cash and cash equivalents - restricted	200,000
Investments - unrestricted	7,221,981
Investments - restricted	18,609,391
Accounts receivable	7,996,557
Student loans receivable, net	1,004,412
Total Current Assets	35,057,341
Noncurrent Assets	
Prepaid expenses - noncurrent portion	729,228
Capital Assets:	
Nondepreciable capital assets	32,275,260
Depreciable capital assets, net of depreciation	43,051,851
Total Noncurrent Assets	76,056,339
TOTAL ASSETS	111,113,680
LIABILITIES	
Current Liabilities	
Accounts payable	6,529,237
Interest payable	1,314,232
Deferred revenue	1,729,200
Bonds and notes payable - current portion	1,842,247
Other long-term obligations - current portion	53,743
Total Current Liabilities	11,468,659
Noncurrent Liabilities	
Bonds and notes payable - noncurrent portion	67,760,960
Other long-term liabilities - noncurrent portion	5,326,864
Total Noncurrent Liabilities	73,087,824
TOTAL LIABILITIES	84,556,483
NET ASSETS	
Invested in capital assets, net of related debt	36,663,828
Restricted for:	
Debt service	2,068,278
Capital projects	1,023,933
Other activities	98,267
Unrestricted	(13,297,109)
TOTAL NET ASSETS	$ 26,557,197

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

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES	
Student Tuition and Fees	$ 3,694,541
Less: Scholarship discount and allowance	(2,037,224)
Net tuition and fees	1,657,317
Other Operating Revenues	172,077
TOTAL OPERATING REVENUES	1,829,394
OPERATING EXPENSES	
Salaries	20,727,536
Employee benefits	7,177,457
Supplies, materials, and other operating expenses and services	11,486,457
Student financial aid	232,108
Equipment, maintenance, and repairs	726,321
Depreciation	1,696,900
TOTAL OPERATING EXPENSES	42,046,779
OPERATING LOSS	(40,217,385)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	22,455,645
Local property taxes, levied for general purposes	3,901,837
Taxes levied for other specific purposes	2,467,244
Federal grants	1,524,519
State grants	4,458,440
State taxes and other revenues	852,783
Investment income	435,295
Interest expense on capital related debt	(3,049,933)
Investment income on capital asset-related debt, net	41,849
Other nonoperating revenue	1,942,517
TOTAL NONOPERATING REVENUES (EXPENSES)	35,030,196
INCOME BEFORE OTHER REVENUES	(5,187,189)
State revenues, capital	1,076,989
CHANGE IN NET ASSETS	(4,110,200)
NET ASSETS, BEGINNING OF YEAR	30,667,397
NET ASSETS, END OF YEAR	$ 26,557,197

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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 1,802,197
Payments to vendors for supplies and services	(9,071,037)
Payments to or on behalf of employees	(26,906,328)
Payments to students for scholarships and grants	(232,108)
Other operating receipts	172,077
Net Cash Flows From Operating Activities	(34,235,199)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	20,860,395
Grant and contracts	5,051,064
Property taxes - nondebt related	3,901,837
State taxes and other apportionments	(224,206)
Other nonoperating	2,942,823
Net Cash Flows From Noncapital Financing Activities	32,531,913
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(4,533,505)
Proceeds from sale of bonds	15,000,000
State revenue, capital projects	1,076,989
Property taxes - related to capital debt	2,467,244
Principal paid on capital debt	(1,190,727)
Interest paid on capital debt	(2,679,180)
Interest received on capital asset-related debt	41,849
Net Cash Flows From Capital Financing Activities	10,182,670
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	423,061
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,902,445
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,153,927
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 26,056,372

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2010

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (40,217,385)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	1,696,900
Changes in Assets and Liabilities:	
Receivables	(259,416)
Prepaid expenses	42,896
Accounts payable and accrued liabilities	3,237,212
Deferred revenue	404,296
Compensated absences and retirement incentives	860,298
Total Adjustments	5,982,186
Net Cash Flows From Operating Activities	$ (34,235,199)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 225,000
Cash in county treasury	25,831,372
Total Cash and Cash Equivalents	$ 26,056,372
NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 517,135
Board of governors fee waivers	2,037,224
Total Non Cash Transactions	$ 2,554,359

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

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

		Trust
ASSETS		
Cash and cash equivalents	$	81,149
Investments		73,981
Accounts receivable		67,360
Total Assets		222,490
LIABILITIES		
Accounts payable		30,911
Due to student groups		135,892
Total Liabilities		166,803
NET ASSETS		
Unreserved		55,687
Total Net Assets	$	55,687

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

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Trust
ADDITIONS	
Local revenues	$ 54,142
DEDUCTIONS	
Services and operating expenditures	94,048
Change in Net Assets	(39,906)
Net Assets - Beginning	95,593
Net Assets - Ending	$ 55,687

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

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 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 College Compton Community Educational Center (Compton Center).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

> The Compton Community College Foundation (the Foundation) 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.
>
> Financial inquiries can be made to the Compton Community College District Business Office.

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, No. 38, and No. 39. 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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All 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 grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. 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 student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

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 Assets - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Assets
    - Statement of Changes in Fiduciary Net Assets
- 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

Investments held at June 30, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

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 $694,061 at June 30, 2010.

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 $1,029,500 were capitalized and are amortized using the straight-line method. Amortization of $42,896 was recognized during fiscal year 2009-2010. At June 30, 2010, the remaining balance is $729,228.

Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded 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 Assets. 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.

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

Net Assets

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

> **Invested in Capital Assets, Net of Related Debt**: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
>
> **Restricted**: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.
>
> **Unrestricted**: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $3,190,478 of restricted net assets.

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.

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 Systems (CalPERS) on behalf of all community colleges in California.

Estimates

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

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 District capital assets. 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 billed and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

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

Interfund Activity

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

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

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. The District's investment policy does not address risk criteria as defined in GASB Statement No. 40.

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

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.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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, 2010, consist of the following:

Primary government	$ 26,056,372
Fiduciary funds	155,130
Total Deposits and Investments	$ 26,211,502
Cash on hand and in banks	$ 81,149
Cash in revolving	225,000
Investments	25,905,353
Total Deposits and Investments	$ 26,211,502

Interest Rate Risk

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

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:

Investment Type	Fair Value	Weighted Average Maturity in Days
County Pool - Los Angeles	$ 26,056,010	536

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2010.

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, 2010, the District's bank balance of $122,491 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 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:

	Primary Government 2010	Fiduciary Funds 2010
Federal government	$ 196,951	$ -
State government		
State apportionment	5,083,564	-
State categorical aid	203,834	-
State lottery	159,804	-
State construction grants	1,076,989	-
Local sources		
Local agency - related party	273,226	-
Interest	65,252	299
Other local sources	936,937	67,061
Total	$ 7,996,557	$ 67,360

Student receivables	$ 1,698,473
Less: Allowance for bad debt	(694,061)
Total Student Receivables	$ 1,004,412

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, 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	25,689,826	4,392,451	131,017	29,951,260
Total Capital Assets Not Being Depreciated	28,013,826	4,392,451	131,017	32,275,260
Capital Assets Being Depreciated				
Buildings and improvements	50,902,292	39,750	-	50,942,042
Site improvements	2,938,889	167,670	-	3,106,559
Furniture and equipment	5,490,092	139,691	-	5,629,783
Total Capital Assets Being Depreciated	59,331,273	347,111	-	59,678,384
Total Capital Assets	87,345,099	4,739,562	131,017	91,953,644
Less Accumulated Depreciation				
Buildings and improvements	9,670,680	951,514	-	10,622,194
Site improvements	848,949	171,715	-	1,020,664
Furniture and equipment	4,410,004	573,671	-	4,983,675
Total Accumulated Depreciation	14,929,633	1,696,900	-	16,626,533
Net Capital Assets	$ 72,415,466	$ 3,042,662	$ 131,017	$ 75,327,111

Depreciation expense for the year was $1,696,900.

The Learning Resource Center Building (LRC) is currently unoccupied and has not been placed into service though the construction is substantially complete. The LRC building is the subject of possible litigation revolving around structural integrity. The $17.4 million cost to date has been reported as part of work in progress.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Vendor payables	$ 1,828,654	$ 30,911
Apportionment	1,928,312	-
Accrued payroll	947,298	-
Construction	913,013	-
Legal Settlement	911,960	-
Total	$ 6,529,237	$ 30,911

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Federal categorical aid	$ 9,689
State categorical aid	1,091,090
Student fees	495,244
Other	133,177
Total	$ 1,729,200

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At June 30, 2010, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $3,485,000, which matured on June 30, 2010. By April 1, 2010, the District had set aside funds for repayment. On June 30, 2010, the notes were repaid in full with a payment of principal and interest totaling $3,571,883.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Balances owing between funds at year-end were for cash flow purposes. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2010, have been eliminated in the consolidation process for financial statement presentation.

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 between funds of the District have been eliminated in the consolidation process.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 36,390,000	$ 15,000,000	$ 400,000	$ 50,990,000	$ 1,135,000
Bond premium	1,828,458	-	101,581	1,726,877	-
Note payable	17,575,476	-	689,146	16,886,330	707,247
Total Bonds and Notes Payable	55,793,934	15,000,000	1,190,727	69,603,207	1,842,247
Other Liabilities					
Compensated absences	1,459,248	-	175,217	1,284,031	-
Early retirement incentive	371,583	-	102,864	268,719	53,743
Claims liability	1,669,348	46,652	-	1,716,000	-
Other postemployment benefits	1,020,130	1,418,148	326,421	2,111,857	-
Total Other Liabilities	4,520,309	1,464,800	604,502	5,380,607	53,743
Total Long-Term Obligations	$ 60,314,243	$ 16,464,800	$ 1,795,229	$ 74,983,814	$ 1,895,990

The General obligation bonds are paid from property tax collections and are accounted for by the 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. The total amount approved by the voters was $100,000,000. At June 30, 2010, $56,000,000 had been issued and $50,990,000 was outstanding. Interest rates on the bonds range from 3.0 to 6.75 percent.

Debt Maturity

Issue Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Issued	Redeemed	Bonds Outstanding June 30, 2010
1/14/2004	3.00-4.0%	$ 41,000,000	$ 36,390,000	$ -	$ 400,000	$ 35,990,000
8/27/2009	3.0-6.75%	15,000,000	-	15,000,000	-	15,000,000
		$ 56,000,000	$ 36,390,000	$ 15,000,000	$ 400,000	$ 50,990,000

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

Fiscal Year	Principal	Interest	Total
2011	$ 490,000	$ 1,768,063	$ 2,258,063
2012	580,000	1,752,013	2,332,013
2013	680,000	1,731,413	2,411,413
2014	790,000	1,703,713	2,493,713
2015	910,000	1,669,712	2,579,712
2016-2020	6,735,000	7,511,500	14,246,500
2021-2025	11,660,000	5,157,805	16,817,805
2026-2029	14,145,000	1,491,125	15,636,125
Total	$ 35,990,000	$ 22,785,344	$ 58,775,344

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

Fiscal Year	Principal	Interest	Total
2011	$ 645,000	$ 893,333	$ 1,538,333
2012	665,000	873,683	1,538,683
2013	115,000	861,911	976,911
2014	140,000	857,664	997,664
2015	165,000	851,914	1,016,914
2016-2020	1,265,000	4,115,831	5,380,831
2021-2025	2,250,000	3,332,390	5,582,390
2026-2030	3,765,000	2,828,037	6,593,037
2031-2035	5,990,000	1,283,850	7,273,850
Total	$ 15,000,000	$ 15,898,613	$ 30,898,613

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, 2010, the District had received $17,896,800 with $16,886,330 outstanding.

Fiscal Year	Principal	Interest	Total
2011	$ 707,247	$ 585,174	$ 1,292,421
2012	730,741	561,679	1,292,420
2013	755,208	537,212	1,292,420
2014	780,692	511,728	1,292,420
2015	807,241	485,179	1,292,420
2016-2020	4,475,332	1,986,768	6,462,100
2021-2025	5,330,551	1,131,550	6,462,101
2026-2030	3,299,318	189,920	3,489,238
Total	$ 16,886,330	$ 5,989,210	$ 22,875,540

Compensated Absences

At June 30, 2010, the liability for compensated absences was $1,284,031.

Early Retirement Incentives

The District has approved an Early Retirement Incentive Program in accordance with CalSTRS and CalPERS which is summarized below. A total of nine employees are participating in the program.

Early Retirement Incentive – CalSTRS

Fiscal Year	Principal	Interest	Total
2011	$ 53,743	$ 12,110	$ 65,853
2012	53,744	9,686	63,430
2013	53,744	7,264	61,008
2014	53,744	4,841	58,585
2015	53,744	2,418	56,162
Total	$ 268,719	$ 36,319	$ 305,038

Claims Liability

At June 30, 2010, the liability for claims liability was $1,716,000. See Note 12 for additional information.

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2010. The District's annual required contribution for the year ended June 30, 2010, was $1,418,148, and contributions made by the District during the year were $326,421, which resulted in a net OPEB obligation of $2,111,857. 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 77 retirees and beneficiaries currently receiving benefits and 233 active plan members.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2009-2010, the District contributed $326,421 to the Plan, all of which was used for current premiums.

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	$ 1,418,148
Contributions made	(326,421)
Increase in net OPEB obligation	1,091,727
Net OPEB obligation, beginning of year	1,020,130
Net OPEB obligation, end of year	$ 2,111,857

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 two years is as follows:

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	$ 1,418,148	$ 398,018	28%	$ 1,020,130
2010	1,418,148	326,421	23%	2,111,857

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	$ 15,327,267
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 15,327,267
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	$ 18,804,539
UAAL as Percentage of Covered Payroll	82%

The above noted actuarial accrued liability was based on the December 8, 2009, 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 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 December 8, 2009, 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. Because the District has not elected to establish an irrevocable trust, there are not plan assets and, therefore, there was no valuation of plan assets.

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.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2010, 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 June 7, 2007. The projected liability for unpaid losses reported in the Statement of Net Assets is $1,716,000 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, 2008	$ 1,290,000
Claims and changes in estimates	915,802
Claims payments	(536,454)
Liability Balance, June 30, 2009	1,669,348
Claims and changes in estimates	880,991
Claims payments	(834,339)
Liability Balance, June 30, 2010	$ 1,716,000
Assets Available to Pay Claims at June 30, 2010	$ 1,821,132

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).

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, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 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 total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were $1,000,465, $874,355, and $826,529, 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 (7.0 percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were $648,962, $633,370, and $700,562, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, which amounted to $517,135, $478,512, and $452,497 for 2010, 2009, and 2008, respectively, 4.267 percent of salaries subject to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. The 2010 and 2009 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, 2010, the District made payments of $217,292 and $38,686 to SWACC and SAWCX II, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Deferral of State Apportionments

Due to the inability of the California State legislature to enact a budget by June 30, 2010, certain apportionments owed to the District for funding of FTES, which are attributable to the 2009-2010 fiscal year, have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was $5,083,564. As of July 31, 2010, this amount has been received.

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a three-year recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the colleges. In addition to the reductions in funding due to the economic environment, the State of California has failed to pass a budget in a timely manner during the past two years. The budget for the 2010-2011 fiscal year was adopted on October 8, 2010, fully 99 days beyond the July 1 budget requirements. As a result of the delay in the budget adoption, cash payments to community colleges in general, and Compton Community College District specifically, were suspended for the period between July 2010 and October 2010. For Compton Community College District, this is approximately $10 million.

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, 2010.

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, 2010.

NOTE 16 - DISTRICT FINANCIAL CONDITION

Over the past five years, the District's financial condition, both on a fund level and entity-wide basis has continued to decline. During the 2006-2007 fiscal year, the educational and programmatic services of the District were transferred to El Camino Community College District due to the loss of accreditation of the District.

The advance appropriation contained in AB 318 provided funds to support operations and recovery. The outstanding obligation incurred by the District is $16.9 million at June 30, 2010 (see Note 10 for further information). The balance of emergency funding available based on the legislation is approximately $12.1 million at June 30, 2010. The District is obligated to repay this amount plus interest with General Operations Fund resources. This year the District did not draw any further funds but incurred a $4.8 million decline in the fund balance of the General Operations Fund. The ending balance of the fund is $5.5 million as reflected in the schedule on page 51. The District has not met the 50% Law requirements and may incur penalties resulting from this.

These conditions present significant fiscal issues that management must address to provide for a sustainable recovery.

NOTE 17- SUBSEQUENT EVENTS

Tax Revenue Anticipation Notes

The District issued $2,155,000 of tax and revenue anticipation notes dated July 1, 2010. The notes mature on June 30, 2011, with an interest rate of 2.00 percent and yield 0.87 percent interest. The notes were sold to supplement cash flow.

In accordance with the terms of the agreement, the District is required to pledge certain unrestricted monies for the repayment. Fifty percent of the principal must be pledged in April 2011, and the remaining fifty percent, plus interest due, must be pledged in May 2011.

REQUIRED SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
December 8, 2009	$ -	$15,327,267	$15,327,267	$ -	$18,804,539	82%

SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2010

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 Board of Trustees of the District effective July 14, 2004, due to the loss of accreditation. The student academic programs, including student financial aid, are administered through El Camino Community College District. 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.

SPECIAL TRUSTEE

Dr. Peter J. Landsberger

BOARD OF TRUSTEES – NON-VOTING

MEMBER	TERM EXPIRES
Ms. Lorraine Cervantes	December 2011
Mr. Andres Ramos	December 2011
Mr. Charles Davis	December 2013
Dr. John Hamilton	December 2013
Ms. Deborah Sims LeBlanc	December 2013

ADMINISTRATION

Dr. Lawrence M. Cox	Provost/CEO
Mr. Ronald P. Gerhard	Chief Business Officer
Mr. Keith Curry	Dean, Student Affairs
Ms. Susan Dever	Dean, Academic Affairs
Dr. Barbara Perez	Interim Administrative Dean, Academic Affairs
Ms. Rachelle Sasser	Dean, Human Resources
Mr. Rodney Murray	Dean, Career Technology Education
Ms. Wanda Morris	Dean, Health and Human Services

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Community Colleges Chancellor's Office:			
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394		$ 232,702
Direct Funded:			
TRIO Cluster:			
Upward Bound	84.047A		352,337
Upward Bound Math and Science	84.047M		213,394
Total TRIO Cluster			565,731
Total U.S. Department of Education			798,433
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
Child and Adult Food Care Program	10.558	1338-2A	63,155
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]	111,103
Foster and Kinship Care Education (FKCE)	93.658	[1]	126,646
Passed through the California Community Colleges Foundation:			
Permanency and Safety - Model Approach to Partnerships in Parenting Series (PS-MAPP)	93.674	[1]	21,859
Youth Empowerment Strategies for Success Independent Living (YESS ILP)	93.674	[1]	22,500
Passed through the California Department of Education:			
School Age Resource	93.575	CSCC-9014	1,105
CDC Instructional Materials	93.575	CIMS-9204	1,232
Total U.S. Department of Health and Human Services			284,445
Total Expenditures of Federal Awards			$ 1,146,033

[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, 2010

Program	Program Entitlements Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Basic Skills	$ 90,000	$ 296,164	$ 386,164
Board of Financial Assistance Program	210,138	21,216	231,354
CalWORKs	340,058	1,763	341,821
CalWORKs (Department of Public Social Services)	136,000	-	136,000
Capacity Building for Nursing Program	-	23,833	23,833
Cooperative Agencies Resources for Education (CARE)	426,216	690,664	1,116,880
Disabled Student Programs and Services	144,160	408	144,568
Enrollment Growth for Associate Degree Nursing Program	402,843	128,285	531,128
Extended Opportunity Program and Services	727,439	80,289	807,728
Faculty and Staff Diversity	4,173	35,655	39,828
Instructional Equipment	-	248,187	248,187
Matriculation	161,014	146,568	307,582
Equipment for Nursing and Allied Health Programs	-	471	471
CHILD DEVELOPMENT FUND			
General Child Care and Development Program	326,000	31,041	357,041
Child Development Training Consortium	12,500	-	12,500
California State Preschool Program	374,000	-	374,000
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 386,164	$ -	$ 6,832	$ 285,837	$ 93,495	$ 93,495
231,354	-	-	24,677	206,677	206,677
341,821	-	-	-	341,821	339,676
123,680	12,195	-	-	135,875	135,875
23,833	-	-	-	23,833	23,833
1,116,880	-	-	510,808	606,072	606,072
144,568	-	-	-	144,568	144,458
531,128	-	-	163,381	367,747	367,747
807,728	-	-	66,559	741,169	741,169
39,828	-	-	39,828	-	-
248,187	-	-	-	248,187	248,187
307,582	-	136,626	-	170,956	170,956
471	-	-	-	471	471
164,995	156,772	-	-	321,767	321,767
4,250	8,250	-	-	12,500	12,500
239,137	26,617	-	-	265,754	265,754
$ 4,711,606	$ 203,834	$ 143,458	$ 1,091,090	$ 3,680,892	$ 3,678,637

COMPTON COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2010

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession - 2009			
1. Noncredit	13	-	13
2. Credit	230	-	230
B. Summer Intersession - 2010			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,978	-	3,978
(b) Daily Census Contact Hours	918	-	918
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	48	-	48
(b) Credit	134	-	134
D. Total FTES	5,321	-	5,321

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, 2010

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

	General Unrestricted	General Restricted	Revenue Bond Construction
FUND BALANCE/RETRAINED EARNINGS			
Balance, June 30, 2010, (CCFS-311)	$ 8,383,316	$ 1,317,557	$ 13,375,004
Increase in Accounts Payable	(2,840,272)	-	(120,457)
Increase in Deferred Revenue	-	(386,886)	-
Transfer of Student Support Services Expenses	(328,668)	328,668	-
Reconciling items	2	3	-
Balance, June 30, 2010, Fund Financial Statement	$ 5,214,378	$ 1,259,342	$ 13,254,547

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance:		
General Funds	$ 6,473,720	
Special Revenue Funds	98,267	
Capital Project Funds	15,077,527	
Debt Service Funds	3,382,510	
Internal Service Funds	48,977	
Fiduciary Funds	1,903	
Total Fund Balance - All District Funds		**$ 25,082,904**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	91,953,644	
Accumulated depreciation is	(16,626,533)	
		75,327,111
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 Assets and amortized over the life of the related long-term obligations.		729,228
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.		(1,314,232)
Long-term obligations at year-end consist of:		
Bonds payable	50,990,000	
Premium on bond	1,726,877	
Notes payable	16,886,330	
Compensated absences	1,284,031	
Other postemployment benefits	2,111,857	
Early retirement incentive - CalSTRS	268,719	(73,267,814)
Total Net Assets		**$ 26,557,197**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

Reconciliation of Expenditures of Grant Activity With the District's Schedule of Expenditures of Federal Awards

The following is a list of the grants and the differences between the District's accounting records and the Schedule of Expenditures of Federal Awards:

Description	Program Expenditures
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:	$ 1,524,519
Career and Technical Education Act, Title IC	(237,383)
Foster and Kinship Care Education Program (FKCE)	(22,295)
DHS Mentoring	(90,948)
Upward Bound	(4,101)
Upward Bound Math and Science	(2,763)
Temporary Assistance for Needy Families (TANF)	(1,905)
Student Financial Aid Fund	(286)
Unreconciled difference	(18,805)
Total Schedule of Expenditures of Federal Awards	$ 1,146,033

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

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

This schedule provides a reconciliation of the adjustments necessary to bring the District's 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.

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

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

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.

INDEPENDENT AUDITORS' REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Board of Trustees
Compton Community College District
Compton, California

We have audited the basic financial statements of Compton Community College District for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-9 to be material weaknesses.

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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-10, 2010-11, and 2010-12, to be significant deficiencies.

Compliance and Other Matters

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

Compton Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Compton Community College District's responses and, accordingly, we express no opinion.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 30, 2010

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Compton Community College District
Compton, California

Compliance

We have audited the compliance of Compton Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Compton Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Compton Community College District's management. Our responsibility is to express an opinion on Compton Community College District's compliance based on our audit.

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

In our opinion, Compton Community College District complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-18.

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Internal Control Over Compliance

The management of Compton Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Compton Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Compton Community College 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 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.

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

Compton Community College 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 Compton Community College District's response and, accordingly, we express no opinion.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 30, 2010

REPORT ON STATE COMPLIANCE

Board of Trustees
Compton Community College District
Compton, California

We have audited the compliance of Compton Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about Compton Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Compton Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment
Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts
Section 425: Residency Determination for Credit Courses
Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 432: Enrollment Fee
Section 426: Students Actively Enrolled

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Fiscal Operations

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

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

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

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, Compton Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2010-19 and 2010-20.

Compton Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Compton Community College District's responses and, accordingly, we express no opinion.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 30, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program or Cluster
	TRIO Cluster:
84.047A	Upward Bound
84.047M	Upward Bound Math and Science
84.394 (ARRA)	ARRA: State Fiscal Stabilization Funds (SFSF)

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

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

2010-1 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.

Condition

Material Weakness: 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 and in the closing process. Significant adjustments to the District's accounting records were noted during the audit process that affected the following accounts:

- State Apportionment was not properly accounted for and required a $1.9 million accrual for monies owed back to the State in the Unrestricted General Fund.
- A legal settlement that was known and completed related to prior years was not accrued and resulted in a $900 thousand accounts payable in the Unrestricted General Fund.
- Unearned income related to restricted grant accounting was not properly analyzed resulting in an accrual to deferred revenue in the amount of $390 thousand in the Restricted General Fund.
- Federal Work Study revenue and related expense was recorded within the Unrestricted General Fund when the program was not administered by the District.
- Invoices related to construction expense were not properly monitored and accrued during the closing process resulting in a $120 thousand accrual for accounts payable in the Bond Fund.
- Federal Student Financial aid revenue and related expense was recorded within a Student Financial Fund of the District when the District is not a recipient of Federal Student Financial Aid.

The District's accounting staff has undergone significant changes in personnel over the past several years and it appears the inconsistency in staffing at both the entry level for these transactions and the supervisory level to review and analyze accounting entries has contributed to this condition.

Recommendation

Consistent and adequately trained staff at all areas within the District Business Office must be a high priority of the District. The Chief Business Officer position was open during the year-end closing process as well as several other key positions which would have aided in ensuring all amounts had been properly accounted for. The priority of the District to fill these positions and train staff within the Business Office should be the highest priority of the District. The adjustments noted during the audit should be posted to the District's general ledger as soon as possible as the effect will be to reduce beginning balances and may impact the ability of the District to meet budgetary obligations.

District Response

The District filled the vacant Chief Business Officer position in December 2010. The focus on the Business Office will be to review the general ledger to insure all postings are correct. Further, training and consistency for Business Office staff is a priority.

2010-2 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

Material Weakness: 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 services transactions with PeopleSoft being the actual official books of record for budget monitoring, daily transactional analysis and audit purposes. We noted the two systems are not reconciled on a regular basis for all accounts and at year-end significant differences were noted in the revenues recorded. The primary area of unreconciled differences is in the revenue and transfer accounts. As the official books of record are the PeopleSoft system, it is these transactions that have been included within the audit procedures and required adjustments described above.

Recommendation

A process to reconcile these two systems on a monthly basis must be initiated immediately. This can be accomplished through electronic uploads and reconciliations or through supervisory level manual reconciliations of all accounts. These reconciliations should be completely maintained to document that all transactions have been appropriately recorded throughout the year.

District Response

The District has initiated procedures to reconcile DataTel and PeopleSoft. Training and procedures will be developed to reconcile both systems on a monthly basis. The Business Office will examine options to determine if the reconciliation between both systems can work better.

2010-3 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

Material Weakness: During the past four years the District Business Office leadership has been under five different Chief Business Officers. The turnover has exacerbated the conditions noted above and has frustrated attempts at providing training of Business Office staff. During the year-end closing of the financial transactions for the 2009-2010 fiscal year, the Accounting Manager and a key accountant also left the District. This lack of continuity within the Business Office function has made it difficult for staff to properly address issues noted in past audits and other reviews as well as to maintain a corporate knowledge of the history of transactions and resolutions.

Recommendation

The District needs to develop and implement a plan to attract and support adequately trained Business Managers and supervisors within the Business Office. The training of staff should be a primary objective of the individuals placed in these roles 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.

District Response

The District hired a Chief Business Officer in December 2010, and will begin recruitment of a Budget Analyst and Accounting Manager in January 2011, two key positions within the Business Office. The District plans to provide support and training to the Business Office in order to attract and maintain high quality staff. This consistency will help to provide stability lacking in the Business Office.

2010-4 FINANCIAL REPORTING (CCFS-311)

Criteria or Specific Requirement

The California Community College's State Chancellor's Office requires regular and timely reporting of financial activity through the quarterly and annual CCFS-311 reports.

Condition

Material Weakness: The annual reporting of the financial activity through the CCFS-311 report was delayed and not filed within the required timelines of the State Chancellor's Office. This appears to be due primarily to the departure of key Business Office personnel as noted above.

Recommendation

The ability of the District to attract and retain consistent staffing is critical to the District's ability to properly record and report financial activity both internally and to the State Chancellor's Office.

District Response

The District is monitoring all critical deadlines for submission of reports to all State and local agencies. Because of shortage of staff in the Business Office this has sometimes proved to be a challenge. It is anticipated once fully staffed, this will not be an issue.

2010-5 CAPITAL ASSETS

Criteria or Specific Requirement

The California *Education Code*, the Community College's System's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound financial system that supports financial reporting. Governmental Accounting Standards Board Statements 34 and 35 require the District to properly account for and record activity related to Capital Assets constructed or purchased during the year.

Condition

Material Weakness: The District has not adequately monitored the capital asset accounting and related depreciation expense calculations during the year. The accounting for capital assets was completed in November 2010, for the 2009-2010 fiscal year. The final accounting for the assets purchased and constructed during the year had the following errors:

- Disposal of assets have not been recorded although evidence in Board meeting minutes notes that disposal of obsolete assets has occurred.
- Work in process accounts for ongoing projects were not properly reconciled to the general ledger activity and were understated by $1.2 million.
- Depreciation expense was not properly calculated by asset.

Through additional audit procedures, the capital asset balances were reconciled and are presented in the financial statements. However, the ability of the District to maintain the current accounting system in the future is severely hampered as this is now a manual process and not integrated with the general ledger system.

Recommendation

The District should consider first alternatives to the manual calculations for capital assets such as an integrated capital asset accounting component to the current general ledger. A complete reconciliation of the capital asset accounts should be undertaken along with a physical inventory of all equipment to ensure that assets disposed of by Board action have actually been removed from the accounting records. Once the system is reconciled and functioning, the ongoing reconciliation should be completed on a quarterly basis to reduce the possibility that errors have occurred.

District Response

The District will consider alternatives to the manual calculations for capital assets such as an integrated capital asset accounting component to the current general ledger. The Business Office will develop a plan to monitor capital asset accounts and physical inventory of all equipment to ensure that assets disposed by Board action have actually been removed for the accounting records.

2010-6 ACCOUNTING OF STUDENT FINANCIAL AID ACTIVITY

Criteria or Specific Requirement

The District is required to account for the activity of District funds within the general ledger.

Condition

Material Weakness: As noted in the prior years' audits, the Financial Aid Fund contains activities that do not belong to the Compton Community College District. The District is no longer an accredited community college district and does not administer student educational services including student financial aid. Through a memorandum of understanding with the El Camino Community College District federal programs such as Pell Grants and FSEOG, as well as California funded Cal Grant programs are administered through the El Camino Community College District. The revenue and expense activity should be reflected within the El Camino Community College Financial Records and an adjustment has been proposed and approved to remove the activity from the Compton Community College records.

Recommendation

The Compton Community College District and the El Camino Community College District must work to ensure the Federal financial aid activity is recorded and monitored within the appropriate accounts. Through the audit process it has been verified the activity was recorded within the El Camino Community College financial records.

District Response

The District will dialog with its counterparts at El Camino Community College District to ensure the Federal financial aid activity is recorded and monitored within the appropriate accounts.

2010-7 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Criteria or Specific Requirement

OMB Circular A-133 and 7 CFR 3052.31 requires the auditee (District) to prepare a complete and accurate Schedule of Expenditures of Federal Awards for the period covered by the financial statements.

Condition

Material Weakness: The SEFA prepared by District personnel was not complete and did not accurately reflect the activity within the Federal Awards for the 2009-2010 fiscal year. Deficiencies noted and corrected within the audit included; missing and/or inaccurate CFDA numbers, missing and/or inaccurate pass-through identifying name and number for sub awards, inaccurate listing of Federal agencies providing the awards, inaccurate disclosure of Federal expenditures recorded within the general ledger. The errors identified were corrected by District personnel as a result of audit procedures applied to the schedule.

Recommendation

The District must provide for proper supervision, oversight and review of the closing process including the supporting schedules and information required to support the financial activity of the District. Inaccurate reporting of the Schedule of Expenditures of Federal Awards could jeopardize the District's ability to support the awards and related expenditures of Federal grants.

District Response

The District is in the process of filling all critical vacancies within the Business Office in order to provide for proper supervision, oversight, and review of the closing process including the supporting schedules and information required to support the financial activity of the District.

2010-8 CORRECTIVE ACTION PLAN

Criteria or Specific Requirement

Best business practices.

Condition

Material Weakness: The District was unable to provide a corrective action plan for deficiencies, both financial statement and compliance, noted in the prior year audit. As a result deficiencies noted in prior years have been carried forward and are again included in the current year audit and the conditions continue to exist. This appears to be the direct result of the turnover of supervisory staff within the District Business Office as noted in previous comments.

Recommendation

The District must develop and implementation a plan for the recommendations noted. Ongoing monitoring of the responses put forth by District personnel must be a high priority of the Provost and the Special Trustee to ensure the conditions are corrected in a timely manner and the procedures followed by District personnel are in line with District policies and Federal and State compliance requirements.

District Response

The District hired a Chief Business Officer in December 2010, and will begin recruitment of a Budget Analyst and Accounting Manger in January 2011, two key positions within the Business Office. The District plans to provide support and training to the Business Office staff in order to attract and maintain high quality staff. This consistency will help provide stability in the Business Office. The Chief Business Officer is working closely with the Provost and new Trustee. Consistency and monitoring of the Business Office activities is a priority.

2010-9 PROGRAM EXPENDITURE ACCOUNTING

Criteria or Specific Recommendation

California State Chancellor's Office Budget and Accounting Manual.

Condition

Material Weakness: In prior years the District provided services to students through the Federally funded Student Support Services Program (CFDA #84.02A). This program was not funded for the District in the 2009-2010 year, however, the District continued to provide these services to students at a cost of approximately $328 thousand. These expenditures were charged to the Restricted General Fund rather than the Unrestricted General Fund. All expenditures for program services not funded through specific sources are to be accounted for within the Unrestricted General Fund. An audit adjustment between the two funds has been proposed to properly account for the expenditures and the effect on the ending balance available for expenditure in the 2010-2011 fiscal year.

Recommendation

In order to ensure compliance with the Budget and Accounting Manual and internal budgetary requirements, the District should review all expenditures for the proper coding to the accounts and funds of the District. Only those expenditures meeting the requirements of the Budget and Accounting Manual and program restrictions should be included within the Restricted General Fund.

District Response

The District will review expenditures for proper coding to the accounts and funds as required by the Budget and Accounting Manual. This will ensure compliance with the Budget and Accounting Manual and internal budgetary requirements.

2010-10 GENERAL OBLIGATION BOND FUND ACCOUNTABILITY

Criteria or Specific Requirement

Article 13 A of the California Constitution, Education Code, the Community College's Chancellor's Office Budget and Accounting Manual, and best business practices require the District maintain a sound financial system that supports financial reporting and compliance with Bond expenditure guidelines.

Condition

Significant Deficiency: The District's General Obligation Bond projects are currently managed by an outside construction manager. We have noted differences in communication between the Project Manager and the District Business Office that have resulted in approvals of purchase orders and invoices not being obtained prior to the start of work, contracts being entered into prior to signing by authorized District personnel and/or the contractor. The allocation of costs between the General Obligation Bond Fund and State funded construction project fund has not been documented for jointly funded projects. It appears one of the primary causes of this situation has been the turnover in the Business Office personnel.

Recommendation

The District should establish a direct line of communication with the Project Manager to ensure that all projects have been properly approved and signed prior to the start of the project. Additionally, as the District is able to stabilize the personnel in the Business Office, specific training on the types of expenditures to be charged to the General Obligation Bond Fund should be provided as the expenses must be in accordance with the General Obligation Bond requirements approved by the local voters.

District Response

The District Business Office has begun a process of weekly meetings with the Project Manager to review the status of all bond projects, their various stages, and upcoming contracts. This process will monitor all bond activates so bond requirements are met and contracts are not entered into prior to approval.

2010-11 ENERGY LEASE REVENUE BONDS

Condition

Significant Deficiency: In 2003, the District issued Bond Anticipation Notes to defease (repay) Energy Lease Revenue Bonds. The proceeds were placed in an irrevocable trust established for the sole purpose of repaying the bondholders associated with the Lease Revenue Bonds. It appears notification of the defeasance and the trust were not properly communicated to the Chancellor's Office and payments continued to be withdrawn from the District General Fund to repay the obligation. The trustee of the irrevocable trust did not make payment to the bondholders and the $1 million placed in the trust remained in the account until the 2009-2010 year. The District failed to recognize that the payments were continuing to be withheld from the District's revenues and the trust accounts were not being used for the purpose intended. While the trust funds have now been returned to the District General Fund, the accounting for the transaction was not properly monitored primarily due to the loss of staffing and institutional knowledge of the original transaction.

Recommendation

Procedures must be instituted to ensure that transactions with multi-year impact are documented and monitored on a regular basis to ensure the obligations are properly met. An annual reporting to the Provost and Special Trustee should be instituted.

District Response

The Business Office will review multi-year obligations and their impact on the General Fund. A summary will be provided to the Provost and Special Trustee.

2010-12 PAYROLL CLEARANCE FUND AND RELATED BENEFITS LIABILITIES

Condition

Significant Deficiency: As noted in the prior year finding (2009-5), the Payroll Clearance Fund has not been reconciled on a complete and timely basis. The District personnel have received training in the proper reconciliation and accounting for the fund, however, there remains an issue with employee payroll deductions not being remitted to the proper agency in a timely manner. Employees have had charitable donations withheld from the payroll to be paid to the United Way – the payment to the United Way has not occurred as of the audit date. The amount collected for this purpose is $960 which remains as a balance to be paid.

Recommendation

As part of the reconciliation process for the Payroll Clearance Fund, all amounts owed to third parties should be remitted on a regular basis. The payments should be at least semi-annually and more frequently when balances are increased. The Payroll Clearance Fund should be reconciled each month as part of the District's monthly financial reporting process.

District Response

The Business Office will review the current process in place and determine where improvements can be made in order to reconcile monthly and remit third parties in a regular manner.

2010-13 PERKINS LOAN PROGRAM

Criteria or Specific Requirement

Federal Perkins Loan Program, 34 CFR Section 673.3, Instructions Booklet for Fiscal Operations Report and Application to Participate.

Condition

Control Deficiency: The District no longer administers the Perkins Loan Program as noted in the prior year finding 2009-3, due to the loss of accreditation and the loss of eligibility to administer Federal funded student aid programs. When a District determines the loan program is no longer in place, a formal close-out process for the outstanding loans is required. Additionally, the program is required to be reported on Form OMB Number 1845-0030 (FISAP Report) on an annual basis until officially closed.

Recommendation

The District should request guidance from the U.S. Department of Education on how to satisfy the reporting requirement. A close-out of the program which is no longer being offered to students should commence as soon as possible.

District Response

The District has received written correspondence from the U.S. Department of Education advising that the Perkins Loan program data and information should now be incorporated into El Camino Community College District's FISAP report due to the partnership arrangement. As a result, the District's Perkins' data and information has been provided to El Camino Community College District for inclusion in their filing. The District has initiated the close-out process with the goal of closing out the program as soon as possible.

2010-14 DISTRICT CASH CLEARING ACCOUNT

Condition

Control Deficiency: The District cash clearing account is utilized to accumulate and clear locally collected monies prior to transmittal to the Los Angeles County Treasurer for deposit and inclusion in the general ledger activity of the District. The account was not reconciled at year-end and the total amount in the bank account was approximately $200 thousand. Without a reconciliation of the amount held in the account it is difficult to determine which income account were to be credited for the revenue earned.

Recommendation

The clearing account should be reconciled each month and the balance collected transmitted to the County Treasurer. A review of the reconciliation by supervisory personnel should be included in the review process to ensure the amounts transmitted are credited to the proper revenue account.

District Response

The Business Office will examine the Clearing Account and develop a monthly reconciliation process and work closely with the County Treasury Office to transmit the funds.

2010-15 SELF INSURANCE REVOLVING CASH FUND ACCOUNT

Condition

Control Deficiency: In order to facilitate the payment of claims through the Workers' Compensation Self-Insurance Fund, the District has established a $200 thousand revolving cash account with the administrator. This allows the administrator to pay claims as they come due. A monthly reconciliation report including the claims paid through the revolving fund has not been provided to the District. Upon reviewing the bank account, it was noted the balance is actually $316 thousand due to the receipt of a return of premiums from the insurance carrier. District personnel was not aware of the return of premium upon inquiry.

Recommendation

A procedure should be immediately established with the Claims Administrator to either receive the reconciliation of the revolving cash fund and claims paid on a monthly basis, or ensure that District personnel have sufficient information to reconcile the Fund internally. This will ensure that claims are accounted for appropriately and any deposits received to the account are included within the general ledger activity for the Fund.

District Response

The Business Office has begun dialog with the Claims Administrator to reconcile the Revolving Cash Fund and make sure these funds are accounted for properly.

2010-16 INTERNAL AUDIT POSITION

Condition

Control Deficiency: The internal control process and procedures have been weakened due to the staffing turnover described elsewhere in this report. As noted in prior comments, there is not sufficient oversight, monitoring and reconciliation of key accounts and process during the year to ensure material misstatements will not occur and go undetected by District staff. The District currently has an agreement to utilize the services of the internal auditor of the El Camino Community College District. While we noted some review was accomplished during the year the current system does not appear to effectively impact the internal control process at Compton Community College District. There is not a formal risk assessment plan that has been completed with follow up of the progress or results of reviews undertaken during the year.

Recommendation

The District should consider hiring an internal auditor specifically for the Compton Community College District to perform a risk assessment, assist with the implementation and monitoring of sound internal controls and report to the Board and Special Trustee on a regular basis.

District Response

The District hired a Chief Business Officer in December 2010, and will begin recruitment of a Budget Analyst and Accounting Manger in January 2011, two key positions within the Business Office. The District plans to provide support and training to the Business Office staff in order to attract and maintain high quality staff. This consistency will help provide stability in the Business Office. The Chief Business Officer is working closely with the Provost and new Trustee. Consistency and monitoring of the Business Office activities is a priority. The Business Office will review the availability of funds to support an internal auditor position.

2010-17 ASSOCIATED STUDENT GOVERNMENT (ASG) ACCOUNTS

Condition

Control Deficiency: The Associate Student Government accounting records contain significant adjustments to the beginning fund balance. The appropriateness of these entries was not clarified to us. It does not appear that the accounts have received regular review by the Business Office or the ASG officers. As of June 30, 2010, the account balance for cash and accounts receivable is approximately $145 thousand and revenue activity is approximately $50 thousand.

Recommendation

The District should provide for the regular posting of activity to the ASG accounts as well as the regular reconciliation and reporting of the accounts to the ASG officers. All entries made through adjusting journal entries should be approved prior to posting and include all supporting documentation.

District Response

The District will examine the current status of this account and determine what "best practices" can be put in place to ensure appropriate monitoring and accountability.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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

2010-18 STATE STABILIZATION FUND REPORTING CFDA 84.394

Criteria or Specific Requirement

Reporting - Title XIV of Division A of the American Recovery and Reinvestment Act of 2009 (ARRA).

Condition

Significant Deficiency: The District did not submit the California ARRA Accountability Tool report by the due date. Key components of internal controls over reporting are missing or ineffective. Proper internal controls over the program were not in place to detect the missed reporting requirement.

Questioned Costs

None.

Context

The District was required to report the activity through the State Stabilization grant funds by November 30, 2009. Actual reporting occurred December 2, 2009.

Effect

The District is out of compliance with Federal reporting requirements.

Cause

There are no formal policies or written internal procedures addressing how and when reporting requirements are to be completed, or by whom the reporting will be completed. The District staff did not appear to be aware of the requirements for reporting under the State Stabilization Fund. Further, turnover and a lack of consistency in management contributed to the untimely filing.

Recommendation

A formal calendar of the timelines required for reporting Federal Grant activity should be established and reviewed periodically to ensure all required timelines are met.

District Response

The District submitted the ARRA report in early December 2010. The Business Office will monitor Federal and State timeline requirements for submission of reports closely.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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

2010-19 SALARIES OF CLASSROOM INSTRUCTORS (50% LOW CALCULATION)

Criteria or Specific Requirement

California *Education Code* Section 84362 requires 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". This is further defined in CCR Title 5, Section 59204.

Condition

Material Weakness: The District's original calculation of the Salaries of Classroom Instructors and 50% Law originally noted the District spent $12.6 million on the Instructional Salary Costs resulting in the percentage of the CCE being calculated as 44.96 percent - a shortfall of $1.4 million. Subsequent to this calculation, the District reviewed various object and activity codes for reclassification and submitted the report to the State Chancellor's Office showing the calculation to be 48.78 percent - a shortfall of $326 thousand.

The changes between the original calculation and the final submission primarily relates to Instructional Aides and allocation of benefit costs for retirees. These changes in the coding of instructional expenses were not made to the general ledger but were considered memo entries only for the purposes of the CCFS-311 reporting. Adjustments noted as part of the audit process have not been analyzed to determine potential impacts to the 50% Law calculation.

Not taken into account in this calculation were the effects of audit adjustments noted within the Financial Statement Findings and Questioned Costs.

The District is not in compliance with the requirements of the 50% Law calculation and has filed a waiver due to serious hardship.

Questioned Costs

The deficit amount of the calculation is between $329 thousand and $1.4 million.

Recommendation

The District should continue to pursue the remedies under the Supplemental Exemption for "Serious Hardship" form CCFS-320C for the current period. The budget should be thoroughly reviewed to determine any modifications that are required to ensure compliance with the *Education Code* is achieved on an ongoing basis. The chart of accounts should be reviewed and any miscoded employees or other expenses should be properly coded to the categories that are appropriate for the job descriptions and actual duties that are being performed.

District Response

The District continues to work toward meeting the 50% Law and has made progress. The 2010-2011 budget as adopted, allocates the resources to meet the 50% Law. District staff will continue to work toward achieving this objective.

2010-20 ENROLLMENT FEE REPORTING (CCFS-323)

Criteria or Specific Requirement

Education Code Sections 76300, 76140 (k) and 84757
California Community Colleges *Budget and Accounting Manual*

Condition

Material Weakness: The Form CCFS-323 *Enrollment Fee Report* submitted by the District for the 2009-2010 fiscal year did not agree with the enrolment fee revenue reported in the PeopleSoft general ledger or the enrollment fees reported within Form CCFS-311. A reconciliation to support the CCFS-323 was not provided.

Context

The CCFS-311 and PeopleSoft general ledger both reported enrollment fees of $1,178,273, while the CCFS-323 report noted enrollment fees of $622,140.

Effect

The District has improperly reported the enrollment fee revenue to the State Chancellor's Office which has an effect on the Apportionment Revenue funding.

Recommendation

The general ledger should be carefully reconciled to all reports provided to the State Chancellor's Office. The Enrollment Fee Report (CCFS-323) should be carefully reviewed by supervisory personnel prior to submission to the State Chancellor's Office to ensure its accuracy.

District Response

The District has initiated procedures to reconcile DataTel and PeopleSoft. During fiscal year 2009-2010, the District continued the implementation of these procedures. The Business Office staff will continue to monitor and train, in order to reconcile monthly, and management will review prior to submission.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

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

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

2009-1 Financial Accounting

Criteria or Specific Requirement

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

Condition

The financial statements continue to require significant adjustments and reclassifications to bring the financial statements into conformity with generally accepted accounting standards. The nature of the adjustments include:

- Adjustments to revenues related to grants.
- Write-offs of prior accruals that had not been adequately analyzed prior to closing the books.
- Correcting accounting errors.
- Reclassifications of assets, liabilities, revenues, and expenses to properly report activity.

The District's accounting records are maintained on a modified accrual basis during the year, and the adjustments noted affected the Unrestricted and Restricted General Fund, as well as other District funds. The corrections that were necessary were due to journal entries not being posted correctly, accounts not reconciled timely, and a general review process for the activity not taking place on a regular basis.

Recommendation

Continued and expanded training of District accounting personnel in the proper accounting procedures should be a high priority for the District. Entries to the general ledger accounts, including journal entries, should be reviewed and approved prior to posting and then the accounts reconciled at month end to ensure all entries have been posted appropriately.

Current Status

Not implemented. See current year financial statement finding 2010-1.

2009-2 Financial System and Budget Requirements

Criteria or Specific Requirement

The California *Education Code*, the Community College's 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

There are two separate accounting systems used to record financial activities and review budgets and variance reports: DataTel, which is controlled and supported at the District level, and the Los Angeles County Office of Education's (LACOE) PeopleSoft which is controlled and supported through LACOE. As a result of the partnership arrangement with El Camino Community College District, the District is utilizing both systems for posting of financial activity. The annual budget has been entered primarily on the DataTel system with the current year revenue and expense. Balance sheet accounts, however, are primarily entered into PeopleSoft. The official accounts and records of the District have been deemed to be the LACOE PeopleSoft system, and the reconciliation of the two systems was not completed during the year. Reports that are required for financial activity for grants and contracts may not reflect the final reconciliation for the income statement accounts completed during the closing process.

We also noted the budgets are not updated within the LACOE PeopleSoft system for changes that are approved during the year. This may not provide program managers and department managers the financial information that is necessary to manage their assigned programs and budgets.

Recommendation

The District finance and accounting office must continue to devote adequate resources to reconciling the two systems on a monthly basis until such time that the need for two accounting systems is deemed to be non-essential. Decisions about what accounting system will be used to record and report financial activity should be reviewed and integrated into the overall District strategic goals.

Current Status

Not implemented. See current year financial statement finding 2010-2.

2009-3 Perkins Loan Program Reporting

Criteria or Specific Requirement

Federal Perkins Loan Program, 34 CFR Section 673.3, Instructions Booklet for Fiscal Operations Report and Application to Participate.

Condition

The District has not met reporting requirements of its Perkins Loan program. With the loss of accreditation in 2006, the District does not have a Federal student aid program. This particular program which is a Federal student aid program, however, is required to be reported on Form OMB Number 1845-0030 (FISAP Report) on an annual basis until officially closed.

Recommendation

The District should request guidance from the U.S. Department of Education on how to satisfy the reporting requirement. A close out of the program which is no longer being offered to students should commence as soon as possible.

Current Status

Not implemented. See current year financial statement finding 2010-13.

2009-4 Student Financial Aid Fund

Criteria or Specific Requirement

The California *Education Code*, the Community College's Chancellor's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain a sound accounting system that properly reports activity of the District.

Condition

The financial aid fund contains activities that do not belong to the District. When the District lost accreditation for the academic programs, it also lost the authorization to operate financial aid programs included within the Federal Student Aid Cluster and Cal Grant programs. Through a memorandum of understanding with the El Camino Community College District, the financial aid programs were able to continue, but not as awards to the Compton Community College District. The activities do not, therefore, belong to the Compton Community College District or on the District's ledgers. These funds have not been included in the financial report, but they continue to be accounted for as though they belonged to the District.

Recommendation

The Memorandum of Understanding between the Compton Community College District and El Camino Community College District should be amended to address the accounting for the student financial aid activity and clarify the lines of responsibility. Additionally, the student financial aid fund activity should be removed from the accounts of the Compton Community College District.

Current Status

Not implemented. See current year financial statement finding 2010-6.

SIGNIFICANT DEFICIENCIES

2009-5 Benefit Liabilities

Criteria or Specific Requirement

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

Condition

The payroll liabilities in the General Fund (restricted and unrestricted) and the Child Development Fund contain unusual debit balances. We examined monthly reports and found that debit entries exceed the credits within the payroll liabilities. This indicates that there is a problem within the process of the recording and paying of benefits. We did not identify accounting processes where this activity was internally analyzed during the 2008-2009 year.

Recommendation

While some training of staff has occurred for the payroll benefits accounts, this did not occur until year end. The monitoring of the accounts during the year is an essential part of ensuring the payroll liabilities are appropriately set up and paid and should be more closely monitored in the future.

Current Status

Improved. See current year financial statement finding 2010-12.

STATE AWARD FINDINGS

2009-6 Enrollment Fee Reporting (CCFS-323)

Criteria or Specific Requirement

The District is required to maintain compliance with the following laws and regulations related to enrollment fee collections and reporting:

- *Educational Code* Section 76300, 76140(k), and 84757.
- Form CCFS-323, Actual Enrollment Fee Revenue Report.
- Form CCFS-311, Annual Financial and Budget Report.
- Accounting Advisory No. 98-02, date April 13, 1998.
- Budget and Accounting Manual (BAM).

Condition

The enrollment fee report (CCFS-323) submitted by the District for the 2008-2009 fiscal year did not agree with the LACOE PeopleSoft general ledger at June 30, 2009. Additionally, student enrollment revenue within the DataTel system did not agree to the CCFS-323 report. While the difference in the accounting systems was deemed to not be material, the process of accurately reporting to the State Chancellor's Office is critical in ensuring accounting records are complete and accurate.

Recommendation

The District should reconcile the two systems and add additional oversight for reporting. Reports should be supported by data that can be traced to either system and reviewed by management prior to submission.

Current Status

Not implemented. See current year financial statement finding 2010-20.

2009-7 Concurrent Enrollment

Criteria or Specific Requirement

- *Education Code* Sections 48800(a), 48800.5, 76300, 76001(d).
- Legal Opinions M 98-17 and M02-20 issued by the Chancellor's Office, California Community Colleges.
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent enrollment" – issued January 5, 2005, by the Chancellor's Office, California Community Colleges.

Condition

Enrollment fees are not being assessed to K-12 students for all units once 11 units has been exceeded and the student becomes a special full-time student. The District's student enrollment system, DataTel, exempts all special part-time and full-time K-12 students from any enrollment fees. Based on our audit procedures, the District did not assess and receive approximately $1,920 in student enrollment fees related to the seven K-12 students noted as enrolling in 12 units or more.

Recommendation

The admissions and records office should be very aware of the requirements related to the admission of K-12 students and should work with the IT Department to ensure that such students are marked as special admit within the DataTel Student Accounting System. Once a special admit student reaches 11 units, the enrollment fees on all units should be assessed and collected as required by the above referenced education code sections.

Current Status

Implemented.