

**COMPTON
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

COMPTON COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2009

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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 the business-type activities of Compton Community College District (the District) as of and for the year ended June 30, 2009 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 the business-type activities of Compton Community College District as of June 30, 2009, 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 10 to the financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for the year ended June 30, 2009.

As discussed in Note 13 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, 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.

The Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, as listed in the Table of Contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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.

Vaurinek, Stone, Day & Co. LLP

Rancho Cucamonga, California
December 23, 2009



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

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College District
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Compton Educational Center

PETER J. LANDSBERGER
Special Trustee

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, 2009. 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.

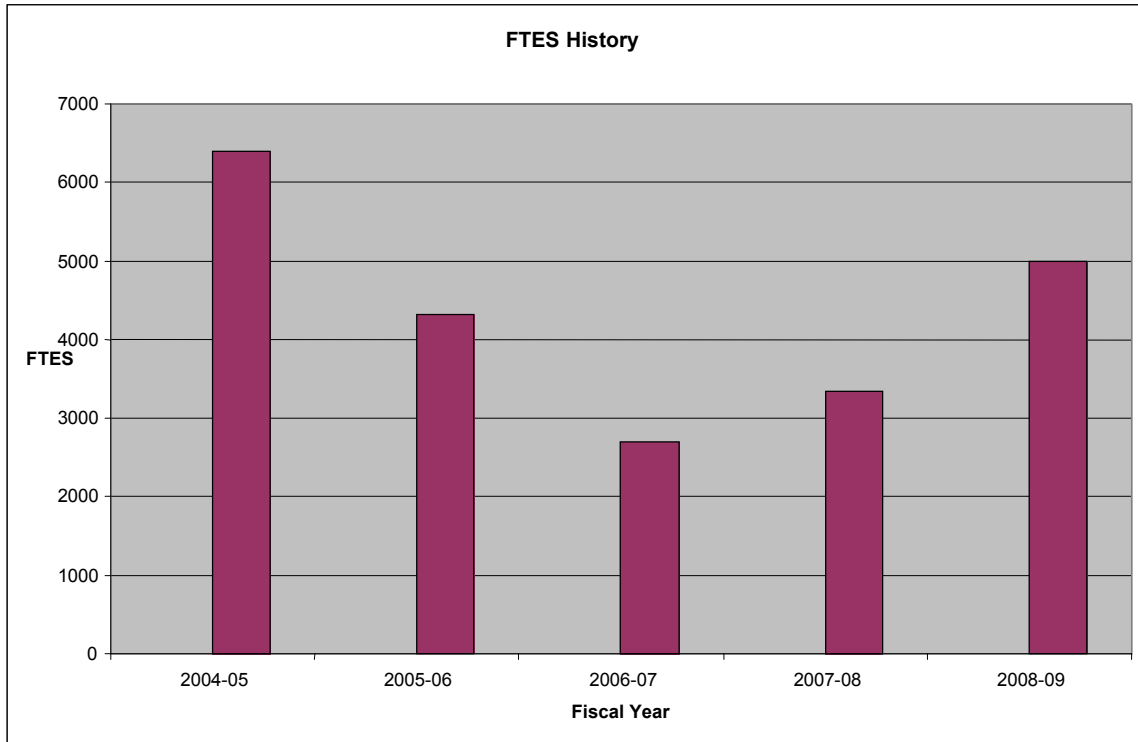
On June 30, 2006, the District was notified that its accreditation by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges was being withdrawn. In anticipation of this action, the legislature passed and Governor Schwarzenegger signed legislation 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 \$17.9 million, and the current annual repayment obligation is approximately \$1.3 million. Lastly, the District partnered with a separate community college district to ensure that Compton students could continue to have access to accredited educational services. Presently, the District has partnered with the El Camino Community College District, which 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 2008-2009, total Full-Time Equivalent Students (FTES) increased 1,653 students (or 49.39 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.

COMPTON COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**



Full Time Equivalent Student	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Total FTES	6,401	4,314	2,695	3,347	5,000
% Increase (Decrease)		-32.60%	-37.53%	24.19%	49.39%

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.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

A summary of the Statement of Net Assets as of June 30, 2009 and June 30, 2008, is below:

Table 1

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 17,153,927	\$ 13,520,270	\$ 3,633,657	26.9%
Accounts receivable, net	7,331,020	8,616,406	(1,285,386)	-14.9%
Total Current Assets	<u>24,484,947</u>	<u>22,136,676</u>	<u>2,348,271</u>	<u>10.6%</u>
Noncurrent Assets				
Other assets	772,124	1,014,618	(242,494)	-23.9%
Capital assets, net of accumulated depreciation	72,415,466	69,963,138	2,452,328	3.5%
Total Noncurrent Assets	<u>73,187,590</u>	<u>70,977,756</u>	<u>2,209,834</u>	<u>3.1%</u>
TOTAL ASSETS	<u>\$ 97,672,537</u>	<u>\$ 93,114,432</u>	<u>\$ 4,558,105</u>	<u>4.9%</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 3,216,985	\$ 4,682,188	\$ (1,465,203)	-31.3%
Deferred revenue	2,320,406	2,023,847	296,559	14.7%
Current portion of long-term obligations	1,192,010	1,578,890	(386,880)	-24.5%
Other current liabilities	1,153,506	1,220,181	(66,675)	-5.5%
Total Current Liabilities	<u>7,882,907</u>	<u>9,505,106</u>	<u>(1,622,199)</u>	<u>-17.1%</u>
Noncurrent Liabilities				
Bonds payable	37,818,458	38,218,458	(400,000)	-1.0%
Notes payable	16,886,330	12,317,891	4,568,439	37.1%
Other long-term obligations	4,417,445	3,111,335	1,306,110	42.0%
Total Noncurrent Liabilities	<u>59,122,233</u>	<u>53,647,684</u>	<u>5,474,549</u>	<u>10.2%</u>
TOTAL LIABILITIES	<u>67,005,140</u>	<u>63,152,790</u>	<u>3,852,350</u>	<u>6.1%</u>
NET ASSETS				
Invested in capital assets, net of related debt	36,004,141	34,333,947	1,670,194	4.9%
Restricted for:				
Capital projects	1,156,826	1,488,167	(331,341)	-22.3%
Other special services	2,498,611	1,425,604	1,073,007	75.3%
Unrestricted	(8,992,181)	(7,286,076)	(1,706,105)	23.4%
TOTAL NET ASSETS	<u>30,667,397</u>	<u>29,961,642</u>	<u>705,755</u>	<u>2.4%</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 97,672,537</u>	<u>\$ 93,114,432</u>	<u>\$ 4,558,105</u>	<u>5.0%</u>

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

- Approximately 98 percent of the cash balance is cash deposited in the Los Angeles County Treasury Pool, and approximately two 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. 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 2008-2009.
- 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 \$3.5 million for the January through June 2009 apportionment payment deferrals, and approximately \$1.5 million for reimbursements from State agencies related to construction grant awards.
- Capital assets had a net increase of \$2.5 million. The District had additions of \$3.1 million related to construction in progress. Depreciation expense of \$2.0 million was recognized during 2008-2009. 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, 2009. Total accounts payable are \$3.2 million; \$1.3 million of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay. \$.8 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 \$36.4 million represents the remaining long-term debt to satisfy these obligations. The District has made three withdrawals from the line of credit totaling \$17.9 million, and \$17.6 million represents the outstanding balance.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents 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.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2009 and June 30, 2008, is summarized below:

Table 2

	2009	2008	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees (net)	\$ 1,382,947	\$ 1,610,720	\$ (227,773)	-14.1%
Other operating revenues	552,435	896,556	(344,121)	-38.4%
TOTAL OPERATING REVENUES	1,935,382	2,507,276	(571,894)	-22.8%
TOTAL OPERATING EXPENSES	39,557,987	38,115,838	1,442,149	3.8%
OPERATING LOSS	(37,622,605)	(35,608,562)	(2,014,043)	5.7%
NONOPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	21,631,726	22,461,930	(830,204)	-3.7%
Local property taxes	7,868,834	6,440,393	1,428,441	22.2%
State revenue - other	74,457	189,141	(114,684)	-60.6%
Grants and contracts, noncapital:				
Federal	1,571,598	1,181,621	389,977	33.0%
State	5,683,961	6,095,369	(411,408)	-6.7%
Interest and investment income	329,841	547,651	(217,810)	-39.8%
Other nonoperating revenue	1,474,624	511,147	963,477	188.5%
Interest expense	(1,909,007)	(1,899,668)	(9,339)	0.5%
NET NONOPERATING REVENUES	36,726,034	35,527,584	1,198,450	3.4%
OTHER REVENUES				
State apportionments, capital	1,602,326	509,883	1,092,443	214.3%
Local revenue, capital	-	596,962	(596,962)	-100.0%
TOTAL OTHER REVENUES	1,602,326	1,106,845	495,481	44.8%
CHANGE IN NET ASSETS	705,755	1,025,867	(320,112)	-31.2%
NET ASSETS, BEGINNING OF YEAR	29,961,642	28,935,775	1,025,867	3.5%
NET ASSETS, END OF YEAR	\$ 30,667,397	\$ 29,961,642	\$ 705,755	2.4%

- The primary components of tuition and fees are the \$20 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 68 percent of operating expenses in fiscal year 2009 compared to 68 percent in 2008. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

- 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.

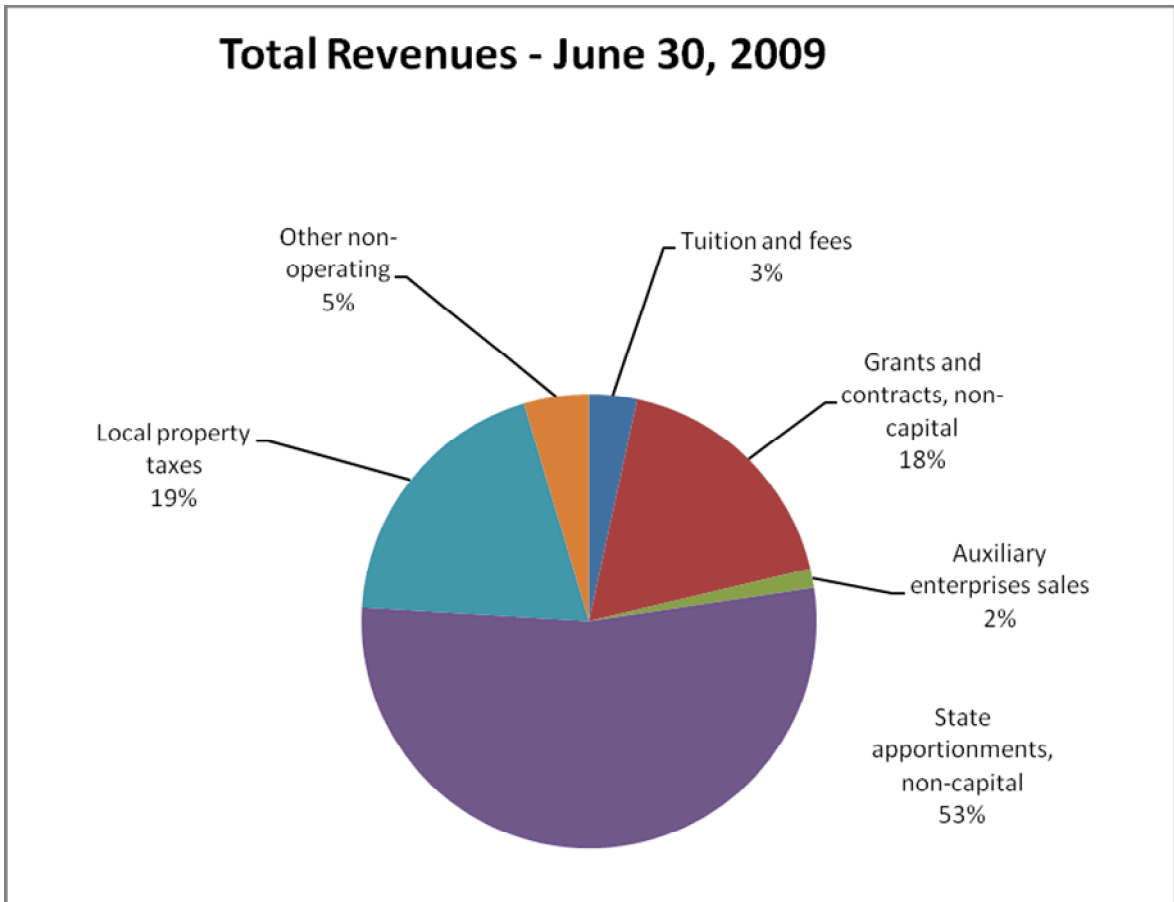
A schedule of functional expenses is displayed below:

Table 3

	Salaries	Employee Benefits	Supplies, Materials, Other Expenses and Services	Financial Aid	Depreciation	Capital Outlay	Total
Instructional Activities	\$ 9,298,159	\$ 2,780,256	\$ 681,017	\$ -	\$ -	\$ -	\$ 12,759,432
Academic Support	1,060,289	364,187	63,033	-	-	-	1,487,509
Instructional Support Services	723,974	204,786	109,709	-	-	-	1,038,469
Student Services	4,527,606	1,480,520	1,411,107	820,811	-	-	8,240,044
Operation and Maintenance of Plant	1,311,709	588,838	1,359,432	-	-	-	3,259,979
Planning, Policymaking, and Coordination	543,793	208,225	1,084,086	-	-	-	1,836,104
Institutional Support Services	2,010,614	852,755	2,803,321	-	-	-	5,666,690
Community Services and Economic Development	11,313	4,183	-	-	-	-	15,496
Ancillary Services and Auxiliary Operation	597,885	224,555	137,719	-	-	-	960,159
Physical Property and Related Acquisitions	-	-	2,260,354	-	-	31,620	2,291,974
Depreciation Expense	-	-	-	-	2,002,131	-	2,002,131
Total	\$ 20,085,342	\$ 6,708,305	\$ 9,909,778	\$ 820,811	\$ 2,002,131	\$ 31,620	\$ 39,557,987

COMPTON COMMUNITY COLLEGE DISTRICT

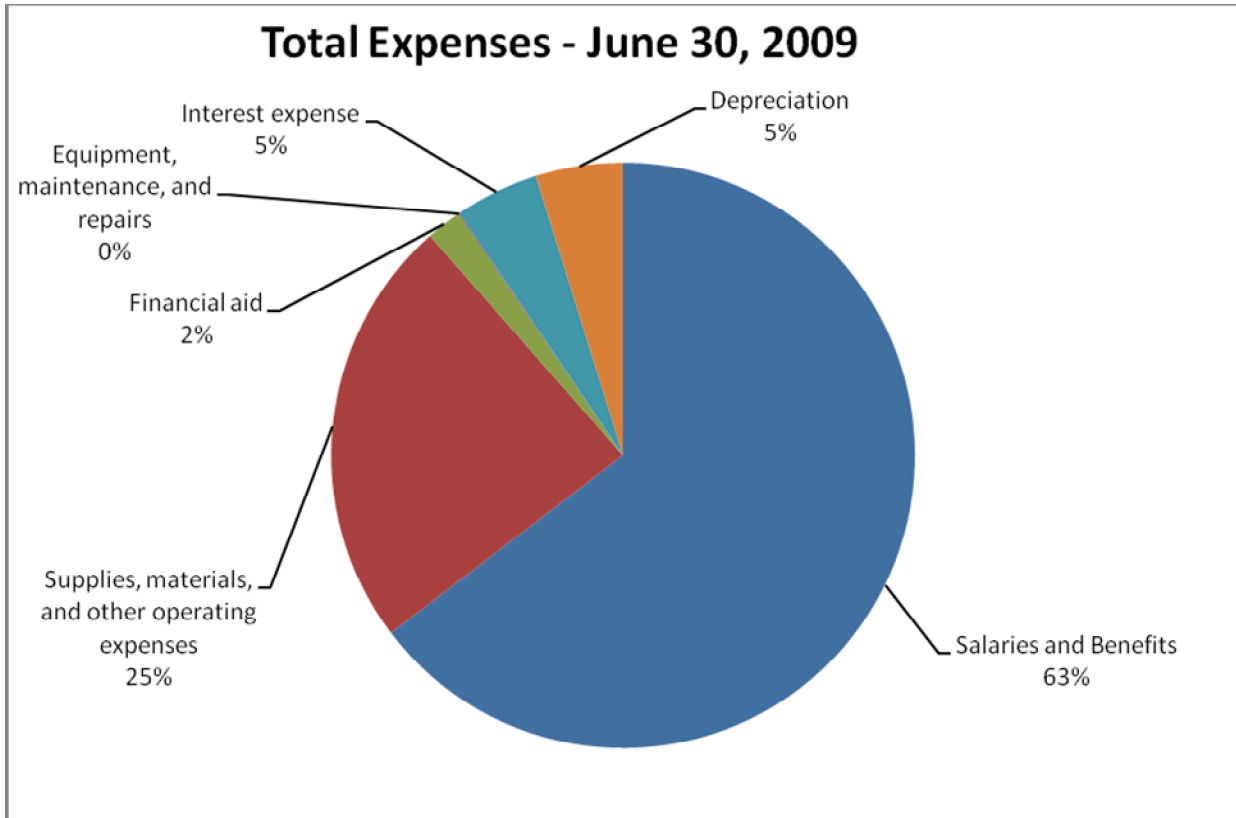
**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**



COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009



COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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, 2009 and June 30, 2008, is summarized below:

Table 4

	<u>2009</u>	<u>2008</u>
Cash Provided by (Used in)		
Operating activities	\$ (35,855,619)	\$ (27,048,946)
Non-capital financing activities	41,926,395	29,408,504
Capital and related financing activities	(2,819,912)	(6,025,694)
Investing activities	<u>382,793</u>	<u>505,958</u>
Net change in cash and cash equivalents	3,633,657	(3,160,178)
Cash balance, beginning of year	<u>13,520,270</u>	<u>16,680,448</u>
Cash balance, end of year	<u><u>\$ 17,153,927</u></u>	<u><u>\$ 13,520,270</u></u>

- 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 46 percent and 81 percent of non-capital financing for both fiscal years 2009 and 2008. Cash received from property taxes accounts for nine percent in fiscal year 2009 and 22 percent in fiscal year 2008 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).

COMPTON COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

- Cash from investing activities is interest earned on cash in bank and cash invested through the Los Angeles County pool and on investments with local banking institutions. Approximately \$.4 million and \$.5 million was received from the Los Angeles County pool for fiscal years 2009 and 2008, respectively.

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 80 percent of the District's 2008-2009 Unrestricted General Fund. Apportionment revenue is directly tied to the generation and reporting of FTES. Over the last two years, the District has experienced an increase in FTES of 86 percent. Looking to fiscal year 2009-2010, the District is poised and ready to continue this increasing trend despite concerns about proposed funding cuts. Presently, the District has experienced a 34 percent increase in FTES for the Fall 2009 term compared to Fall 2008.

Fiscal year 2010 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 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 JUNE 30, 2009

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 25,000
Cash and cash equivalents - restricted	294,950
Investments - unrestricted	10,120,989
Investments - restricted	6,712,988
Accounts receivable	6,586,024
Student loans receivable, net	744,996
Total Current Assets	<u>24,484,947</u>

Noncurrent Assets

Unamortized issuance costs	772,124
Nondepreciable capital assets	28,013,826
Depreciable capital assets, net of depreciation	44,401,640
Total Noncurrent Assets	<u>73,187,590</u>
TOTAL ASSETS	<u>97,672,537</u>

LIABILITIES

Current Liabilities

Accounts payable and other accrued liabilities	3,216,985
Interest payable - restricted	943,479
Deferred revenue	2,320,406
Amounts held in custody on behalf of others	210,027
Bonds and notes payable - current portion	1,089,146
Other long-term obligations - current portion	102,864
Total Current Liabilities	<u>7,882,907</u>

Noncurrent Liabilities

Bonds and notes payable - noncurrent portion	54,704,788
Other long-term obligations - noncurrent portion	4,417,445
Total Noncurrent Liabilities	<u>59,122,233</u>
TOTAL LIABILITIES	<u>67,005,140</u>

NET ASSETS

Invested in capital assets, net of related debt	36,004,141
Restricted for:	
Debt service	2,431,051
Capital projects	1,156,826
Other activities	67,560
Unrestricted	(8,992,181)
TOTAL NET ASSETS	<u>\$ 30,667,397</u>

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

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES

Student Tuition and Fees	\$ 2,626,117
Less: Scholarship discounts and allowances	(1,243,170)
TOTAL OPERATING REVENUES	<u>1,382,947</u>

OPERATING EXPENSES

Salaries	20,085,342
Employee benefits	6,708,305
Supplies, materials, and other operating expenses and services	9,357,343
Student financial aid	820,811
Equipment, maintenance, and repairs	31,620
Depreciation	2,002,131
TOTAL OPERATING EXPENSES	<u>39,005,552</u>

OPERATING LOSS

(37,622,605)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	21,631,726
Local property taxes, levied for general purposes	3,912,660
Local property taxes, levied for capital debt	3,956,174
Grants and contracts, noncapital:	
Federal	1,571,598
State	5,683,961
State taxes and other revenues	74,457
Investment income	329,841
Interest expense on capital related debt	(1,909,007)
Other nonoperating revenue	1,474,624
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>36,726,034</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES

(896,571)

State revenues, capital	<u>1,602,326</u>
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CHANGE IN NET ASSETS

705,755

NET ASSETS, BEGINNING OF YEAR

29,961,642

NET ASSETS, END OF YEAR

\$ 30,667,397

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

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 648,871
Payments to vendors for supplies and services	(10,716,471)
Payments to or on behalf of employees	(25,788,019)
Net Cash Flows From Operating Activities	<u>(35,855,619)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	19,460,946
Property taxes - nondebt related	3,912,660
Noncapital grants and contracts	7,676,151
State apportionment advance	5,257,585
State taxes and other apportionments	74,457
Other nonoperating revenues	5,544,596
Net Cash Flows From Noncapital Financing Activities	<u>41,926,395</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(4,920,188)
State revenue, capital projects	1,602,326
Property taxes - related to capital debt	3,956,174
Principal paid on capital debt	(1,578,890)
Interest paid on capital debt	(1,879,334)
Net Cash Flows From Capital Financing Activities	<u>(2,819,912)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>382,793</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS

3,633,657

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

13,520,270

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 17,153,927

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

COMPTON COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS, Continued
FOR THE YEAR ENDED JUNE 30, 2009**

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

Operating Loss	<u>\$ (37,622,605)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation	2,002,131
Changes in Operating Assets and Liabilities:	
Receivables, net	(744,996)
Prepaid expenses	242,494
Accounts payable and accrued liabilities	(999,474)
Deferred revenue	10,920
Compensated absences	235,781
Other postemployment benefits	<u>1,020,130</u>
Total Adjustments	<u>1,766,986</u>
Net Cash Flows From Operating Activities	<u><u>\$ (35,855,619)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash and cash equivalents - unrestricted	\$ 25,000
Cash and cash equivalents - restricted	294,950
Investments - unrestricted	10,120,989
Investments - restricted	<u>6,712,988</u>
Total Cash and Cash Equivalents	<u><u>\$ 17,153,927</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	<u>\$ 478,512</u>
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The accompanying notes are an integral part of these financial statements.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 spring 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).

Financial Reporting Entity

The District has adopted Governmental Accounting Standards Board (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 determining 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 primary government, the District, and the following component units:

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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, 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.

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 System'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 System'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 System's Office's *Budget and Accounting Manual*.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be 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 represented 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, 2009, 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 \$694,062 at June 30, 2009.

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 2008-2009. At June 30, 2009, the remaining balance is \$772,124.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 by 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 9 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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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. The entity-wide financial statements report \$8.9 million of restricted net assets.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statement No. 35. The classifications are as follows:

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

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. 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. The property tax revenue received for the repayment of the bonds for the years ended June 30, 2009, was \$3,956,174.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 entity-wide financial statements.

Changes in Accounting Principles

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the entity-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local government employers.

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provision of the Statement for the fiscal year ended June 30, 2009.

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.

In April 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements for State and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

In April 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than auditing literature. GASB Statement No. 56 is effective immediately.

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.

COMPTON COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009, consist of the following:

Cash and cash equivalents	\$ 319,950
Investments	16,833,977
Total Deposits and Investments	<u>\$ 17,153,927</u>

Interest Rate Risk

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

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Weighted Average Maturity

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
County Pool - Los Angeles	<u>\$ 16,911,861</u>	495

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, 2009.

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. As of June 30, 2009, the District's bank balance of \$100,619 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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

Federal government	\$ 336,351
State government	
State apportionment	3,488,314
State categorical aid	85,451
State lottery	202,394
Other State sources	1,502,348
Local sources	
Local agency - related party	364,485
Interest	53,018
Other local sources	553,663
Total	<u>\$ 6,586,024</u>
Student receivables	\$ 1,439,058
Less: allowance for bad debt	<u>(694,062)</u>
Total Student Receivables	<u>\$ 744,996</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2009, 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	22,551,167	4,399,088	1,260,429	25,689,826
Total Capital Assets Not Being Depreciated	<u>24,875,167</u>	<u>4,399,088</u>	<u>1,260,429</u>	<u>28,013,826</u>
Capital Assets Being Depreciated				
Buildings and improvements	49,641,863	1,260,429	-	50,902,292
Site improvements	2,929,087	9,802	-	2,938,889
Furniture and equipment	5,444,523	45,569	-	5,490,092
Total Capital Assets Being Depreciated	<u>58,015,473</u>	<u>1,315,800</u>	<u>-</u>	<u>59,331,273</u>
Total Capital Assets	<u>82,890,640</u>	<u>5,714,888</u>	<u>1,260,429</u>	<u>87,345,099</u>
Less Accumulated Depreciation				
Buildings and improvements	8,666,011	1,004,669	-	9,670,680
Site improvements	716,617	132,332	-	848,949
Furniture and equipment	3,544,874	865,130	-	4,410,004
Total Accumulated Depreciation	<u>12,927,502</u>	<u>2,002,131</u>	<u>-</u>	<u>14,929,633</u>
Net Capital Assets	<u>\$ 69,963,138</u>	<u>\$ 3,712,757</u>	<u>\$ 1,260,429</u>	<u>\$ 72,415,466</u>

Depreciation expense for the year was \$2,002,131.

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 \$17,363,585 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:

Accrued payroll	\$ 808,931
Construction	1,273,732
Vendor payables	934,848
Other	199,474
Total	<u>\$ 3,216,985</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Federal categorical aid	\$ 100,301
State categorical aid	1,761,456
Student fees	367,701
Other	90,948
Total	<u>\$ 2,320,406</u>

NOTE 8 - 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, 2009 and 2008, 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.

COMPTON COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2009 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	\$37,420,000	\$ -	\$1,030,000	\$ 36,390,000	\$ 400,000
Bond premium	1,930,039	-	101,581	1,828,458	-
Note payable	12,765,200	5,257,585	447,309	17,575,476	689,146
Total Bonds and Notes Payable	52,115,239	5,257,585	1,578,890	55,793,934	1,089,146
Other Liabilities					
Compensated absences	1,449,752	9,496	-	1,459,248	-
Early retirement incentive - CalSTRS	377,283	-	54,821	322,462	53,743
Early retirement incentive - CalPERS	147,363	-	98,242	49,121	49,121
Claims liability	1,290,000	379,348	-	1,669,348	-
Other postemployment benefits	-	1,418,148	398,018	1,020,130	-
Total Other Liabilities	3,264,398	1,806,992	551,081	4,520,309	102,864
Total Long-Term Obligations	\$55,379,637	\$7,064,577	\$2,129,971	\$ 60,314,243	\$ 1,192,010

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, 2009, \$41,000,000 had been issued and \$36,390,000 was outstanding. Interest rates on the bonds range from 3.0 to 4.0 percent.

Debt Maturity

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Redeemed	Bonds Outstanding June 30, 2009
1/14/2004	7/1/2028	3.0-4.0%	\$ 41,000,000	\$ 37,420,000	\$ 1,030,000	\$ 36,390,000

COMPTON COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The bonds mature through fiscal year 2029 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 400,000	\$ 1,780,913	\$ 2,180,913
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
2015-2019	5,960,000	7,824,619	13,784,619
2020-2024	10,530,000	5,736,775	16,266,775
2025-2029	16,960,000	2,268,747	19,228,747
Total	<u>\$ 36,390,000</u>	<u>\$ 24,566,256</u>	<u>\$ 60,956,256</u>

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 financing does not constitute a borrowing, but is instead an advance apportionment subject to repayment with interest. At June 30, 2009, the District had received \$17,896,800 with \$17,575,476 outstanding.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 689,146	\$ 603,273	\$ 1,292,419
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
2015-2019	4,324,783	2,137,317	6,462,100
2020-2024	5,144,756	1,317,345	6,462,101
2025-2029	4,442,903	338,757	4,781,660
Total	<u>\$ 17,575,476</u>	<u>\$ 6,592,485</u>	<u>\$ 24,167,961</u>

Compensated Absences

At June 30, 2009, the liability for compensated absences was \$1,459,248.

COMPTON COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Early Retirement Incentives

The District Board has approved two Early Retirement Incentive Programs which are summarized below:

Early Retirement Incentive – CalSTRS

A total of nine employees are participating in the program. The table below summarizes the future obligation:

<u>Fiscal Year</u>	<u>Principal</u>	Interest to <u>Maturity</u>	<u>Total</u>
2010	\$ 53,743	\$ 13,748	\$ 67,491
2011	53,745	12,110	65,855
2012	53,744	9,686	63,430
2013	53,743	7,264	61,007
2014	53,743	4,841	58,584
2015-2017	53,744	2,418	56,162
Total	<u>\$ 322,462</u>	<u>\$ 50,067</u>	<u>\$ 372,529</u>

Early Retirement Incentive – CalPERS

A total of seven employees are participating in the program. The table below summarizes the future obligation:

<u>Fiscal Year</u>	<u>Principal</u>	Interest to <u>Maturity</u>	<u>Total</u>
2010	<u>\$ 49,121</u>	<u>\$ 4,757</u>	<u>\$ 53,878</u>

Claims Liability

At June 30, 2009, the liability for claims liability was \$1,669,348. See Note 11 for additional information.

Other Postemployment Benefit (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, 2009. The District's annual required contribution for the year ended June 30, 2009, was \$1,418,148, and contributions made by the District during the year were \$398,018, which resulted in a net OPEB obligation of \$1,020,130. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (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 71 retirees and beneficiaries currently receiving benefits and 228 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 2008-2009, the District contributed \$398,018 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	(398,018)
Increase in net OPEB obligation	<u>1,020,130</u>
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 1,020,130</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,418,148	28%	\$ 1,020,130

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Funding Status and Funding Progress

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. Since this is the first year of implementation, only the current year information is presented.

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, no valuation of plan assets.

NOTE 11 - 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, 2009, 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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 \$1,669,348 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, 2007	\$ 1,290,000
Claims and changes in estimates	(611,382)
Claims payments	611,382
Liability Balance, June 30, 2008	1,290,000
Claims and changes in estimates	(157,106)
Claims payments	536,454
Liability Balance, June 30, 2009	<u>\$ 1,669,348</u>
Assets Available to Pay Claims at June 30, 2009	<u>\$ 1,295,631</u>

NOTE 12 - 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.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 2008-2009 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 eight percent. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$874,355, \$826,529, and \$891,232, 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 (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2008-2009 was 9.428 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were \$633,370, \$700,562, and \$559,581, 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, 2009, 2008, and 2007, which amounted to \$478,512, \$452,497, and \$509,020 for 2009, 2008, and 2007, respectively, 4.517 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 2009 and 2008 amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Deferral of State Apportionments

Due to the inability of the California State legislature to enact a budget by June 30, 2009, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2008-2009 fiscal year have been deferred to the 2009-2010 fiscal year. The total amount of funding deferred into the 2009-2010 fiscal year was approximately \$3.5 million. These deferrals of apportionment are considered permanent because future funding is also being subject to deferral into future years.

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The U.S. Department of Education is currently conducting a review of the District Student Financial Aid Program for the year ended June 30, 2004. This review has not yet been finalized. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2009, is not known.

Litigation

The District is involved in litigation with the U.S. Department of Education resulting from questioned costs in the Federal Student Aid Pell Grant program. In November 2009, a reversal of a previous ruling occurred ordering the District to repay \$871,039 to the Department of Education. The District is continuing to appeal the ruling.

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECT		
HVAC Retro-commissioning project	<u>\$ 365,824</u>	<u>12/30/2009</u>

The project is funded through a combination of general obligation bonds and capital project apportionments from the California State System's Office.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, health, 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, 2009, the District made payments of \$194,208 and \$43,585 to SWACC and SAWCX II, respectively.

NOTE 15 - 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.

During the 2008-2009 fiscal year, the District realized cost savings within the operational funds of the District which brought the general reserve levels back into compliance with the State System's Office guidelines of five percent of expenditures. However, due to the long-term obligations incurred as a result of prior year deficits and the loss of accreditation, the District's continued financial stability in the long-term is at risk. The District's note payable increased \$4.8 million. This was the additional draw on the State line of credit. Further, the District is now required to recognize the liability for other postemployment benefits which will amortize over the next 30 years. The current year net increase in long-term obligations for the OPEB was \$1,020,130. These obligations have contributed to the negative unrestricted net asset balance at June 30, 2009. Management has continued to make organizational changes to benefit the District and believes the ability to maintain fiscal sustainability into the future will continue to be realized.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 16 - SUBSEQUENT EVENTS

Tax Revenue Anticipation Notes

The District issued \$3,485,000 of tax and revenue anticipation notes dated July 1, 2009. The notes mature on June 30, 2010, with an interest rate of 2.50 percent and yield 1.45 percent interest. The notes were sold to supplement cash flow.

Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning January 2010 until 100 percent of principal and interest due is on account in June 2010.

Energy Bonds, Previously Defeased Debt

U.S. Bank holds, on behalf of the District, funds that were previously placed in an irrevocable trust for the purpose of satisfying outstanding Energy Lease Bonds. The bonds were previously refunded and legally defeased when the District placed in an irrevocable trust proceeds from the issuance in 2002 of Bond Anticipation Notes. The payment of the bonds has continued to be paid from the District's General Fund in lieu of payments that were required to be made by the trustee. At resolution, the District received \$1,045,878 from U.S. Bank to close the account and the trust.

REQUIRED SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entity Age Normal (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	\$ -	\$ 17,311,501	89%

SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2009

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

<u>MEMBER</u>	<u>TERM EXPIRES</u>
Dr. Willie O. Jones	December 2009
Ms. Lorraine Cervantes	December 2011
Mr. Andres Ramos	December 2011

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. Jane Harmon	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

COMPTON COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Direct Funded:		
TRIO Cluster:		
Student Support Services	84.042A	\$ 309,678
Upward Bound	84.047A	415,512
Upward Bound Math and Science	84.047M	280,097
Total U.S. Department of Education		<u>1,005,287</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the California Department of Education:		
Child and Adult Food Care Program	10.558	<u>28,711</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the California Community Colleges System's Office:		
Temporary Assistance for Needy Families (TANF)	93.558	119,743
Foster and Kinship Care Education (FKCE)	93.658	135,293
Passed through the California Community Colleges Foundation:		
MAPPS - Foster Care	93.674	20,992
Passed through the California Department of Education:		
School Age Resource	93.575	1,941
CDC Instructional Materials	93.575	2,242
Child Development Programs - Infant Toddler Care	93.575	2,896
Total U.S. Department of Health and Human Services		<u>283,107</u>
		<u>\$ 1,317,105</u>

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Basic Skills	\$ 100,000	\$ 263,400	\$ 363,400
Board of Financial Assistance Program	195,949	22,160	218,109
CalWORKs	791,191	-	791,191
CalWORKs (Department of Public Social Services)	154,125	-	154,125
Capacity Building for Nursing Program	-	131,122	131,122
Cooperative Agencies Resources for Education (CARE)	634,012	450,719	1,084,731
Disabled Student Programs and Services	247,078	-	247,078
Enrollment Growth for Associate Degree Nursing Program	413,365	46,242	459,607
Extended Opportunity Program and Services	1,212,726	-	1,212,726
Faculty and Staff Diversity	9,504	26,151	35,655
Instructional Equipment	100,000	278,170	378,170
Matriculation	327,786	136,527	464,313
Equipment for Nursing and Allied Health Programs	-	54,568	54,568
Plant and Equipment Block Grant	4,000	1,251	5,251
Telecommunication and Technology Infrastructure Program	36,036	60,959	96,995
CHILD DEVELOPMENT FUND			
General Child Care and Development Program	700,000	110,582	810,582
Careers in Child Care	55,263	-	55,263
Child Development Training Consortium	12,535	-	12,535
CAPITAL OUTLAY FUND			
Schedule Maintenance	100,000	-	100,000
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 363,400	\$ -	\$ 9,793	\$ 296,164	\$ 57,443	\$ 57,443
218,109	-	-	21,216	196,893	196,893
743,129	65,000	-	18,701	789,428	789,428
139,025	15,100	-	-	154,125	154,125
131,122	-	-	23,833	107,289	107,289
1,084,731	-	75,002	690,664	319,065	319,065
247,078	-	-	408	246,670	246,670
393,469	-	-	128,285	265,184	265,184
1,212,726	-	-	80,289	1,132,437	1,132,437
35,655	-	-	35,655	-	-
378,170	-	-	248,187	129,983	129,983
464,313	-	-	146,568	317,745	317,745
54,568	-	-	471	54,097	54,097
5,251	-	-	1,254	3,997	3,997
96,995	-	-	38,720	58,275	58,275
728,155	5,351	-	31,041	702,465	702,465
55,263	-	-	-	55,263	63,137
12,535	-	-	-	12,535	12,225
100,000	-	-	-	100,000	389,526
<u>\$ 6,463,694</u>	<u>\$ 85,451</u>	<u>\$ 84,795</u>	<u>\$ 1,761,456</u>	<u>\$ 4,702,894</u>	<u>\$ 4,999,984</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE
AS OF JUNE 30, 2009**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession - 2008			
1. Noncredit	14	-	14
2. Credit	612	-	612
B. Summer Intersession - 2009			
1. Noncredit	-	-	-
2. Credit	453	-	453
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,012	-	3,012
(b) Daily Census Contact Hours	661	-	661
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	54	-	54
(b) Credit	194	-	194
D. Total FTES	<u>5,000</u>	<u>-</u>	<u>5,000</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	67	-	67
2. Credit	533	-	533
	<u>600</u>	<u>-</u>	<u>600</u>

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, 2009**

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

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Capital Outlay</u>
FUND BALANCE/RETRAINED EARNINGS				
Balance, June 30, 2009, (CCFS-311)	\$ 10,129,046	\$ 1,067,424	\$ 67,561	\$ 1,697,671
Increase (decrease)				
Reconciling items	<u>221,534</u>	<u>148,762</u>	<u>(1)</u>	<u>(540,845)</u>
Balance, June 30, 2009, Fund Financial Statement	<u>\$ 10,350,580</u>	<u>\$ 1,216,186</u>	<u>\$ 67,560</u>	<u>\$ 1,156,826</u>

See accompanying note to supplementary information.

<u>Revenue Bond Construction</u>	<u>Self- Insurance</u>	<u>Student Financial Aid</u>
\$ 1,275,559	\$ 5,631	\$ 557
<u>101</u>	<u>(379,348)</u>	<u>(1)</u>
<u>\$ 1,275,660</u>	<u>\$ (373,717)</u>	<u>\$ 556</u>

COMPTON COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2009**

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

Total Fund Balance:

General Fund	\$ 11,566,766	
Special Revenue Funds	67,560	
Capital Project Funds	2,432,486	
Debt Service Funds	3,374,530	
Internal Service Funds	(373,717)	
Fiduciary Funds	210,583	
Total Fund Balance - All District Funds		\$ 17,278,208

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	87,345,099	
Accumulated depreciation is	(14,929,633)	
Net Capital Assets		72,415,466

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.

772,124

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

(210,027)

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.

(943,479)

Long-term obligations not accounted for in fund financial statements at year end consist of:

Bonds payable	(36,390,000)	
Premium on bond	(1,828,458)	
Notes payable	(17,575,476)	
Compensated absences	(1,459,248)	
Other postemployment benefits	(1,020,130)	
Early retirement incentive - CalSTRS	(322,462)	
Early retirement incentive - CalPERS	(49,121)	
Total Long-Term Obligations		(58,644,895)
Total Net Assets		\$ 30,667,397

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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.

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 System's Office.

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 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.

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.

INDEPENDENT AUDITORS' REPORTS



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

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

We have audited the financial statements of the business-type activities of Compton Community College District (the District) for the year ended June 30, 2009, and have issued our report thereon dated December 23, 2009. 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 opinions 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2009-1 through 2009-5.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1 through 2009-4 to be material weaknesses.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Compton Community College District in a separate letter dated December 23, 2009.

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, express no opinion.

This report is intended solely for the information and use of the Special Trustee, Board of Trustees, District Management, the California Community Colleges System'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.



Rancho Cucamonga, California
December 23, 2009



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

Special Trustee and 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 are applicable to each of its major Federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compton Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

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

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

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

This report is intended solely for the information and use of the Special Trustee, Board of Trustees, District Management, the California Community Colleges System'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, Irine, Day & Co. LLP

Rancho Cucamonga, California
December 23, 2009



REPORT ON STATE COMPLIANCE

Special Trustee and 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 System'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

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

The Compton Community College District is exempt from the following compliance requirements for the 2008-2009 fiscal year:

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Fiscal Operations

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

The Compton Community College District lost accreditation and, accordingly, did not operate the Educational Center (Compton College) during the fiscal year ended June 30, 2009. The Center was operated by El Camino Community College District through a memorandum of understanding. Accordingly, through mutual agreement, certain sections of the Contract District Audit Manual are not within the scope of the audit of Compton Community College District for this year. Further, compliance with Section 421: Salaries of Classroom Instructors (50% Law) was suspended by Assembly Bill 318.

In our opinion, Compton Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009. However, the results of our auditing procedures disclosed other 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 2009-6 and 2009-7.

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 Special Trustee, Board of Trustees, District Management, the California Community Colleges System'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.

Varrinek, Irine Day & Co. LLP

Rancho Cucamonga, California

December 23, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMPTON COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	TRIO Cluster:
84.042A	Student Support Services
84.047A	Upward Bound
84.047M	Upward Bound Math and Science

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

STATE AWARDS

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

COMPTON COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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*.

MATERIAL WEAKNESSES

2009-1 Financial Accounting

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 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.

Management Response and Planned Corrective Action

The District will be implementing a standard journal entry form for consistency, clarity, and improved internal controls. Further, the District has implemented procedures to reconcile interfund transactions on an annual basis to be part of the fiscal closing process. These procedures include reversing entries to clear the interfund accruals in the subsequent period.

COMPTON COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

2009-2 Financial System and Budget Requirements

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 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.

Management Response and Planned Corrective Action

As noted, the District has initiated procedures to reconcile DataTel and PeopleSoft. As of the fiscal year end, the District has completed the implementation of these procedures overall revenue and expense accounts. During fiscal year 2009-2010, the District will continue the implementation of these procedures over the remaining balance sheet accounts.

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.

COMPTON COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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.

Management Response and Planned Corrective Action

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 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 closeout process with the ultimate goal of closing out the program as expeditiously as possible. The District also understands that it retains any liability associated with the old program.

2009-4 Student Financial Aid Fund

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 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.

COMPTON COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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.

Management Response and Planned Corrective Action

The District is continuing in dialogue with the El Camino Community College District as to how to best resolve the condition. The District expects to have a mutually agreed upon resolution prior to the year end.

SIGNIFICANT DEFICIENCIES

2009-5 Benefit Liabilities

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 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.

Management Response and Planned Corrective Action

The District has implemented monthly monitoring procedures that will identify repeat occurrences and alert management of the need to investigate and/or correct based upon circumstances. The effectiveness of these procedures will be monitored, evaluated, and adjusted over the course of the next fiscal period.

COMPTON COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

COMPTON COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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

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 System'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.

Management Response and Planned Corrective Action

The District has initiated procedures to reconcile DataTel and PeopleSoft. As of the fiscal year end, the District has completed the implementation of these procedures overall revenue and expense accounts. During fiscal year 2009-2010, the District will continue the implementation of these procedures over the remaining balance sheet accounts which will improve the accuracy of the required external reporting.

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.

COMPTON COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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.

Management Response and Planned Corrective Action

The District will implement procedures developed by El Camino College to monitor K-12 special admit enrollment. During each term/semester, the Director of Admissions and Records at the El Camino College Compton Center will review the enrollment of all K-12 special admits to ensure K-12 students enroll does not exceed 11 units. Prior to the last day to add/drop classes, the Director of Admissions and Records will contact the IT Department requesting a list of all K-12 special admits and the number of units those special admits are enrolled in for the particular term/semester. After obtaining the list, the Admissions and Records Office will notify the students informing them they have exceed the maximum allowed courses, and they must be below the 11 units requirement by the end of the add/drop period.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

2008-1 Financial Condition

Criteria

The California *Education Code*, the Community College's System's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain adequate reserve levels to provide financial resources to continue as a going concern into the future.

Condition

The Compton Community College District has experienced several years of deficit spending, both within the various funds of the District and at an entity-wide level. The Unrestricted Net Assets of the District reported on page 15 are \$(7.3) million at the end of the 2007-2008 fiscal year. The negative Unrestricted Net Assets at the end of the 2006-2007 fiscal year were \$(8.3) million. The District has lost accreditation to provide educational programs and Federal student financial aid to the students attending the Compton Education Center. The District is currently relying on a set funding level from the State Community College's System's Office, as well as a \$30 million line of credit from the State of California. As of June 30, 2008, \$12.9 million of this line of credit had been accessed.

The ability of the District to continue to maintain financial stability and achieve the sustained operational objectives are dependent upon the ability to continue to access the line of credit, restore student attendance, and maintain strict budgetary monitoring of expenditures within all funds. The approved operating budget within these funds should be balanced with no deficit spending anticipated.

Internal controls to process, record, and reconcile financial transactions have not been implemented to a sufficient degree to provide adequate oversight, monitoring, and stability to the financial accounts of the District.

Context

The ability of the District to record and report accurate financial information and achieve long-term financial stability was impacted by this finding.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Effect

Without sufficient internal controls, budgetary monitoring, and financial assistance provided through the current line of credit, the District is at risk of not returning to proper financial health and restoring the independent accreditation that will allow the District to provide educational programs and services, including Federal student financial aid, to the students attending the Compton Education Center.

Recommendation

As noted in past years' audit reports, the District must strictly adhere to the budget approved by the Special Trustee within all funds of the District. Sound internal control policies and procedures must be implemented to provide sustainability to the District into the future. The reliance on the State line of credit must be reduced and a plan to repay the loan and return the District to financial stability must be implemented. Proper accountability to the budget process is more transparent when all budgets within the District are balanced and do not perpetuate the deficit spending that has occurred in the past.

Current Status

Partially implemented. See current year finding 2009-1.

2008-2 Financial Statement Reporting

Criteria

The California *Education Code* Section 84030, the Community College's System's Office *Budget and Accounting Manual*, and best business practices require an entity to maintain the financial accounting books and records in accordance with accounting principles generally accepted in the United States of America and to maintain a financial system which reports all the actual revenue and expenditure activity of the entity.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Condition

As noted in the prior year audit report, Compton Community College District utilizes two different accounting software systems – PeopleSoft which is supported by the Los Angeles County Office of Education and DataTel which is a stand alone system that is to provide the detail accounting in accordance with the *Budget and Accounting Manual*. The District has utilized both accounting systems during the year. At the end of fiscal year 2006-2007, the system of record was determined by management to be the DataTel system. For the fiscal year 2007-2008, the system of record was determined by management to be the PeopleSoft system. The inability of the District personnel to reconcile, review, and manage the two systems has led to inaccurate and incomplete reporting of the financial activity for the District.

The final activity within the PeopleSoft system was primarily recorded via journal entry as of June 30, 2008. These journal entries were posted, reversed, and reposted within the various funds and object codes numerous times which made it difficult for District supervisory personnel to properly review and reconcile accounts to ensure accuracy of reporting.

Context

The reporting of all financial activity of the District was impacted by this finding.

Effect

Numerous audit adjustments have been proposed and accepted by management to record the revenues and expenditures and the assets and liabilities of the District within the proper accounts. Activity which was attributable to another district serving in an oversight capacity was incorrectly included within the Compton Community College District's accounting system and reported to the State Chancellor's Office on the CCFS-311.

Recommendation

The accounting of financial activity must be properly recorded within one financial accounting software system. A process to review all entries posted to the general ledger must be adopted to reduce the errors and mispostings noted. Training of staff to ensure the proper accounting knowledge is present must be made a priority to ensure generally accepted accounting procedures are adhered to.

Current Status

Partially implemented. See current year finding 2009-2.

2008-3 Schedule of Expenditures of Federal Awards (SEFA)

Federal Programs Affected

See the SEFA included within the audited financial statements.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Criteria or Specific Requirement

OMB Circular A-133 requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by Federal agency.
- For Federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- For Federal awards received as a pass-through entity, identify, to the extent practical, the total amount provided to subrecipients from each Federal program.

Condition

We noted errors and/or omissions in the District's initial schedule of expenditures of Federal awards. We noted programs such as Title V, Strengthening Institutional – Hispanic Serving Institutions is awarded to El Camino College Community District and Compton Educational Center and appears that this program belongs to and should be reported on the SEFA of El Camino Community College District only.

Questioned Costs

None noted. The report was corrected for the final audit.

Context

The District currently has the financial system in place to ensure that the activity for each Federal program is accounted for. However, when the financial activity is summarized on the SEFA, there is no mechanism in place to ensure that information is reviewed, and CFDA numbers and pass-through entity identification is properly reported.

Effect

Without proper control in place over the reporting of Federal awards, the District is at risk of losing future funding for those programs and/or may have to repay funds back to the grantor.

Recommendation

We recommend that the District review its procedures over the collection of data to be included in the SEFA and also review its existing format of its SEFA to ensure that it includes all of the above noted required elements.

Current Status

Implemented.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

2008-4 Compton Community College District Business Office Staffing and Oversight

Criteria

Best business practices require competent, trained staffing within the Business and Financial Services offices to ensure accounts are accurately recorded, reconciled, and reported.

Condition

The Compton Community College District Business Office staff, as well as other financial services staff such as the Bursar's Office, Payroll, and Human Resources has been operating without the proper training to understand the recording and reconciliation of key financial activity within the District. Significant and frequent mispostings and correcting journal entries by the Business Office staff were noted throughout the general ledger system. Records between the Payroll and Human Resources offices have not been coordinated and reconciled to ensure the proper payment of salaries in accordance with negotiated contracts. The Bursar's Office has not properly recorded cash receipts within appropriate revenue object codes of PeopleSoft.

Context

The financial accountability of the Compton Community College District is impacted by the lack of accounting knowledge, training, and consistent monitoring.

Effect

The Compton Community College District has not been able to maintain a stable base of knowledge of the accounting requirements for community colleges. Significant additional time is ineffectively spent reviewing, correcting, and reconciling entries that are misposted, and the possibility that not all errors are noted and corrected places the District at risk of noncompliance with Federal, State, and local regulations regarding the spending of funds received.

Recommendation

The training of all staff with responsibility to maintain and record financial activity should be a high priority of the District. It is imperative to obtain and hire a qualified, knowledgeable Chief Business Officer to oversee the training and determine the proper staffing of the Business Office, the Bursar's Office, and the Payroll Office. The Chief Business Officer should work together with the Human Resources Director to ensure transactions related to employee payroll are reconciled and agree to the approved salary schedules.

Until such time as the supervisory personnel are in place to implement the training and oversight of the District Business Office, the continued monitoring of activities by the El Camino Community College District Vice President, Business Services is essential to ensure activity is properly posted and classified within the accounting records.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Current Status

Partially implemented. See current year finding 2009-1.

2008-5 Accrual Accounts

Criteria

Governmental accounting policies and the California Community College Budget and Accounting Manual require the use of the modified accrual basis of accounting within the fund financial statements. Modified accrual requires revenues to be recognized in the period they become available and measurable and expenditures to be recognized in the period the associated liability is incurred. In practice, this is generally within 90 days of year end.

Condition

Poor implementation of cut-off procedures associated with the accrual accounts resulted in a significant number of invoices presented for services rendered prior to year-end had not been properly accrued. Additionally, retention balances owed to contractors for services performed were not accrued.

The audit of the accounts receivable balance also noted amounts that had been accrued that could not be supported as actual current year revenue.

Effect

As a result of the audit of the accrual accounts, material adjustments to the financial statements were proposed and accepted by management.

Recommendation

The District should institute proper controls over the year-end accrual process to ensure that all valid accruals have been included within the financial activity for the year. Training of Compton Community College District Business Office staff is a key component to ensure the future accountability and reporting of the activities of the District.

Current Status

Implemented.

2008-6 Capital Asset Accounting

Criteria

Industry standards and best practices require a system of internal control over capital assets that will provide for both the safeguarding of District assets and the proper recordkeeping of the valuation and depreciation of the assets.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Condition

There has not been an adequate accounting procedure in place to provide for the maintenance of capital asset records sufficient to ensure that the account balances reported are accurately maintained. This comment has been noted in the prior years' audit reports.

Context

The District maintains approximately \$70 million in depreciable and non-depreciable capital assets.

Effect

As a result of a third party physical inventory of the Capital Assets during the 2007-2008 fiscal year, the beginning financial accounting balance has been restated (reduced) by approximately \$4.5 million. An additional adjustment to balance increasing work in progress in the amount of \$830 thousand was proposed through the audit process and accepted by management to properly state the June 30, 2008, balance.

Recommendation

The District should develop and maintain an organizational approach that includes accountability for the capital assets. Appropriate oversight and monitoring should be coordinated, and a review of balances during the year will assist in ensuring all assets have been captured within the capital asset accounts.

Current Status

Implemented.

2008-7 Workers' Compensation Self-Insurance/Risk Management

Criteria

Best business practices dictate the need for adequate management and accounting procedures related to the workers' compensation self-insurance and risk management process.

Condition

The District's Workers' Compensation Self-Insurance Fund has not been adequately reviewed on a regular basis. An accounting error occurred in a transaction to establish a cash account for claims administration. We also noted routine cash transfers to provide funding for insurance claims received during the year have not been made.

Context

Approximately \$500,000 in claims have been recorded during the year.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Effect

Audit adjustments were proposed and accepted by management to properly post cash and expense reporting within the fund. As a result of the cash transfers not being made, an Interfund receivable from the General Fund has accumulated to over \$1 million as of June 30, 2008.

Recommendation

The District should actively review and evaluate the Workers' Compensation Self-Insurance Fund activity to ensure claims expense is properly accounted for and payments are made from the General Fund on a routine basis. Management should review the accounting policies required by the Self-Insurance Fund, and included within the Budget and Accounting Manual, and implement procedures and training to ensure they are properly followed.

Current Status

Implemented.

2008-8 Internal Balances - Receivables and Payables

Criteria

Industry standards and best practices require development of sound internal controls to provide reliable, accurate, and timely financial information that can be reviewed and analyzed by management.

Condition

A schedule summarizing the nature of the internal balances was not available to support the composition of Interfund receivable and payable balances (Due To/Due From accounts). This condition has been in existence for multiple years. The balances have not been cleared and have been carried over from prior years without explanation or approval. We also noted amounts accounted for as Due From Other Funds did not balance to the corresponding Due From Other Funds total.

Context

Internal balances in these accounts are in excess of \$5.3 million.

Effect

Audit adjustments were proposed and accepted by management to balance the Interfund activity recorded in these accounts.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

The District should analyze and resolve internal balances that are carried over from one year to the next. These balances may be determined to be loans between funds and should be brought to the Special Trustee for review and approval. Written procedures should be established and communicated to staff to ensure the activity is reviewed and reconciled on a monthly basis during the year.

Current Status

Partially implemented. See current year finding 2009-1.

2008-9 Student Enrollment Fees and Related Accruals

Criteria

The Budget and Accounting Manual requires the assessment, collection, and reporting of student enrollment fees.

Condition

Student accounts receivable related to enrollment fees assessed and not yet paid have not been recorded on the PeopleSoft accounting system. Additionally, the amounts reflected on the DataTel accounting system do not appear to be reconciled to ensure their accuracy. Enrollment fees collected for the 2008-2009 educational year and received prior to June 30, 2008, appear to remain in the cash clearing account and have not been recorded within the PeopleSoft accounting system as deferred revenue.

Effect

Enrollment fees, and the related accounts receivable and deferred revenue, may not be materially presented within the financial statements. As a result, we have been unable to express an opinion on the fair presentation of the asset, liability, and related revenues associated with the enrollment fees.

Context

The PeopleSoft accounting system reflects \$1.2 million in enrollment fees with no outstanding accounts receivable. The DataTel accounting system is reporting over \$1 million in outstanding student receivables which relate to activity within the past two years. There was no supporting aging report or detail for this amount.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

A thorough review of the student accounts receivable and deferred revenues must be undertaken immediately. The reconciliation process between the DataTel and PeopleSoft accounting systems must occur on a regular and timely basis and include all asset, liability, revenue, and expense accounts of the District.

Proper reporting and reconciliation of the student accounts receivable and deferred revenues may result in an adjustment to the beginning Net Assets of the District for the 2008-2009 fiscal year.

Current Status

Improved. See current year finding 2009-1.

SIGNIFICANT DEFICIENCIES

2008-10 Internal Control Structure

Criteria

Best business and accounting practice require an adequate system of internal controls to prevent, detect, and report errors and irregularities to management on a timely basis. A system of internal controls includes segregation of duties and communication of ethics and accountability throughout the organization.

Condition

Several areas within the Compton Community College District Business and related offices do not have adequate segregation of duties. This has resulted in the same individual having access to the receipt, recording, and reconciliation of financial information. Additionally, we noted the District's policy on the *Standards of Good Practice – Code of Ethics* has not been updated since 1997 and does not appear to be communicated in an effective way to all employees, students, and others doing business with the District on a regular basis. The current policy does not include a functioning anti-fraud program or a whistle-blower policy which is a current accepted practice.

Context

All areas operations of the District are aided by an up to date and functioning system of internal controls and ethical behavior.

Effect

Without proper segregation of duties, the District is at risk of errors or irregularities occurring and not being detected on a timely basis. The lack of a current code of conduct, or regular communication of the ethics policy, may result in the improper attitude of employees and others regarding the high ethical standards of the District.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

The Compton Community College District should review the current internal control structure, including areas impacted by segregation of duties issues, and the current Board Policy related to the Code of Professional Conduct. All elements of current best practices and guidance should be included within the approved policy. The approved policy should be provided to all employees and students on an annual basis and be posted where employees, student, and others can review on a regular basis.

Including an anti-fraud program will assist in ensuring the highest ethical standards are maintained by the District.

Current Status

Implemented.

2008-11 Financial Statement Reporting

Criteria

Best business practices dictate the need for adequate internal controls over the Payroll System to ensure all employees are properly paid based upon negotiated contracts.

Condition

During the 2007-2008 fiscal year, the District was required to post 220 Supplemental Payroll runs to correct and/or adjust employee payments during the year.

Context

The total payroll of the District is over \$19 million with the regular payroll occurring two times each month.

Effect

The accuracy of the reporting of the payroll expense throughout the year has been impacted by the inaccurate reporting of payroll.

Recommendation

The process of establishing the proper payroll for employees of the District should be evaluated to determine the reason for the inordinate number of corrections and adjustments to the salaries paid to employees. Clear timelines and procedures should be established in writing to ensure employees are paid appropriately in accordance with approved salary schedules.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Current Status

Partially implemented. See management letter.

2008-12 Payroll

Criteria

The District is required to pay the employees in accordance with negotiated contracts and the approved salary schedules.

Condition

The results of the external audit and additional internal review procedures noted multiple errors in the payment of salaries to faculty. Both overpayment and underpayment of the salaries based upon services performed were noted.

Context

The Compton Community College District employs approximately 80 full-time and 45 part-time faculty with an annual payroll of over \$11 million.

Effect

Employees of the Compton Community College District may have been underpaid or overpaid during the year based upon their scheduled class load. The primary cause of the deviations appears to be a lack of timely reconciliation of the payroll systems and delays in properly updating the class loads of teachers each semester. The actual amount of irregular payments had not yet been identified or calculated.

Recommendation

The District and the Internal Auditor should continue with the detail review of all payroll during the year. The actual classes taught should be reviewed and reconciled to the salaries paid. Any amounts owing to staff should be paid immediately upon completion of the review, and notifications of overpayments should be sent out with a repayment schedule to those that have been overpaid.

Current Status

Improved. See management letter.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

2008-13 Payroll Clearance Fund and Liability Accounts

Criteria

The District utilizes a Payroll Clearance Fund to account for withholdings from employees and payments of taxes to various agencies. The District is required to file Federal Payroll Tax Returns on a quarterly basis to remit the withheld taxes to the proper authority.

Condition

The Payroll Clearance Fund has not been reviewed or reconciled. Balances remain both as assets and liabilities which may represent incorrect payment of Federal and State withholdings. The quarterly payroll tax returns (Form 941) were noted to have errors which were not reconciled to the actual withholdings.

Context

The District's total payroll is over \$20 million. The Payroll Clearance Fund reported a negative cash balance at June 30, 2008, of \$265 thousand.

Effect

By not reconciling the withholding accounts in the Payroll Clearance Fund, the District is at risk of either overpaying or underpaying the amounts withheld from employee salaries for taxes and insurance. The actual effect of the unreconciled balances has not been determined.

Recommendation

By not reconciling the withholding accounts in the Payroll Clearance Fund, the District is at risk of either overpaying or underpaying the amounts withheld from employee salaries for taxes and insurance. The actual effect of the unreconciled balances has not been determined.

Current Status

Partially implemented. See current year finding 2009-5.

2008-14 Vacation Liability Maintenance

Criteria

Best business practices dictate the need for adequate internal controls over the recording of the accrual and usage of vacation and leave balances.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Condition

The maintenance of the records related to employee vacation and leave balances was not adequately supported. Balances that had been written off in the prior year due to being over accrued were re-accrued during the 2007-2008 year end closing. Current District policy notes that vacation time must be used and accrual of balances in excess of 252 hours will not be posted. We noted 38 employees accruing vacation hours over the 252 approved maximum with four individuals in excess of 1,000 hours over the cap. The highest number of hours accrued is 1,500 hours over the cap.

Context

The vacation liability balance at June 30, 2008, was over \$1.4 million which is an increase of approximately \$800 thousand over the prior year. We were unable to determine and review the approval process for the adjustment to the liability.

Effect

The possibility exists that incorrect vacation balances are being carried forward.

Recommendation

The policy for the accrual of vacation should be revisited, revised if necessary, and communicated to all employees. Should the District re-establish the maximum accrual of 252 hours, communication with all employees of the policy should be sent out and a determination of how the excess hours are to be dealt with should be made. All employees should be encouraged to take their vacation as it accrues over the year and only carry over balances in accordance with approved District policy. Supervisors should be required to monitor the balances of leave hours for those employees within their sphere of supervision.

Current Status

Implemented.

2008-15 Cash Bank Reconciliations

Criteria

Best business practices and proper internal controls dictate that written policies and procedures should provide guidance for the reconciliation of bank accounts.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Condition

Routine and timely bank reconciliations were not prepared for the Compton Community College District's cash accounts. The Cash Clearing account reconciliations routinely occurred several months after receipt. The Perkins Loan Account was not reconciled during the year. Without the timely reconciliations of the bank accounts, the associated revenue may not be accounted for correctly, and deposits to the County Treasury are not properly made. Reconciliations of the bank accounts have not been consistently reviewed by supervisory personnel. The District has not developed written procedures to address these internal control issues.

Context

The Cash Clearing account is used to process all receipts coming directly into the District and not posting to the County Treasury. Primary receipts are local revenues such as student enrollment and other fees and child development fees. The Revolving Cash Fund is used to process non-routine expenditure transactions.

Effect

Unreconciled amounts within the bank statements may impact financial reporting of revenues and expenses.

Recommendation

All District bank accounts should be reconciled within two weeks of receipt of the month end bank statement. A procedure should be developed, written, and communicated within the Business Office detailing the process of reconciling the account, posting the associated revenue and transactions, and the consistent review of the completed reconciliation by supervisory personnel. The District should develop written procedures to provide guidance as to the proper methodology for the monthly completion and review of the bank accounts. A checklist noting the completion should be developed to track and monitor the process.

Current Status

Implemented.

2008-16 Bursar's Office Procedures

Criteria

Best business practices and proper internal control dictate adequate segregation of duties within the Business Office.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Condition

The Bursar's Office is the primary entry point for all receipts within the Compton Community College District that are not sent to the County Treasury for posting to the general ledger. Primary functions of receipt, collection, deposit, and reconciliation of the revenues are primarily maintained by one person with little supervision or review by other supervisory personnel within the Business Office. Transfers of funds from the Clearing account as noted in the previous comment were not made to the County Treasury throughout the year and all revenue, when posted, was credited to the enrollment fee account which resulted in misclassification of revenues within the funds of the District.

Context

The Bursar's Office serves as the primary entry point for all revenues not posted through the County Treasury.

Effect

Errors and/or omissions in the reporting of receipts through the Bursar's Office may be made and go undetected in a timely manner by management.

Recommendation

A thorough assessment of the procedures and staffing within the Bursar's Office should be made. Adequate monitoring and oversight of the office should be the primary feature of this review. Written procedures to detail the proper receipt, deposit, and recording of monies received through the office will assist in ensuring the appropriate postings of revenue. The transfer of monies held in the bank account to the County Treasury and the appropriate posting of revenues to the proper general ledger accounts should be made at least bi-weekly, and more often during times of higher volume. The Chief Business Officer should be tasked with the oversight and monitoring to ensure proper segregation of duties. The written procedures should incorporate a checklist noting the procedures have been completed and reviewed.

Current Status

Implemented.

FEDERAL AWARD FINDINGS

2008-17 Procurement, Suspension, and Debarment

Major Program

U.S. Department of Education TRIO Cluster: Student Support Services (CFDA 84.042A), Upward Bound (CFDA 84.047A), and Upward Bound Math and Science (CFDA 84.047A).

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Criteria

Debarment and Suspension (Executive Orders 12549 and 12689) - No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Non-procurement Programs in accordance with Executive Orders 12549 and 12689, "Debarment and Suspension," as set forth at 24 CFR Part 24. This list contains the names of parties debarred, suspended, or otherwise excluded by agencies and contractors declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Condition

The District contracted with one vendor providing services to the TRIO Cluster that met the requirements for procurement, suspension, and debarment. Proper support, including policies or procedures that address this compliance requirement, were not provided. The District does not have policies or procedures currently in place that addresses the compliance requirement.

Questioned Costs

None. See context.

Context

Within the grant charges, there were no individual transactions that met either the lower or upper tier thresholds; therefore, our testing was limited to determining if controls are in place including adequate policies and procedures to ensure compliance.

Effect

Future expenditures to excluded parties can result in the District having to return Federal funds.

Cause

The District has not implemented policies and procedures to ensure the compliance with Federal requirements.

Recommendation

We recommend the District modify its procedures to verify all vendors who are providing services to federally funded programs in excess of \$25,000 have verified that the entity is not suspended, debarred, or otherwise excluded. This verification may be accomplished by checking the EPLS maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. The District should also update contract templates for all contract types that exceed \$25,000 to avoid any non-compliance and possible return of Federal monies.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Current Status

Implemented.

STATE AWARD FINDINGS

2008-18 Enrollment Fees

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), Ch. 3, pg. 3.36, Local Revenue Account 8874 "Enrollment"

Condition

The enrollment fee report (CCFS-323) submitted by the District for the 2007-2008 fiscal year did not agree with the general ledger at June 30, 2008. We were unable to obtain a reconciliation of the total fees collected related to the 2007-2008 fiscal year.

Questioned Costs

Unable to determine.

Context

The District general ledger reported over \$1.2 million in revenue account 8874 while reporting \$695 thousand on the CCFS-323.

Effect

The misreporting of enrollment fees could cause the State portion of the apportionment calculation to be incorrectly provided to the District. Due to the current funding formula of the District prescribed by AB 318, this does not appear to have an impact to the State apportionment funding; however, the reporting of information is required to be accurate.

Cause

The District does not have adequate internal controls to ensure that enrollment fee revenue is correctly accounted for, reconciled, and recorded.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

The District should provide an amended CCFS-323 Report to the State System's Office with the correct reporting of student enrollment fees for the 2007-2008 fiscal year. A procedure should be implemented immediately to ensure that all reports referencing financial data are reviewed by the supervisory personnel and reconciled to the supporting documents prior to submission.

Current Status

Not implemented. See current year finding 2009-6.

2008-19 CalWORKs

Criteria

The following criteria relate to the reporting of the CalWORKs program activity:

- *Educational Code* Section 79200-79203 and 84759
- 2007-2008 Final Budget Summary, pg. 630, Item 6870-101-0001, Provision 15; and pg. 646, Item 6870-111-0001, Provision 2
- System's Office CalWORKs Program Handbook Guidelines 2007-2008
- Clarification on CalWORKs Supplantation Prohibition, System's Office Letter, March 13, 2006
- OMB A-133 Compliance Supplement

Condition

As noted in prior year reports, the year-end report filed with the System's Office for the CalWORKs program did not agree to the District general ledger. It was also noted that CalWORKs programs had unallowable expenditures of pre-paid gas cards. These cards are allowable through TANF funds exclusively.

Questioned Costs

Expenditures incorrectly allocated to the CalWORKs program totaled \$21,650.

Context

The total reported CalWORKs expenditures via the general ledger throughout the 2007-2008 fiscal year was \$707,928, although in the report submitted to the State System's Office, CalWORKs expenditures totaled \$625,232. The questioned costs of \$21,650 were two individual pre-paid gas cards purchases. These cards were purchased with CalWORKs program funds, which is an unallowable expense.

COMPTON COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Effect

The granting agency may require disallowed costs be repaid.

Cause

The issue may be a misunderstanding or misinterpretation of the regulations and/or communications with the granting agency.

Recommendation

The District should review the published criteria of acceptable uses of CalWORKs funds and develop a written procedure and effective internal controls to ensure the expense criteria is being upheld. Each purchase should be carefully reviewed to ensure that it meets program requirements.

Current Status

Implemented.