

**COMPTON  
COMMUNITY COLLEGE DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2011**

# COMPTON COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2011

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Compton Community College District (the District) as of and for the year ended June 30, 2011, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Compton Community College District as of June 30, 2011, 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 14 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations and financial stability of Compton Community College District.

As discussed in Note 15 to the financial statements, the District has lost accreditation through the Western Association of Schools and Colleges and no longer operates the instructional programs for students nor does the District provide for Federal student financial aid.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Vaurinek, June, Day & Co. LLP*

Rancho Cucamonga, California  
February 10, 2012



**Serving the Communities of**  
Compton, Lynwood, Paramount  
and Willowbrook, as well as  
portions of Athens, Bellflower,  
Carson, Downey, Dominguez,  
Lakewood, Long Beach, and  
South Gate

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**KEITH CURRY, Ed.D.**  
Interim Chief Executive Officer

**THOMAS E. HENRY**  
Interim 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, 2011. 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 \$17.8 million, and the current annual repayment obligation is approximately \$1.3 million. Lastly, the District partnered with El Camino Community College District to ensure that Compton students could continue to have access to accredited educational services. El Camino Community College District provides accredited instructional and student services to students on the Compton campus through a newly established El Camino College Compton Community Educational Center.

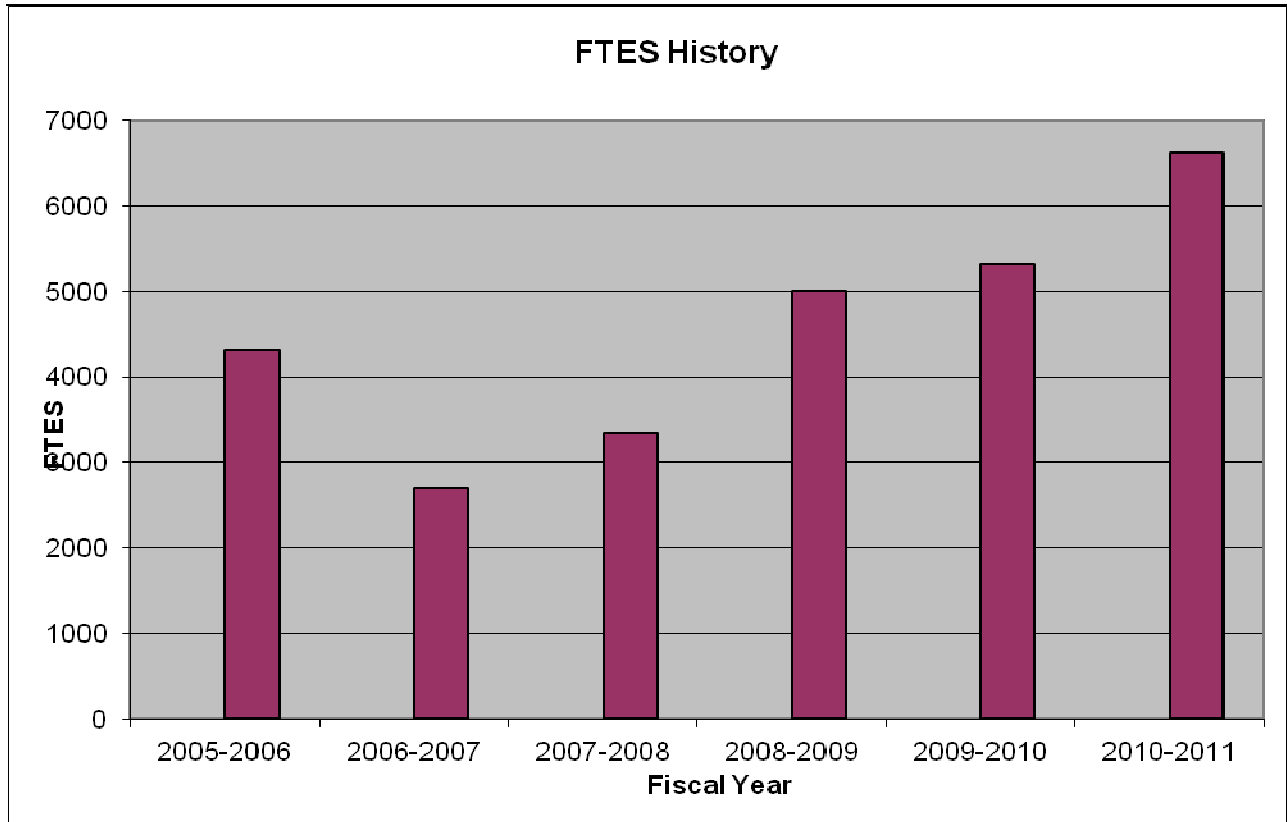
## **Selected Highlights**

- During fiscal year 2010-2011, total Full-Time Equivalent Students (FTES) increased to 1,305 students (or 24.53 percent). During this time, the District was in the last year 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 (REQUIRED SUPPLEMENTARY INFORMATION)**

**JUNE 30, 2011**



Full Time Equivalent Student	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Total FTES	4,314.00	2,695.00	3,347.00	5,000.00	5,321.00	6,626.23
% Increase (Decrease)	-32.60%	-37.53%	24.19%	49.39%	6.42%	24.53%

**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 (REQUIRED SUPPLEMENTARY INFORMATION)

**JUNE 30, 2011**

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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 (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011

A summary of the Statement of Net Assets as of June 30, 2011 and June 30, 2010, is below:

**Table 1**

	2011	2010	Increase (Decrease)	Percent Change
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 20,931,054	\$ 26,056,372	\$ (5,125,318)	-19.7%
Accounts receivable, net	13,800,188	9,000,969	4,799,219	53.3%
Other current assets	52,645	-	52,645	100.0%
<b>Total Current Assets</b>	<b>34,783,887</b>	<b>35,057,341</b>	<b>(273,454)</b>	<b>-0.8%</b>
<b>Noncurrent Assets</b>				
Other assets	858,750	729,228	129,522	17.8%
Capital assets, net of accumulated depreciation	76,057,674	75,327,111	730,563	1.0%
<b>Total Noncurrent Assets</b>	<b>76,916,424</b>	<b>76,056,339</b>	<b>860,085</b>	<b>1.1%</b>
<b>TOTAL ASSETS</b>	<b>\$ 111,700,311</b>	<b>\$ 111,113,680</b>	<b>\$ 586,631</b>	<b>0.5%</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 7,440,340	\$ 6,529,237	\$ 911,103	14.0%
Deferred revenue	1,676,761	1,729,200	(52,439)	-3.0%
Current portion of long-term obligations	2,140,074	1,895,990	244,084	12.9%
Interest payable	1,295,354	1,314,232	(18,878)	-1.4%
<b>Total Current Liabilities</b>	<b>12,552,529</b>	<b>11,468,659</b>	<b>1,083,870</b>	<b>9.5%</b>
<b>Noncurrent Liabilities</b>				
Bonds payable	50,332,632	51,581,877	(1,249,245)	-2.4%
Notes payable	15,448,342	16,179,083	(730,741)	-4.5%
Other long-term obligations	6,383,453	5,326,864	1,056,589	19.8%
<b>Total Noncurrent Liabilities</b>	<b>72,164,427</b>	<b>73,087,824</b>	<b>(923,397)</b>	<b>-1.3%</b>
<b>TOTAL LIABILITIES</b>	<b>84,716,956</b>	<b>84,556,483</b>	<b>160,473</b>	<b>0.2%</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	37,296,333	36,663,828	632,505	1.7%
Restricted for:				
Capital projects	758,781	1,023,933	(265,152)	-25.9%
Other special services	1,625,600	2,166,545	(540,945)	-25.0%
Unrestricted	(12,697,359)	(13,297,109)	599,750	-4.5%
<b>TOTAL NET ASSETS</b>	<b>26,983,355</b>	<b>26,557,197</b>	<b>426,158</b>	<b>1.6%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 111,700,311</b>	<b>\$ 111,113,680</b>	<b>\$ 586,631</b>	<b>0.6%</b>

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

**JUNE 30, 2011**

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- 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 2010-2011. Both assets and liabilities had significant increases between fiscal years 2011 and 2010 due to the sale of \$15,000,000 in capital projects bonds.
- The majority of the accounts receivable balance is from Federal and State sources for apportionment and grant and entitlement programs. Included in accounts receivable is approximately \$6.89 million for the January through June 2011 apportionment payment deferrals, and approximately \$1.25 million for reimbursements from State agencies related to construction grant awards. In addition, there is a \$1.05 million net student fee receivable.
- Capital assets had a net increase of \$0.731 million. The District had net additions of \$3 million related to construction in progress. Depreciation expense of \$2.5 million was recognized during 2010-2011. 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, 2011. Total accounts payable are \$7.4 million; \$1.5 million of the balance was accrued in the Capital Projects Fund and the Bond Fund related to capital outlay. \$1.34 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 \$50 million represents the remaining long-term obligation to satisfy these obligations. The District has made withdrawals from the line of credit totaling \$17.9 million, and \$16.2 million represents the outstanding balance.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

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

**COMPTON COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2011**

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2011 and June 30, 2010, is summarized below:

**Table 2**

	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>OPERATING REVENUES</b>				
Tuition and fees (net)	\$ 1,354,288	\$ 1,657,317	\$ (303,029)	-18.3%
Other operating revenues	750,109	172,077	578,032	335.9%
<b>TOTAL OPERATING REVENUES</b>	<b>2,104,397</b>	<b>1,829,394</b>	<b>275,003</b>	<b>15.0%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>43,678,145</b>	<b>42,046,779</b>	<b>1,631,366</b>	<b>3.9%</b>
<b>OPERATING LOSS</b>	<b>(41,573,748)</b>	<b>(40,217,385)</b>	<b>(1,356,363)</b>	<b>3.4%</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State apportionments, noncapital	28,559,964	22,455,645	6,104,319	27.2%
Local property taxes	6,503,823	6,369,081	134,742	2.1%
State revenue - other	1,279,255	852,783	426,472	50.0%
Grants and contracts, noncapital:				
Federal	1,587,162	1,524,519	62,643	4.1%
State	3,302,102	4,458,440	(1,156,338)	-25.9%
Interest and investment income	386,923	477,144	(90,221)	-18.9%
Other nonoperating revenue	3,226,135	1,942,517	1,283,618	66.1%
Loss on asset disposal	(1,377,612)	-	(1,377,612)	-100.0%
Interest expense	(3,334,035)	(3,049,933)	(284,102)	9.3%
<b>NET NONOPERATING REVENUES</b>	<b>40,133,717</b>	<b>35,030,196</b>	<b>5,103,521</b>	<b>14.6%</b>
<b>OTHER REVENUES</b>				
State apportionments, capital	1,892,538	1,076,989	815,549	75.7%
<b>TOTAL OTHER REVENUES</b>	<b>1,892,538</b>	<b>1,076,989</b>	<b>815,549</b>	<b>75.7%</b>
<b>CHANGE IN NET ASSETS</b>	<b>452,507</b>	<b>(4,110,200)</b>	<b>4,562,707</b>	<b>-111.0%</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>26,557,197</b>	<b>30,667,397</b>	<b>(4,110,200)</b>	<b>-13.4%</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 27,009,704</b>	<b>\$ 26,557,197</b>	<b>\$ 452,507</b>	<b>1.7%</b>

- State apportionments have increased 27.2 percent, but net assets increased 1.6 percent.
- The primary components of tuition and fees are the \$26 per unit enrollment fee that is charged to all students registering for classes and the additional \$183 per unit fee that is charged to all non-resident students.

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

**JUNE 30, 2011**

- Personnel costs account for 67 percent of operating expenses in fiscal year 2011, compared to 66 percent in 2010. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.
- The principal components of the District's non-operating revenue are: non-capital State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities. The amount of State general apportionment received by the District is dependent upon the number of FTES generated and reported to the State, less amounts received from enrollment fees and local property taxes. Increases in either of these latter two revenue categories leads to a corresponding decrease in apportionment.
- State capital apportionments consist of amounts received for capital outlay, scheduled maintenance, and facility construction. Approved capital outlay projects are typically funded at 50 percent of the project cost by the State.

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

**Table 3**

	Salaries and Employee Benefits	Supplies, Materials, Other Expenses and	Equipment, Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instructional Activities	\$ 13,775,160	\$ 639,077	\$ -	\$ -	\$ -	\$ 14,414,237
Academic Support	1,564,319	122,497	98,904	-	-	1,785,720
Instructional Support						
Services	1,521,716	82,328	67,213	-	-	1,671,257
Student Services	3,700,125	401,946	36,923	279,549	-	4,418,543
Operation and Maintenance of Plant	2,944,118	1,501,864	23,561	-	-	4,469,543
Planning, Policymaking, and Coordination	788,868	2,189,435	3,862	-	-	2,982,165
Institutional Support						
Services	4,876,095	3,307,739	53,873	-	-	8,237,707
Community Services and Economic Development	63,013	3,334	10,934	-	-	77,281
Ancillary Services and Auxiliary Operation	-	740	-	-	-	740
Physical Property and Related Acquisitions	-	-	3,126,420	-	-	3,126,420
Depreciation	-	-	-	-	2,494,532	2,494,532
<b>Total</b>	<b>\$ 29,233,414</b>	<b>\$ 8,248,960</b>	<b>\$ 3,421,690</b>	<b>\$ 279,549</b>	<b>\$ 2,494,532</b>	<b>\$ 43,678,145</b>

# COMPTON COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

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### Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for 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, 2011 and June 30, 2010, is summarized below:

**Table 4**

	<u>2011</u>	<u>2010</u>
Cash Provided by (Used in)		
Operating activities	\$ (36,557,477)	\$ (34,235,199)
Noncapital financing activities	35,068,874	32,531,913
Capital and related financing activities	(4,009,656)	10,182,670
Investing activities	<u>372,941</u>	<u>423,061</u>
Net Change in Cash and Cash Equivalents	(5,125,318)	8,902,445
Cash Balance, Beginning of Year	<u>26,056,372</u>	<u>17,153,927</u>
Cash Balance, End of Year	<u>\$ 20,931,054</u>	<u>\$ 26,056,372</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 72 percent in fiscal year 2011, and 64 percent in fiscal year 2010 of non-capital financing. Cash received from property taxes accounts for 10 percent in fiscal year 2011, and 12 percent in fiscal year 2010 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 (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

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### **Cash and Cash Equivalents**

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

### **Other Post Benefits 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 2011 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 \$15.7 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 73 percent of the District's 2010-2011 Unrestricted General Fund. Apportionment revenue is directly tied to the generation and reporting of FTES. Over the last three years, the District has experienced an increase in FTES of 33 percent. Looking to fiscal year 2011-2012, the District, based on the State proposed funding cuts, anticipates a drop in FTES in 2012. The District anticipates a 10 percent decrease in FTES so far comparing 2011-2012 compared to 2010-2011.

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

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Compton Community College District.

**COMPTON COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT  
JUNE 30, 2011**

**ASSETS**

**Current Assets**

Cash and cash equivalents - unrestricted	\$ 154,198
Cash and cash equivalents - restricted	200,000
Investments - unrestricted	3,773,158
Investments - restricted	16,803,698
Accounts receivable	12,749,347
Student loans receivable, net	1,050,841
Deferred cost of issuance	52,645

**Total Current Assets** 34,783,887

**Noncurrent Assets**

Deferred cost of issuance	858,750
Capital Assets:	
Nondepreciable capital assets	35,282,520
Depreciable capital assets, net of depreciation	40,775,154

Total Capital Assets 76,057,674

**Total Noncurrent Assets** 76,916,424

**TOTAL ASSETS** 111,700,311

**LIABILITIES**

**Current Liabilities**

Accounts payable	7,440,340
Interest payable	1,295,354
Deferred revenue	1,676,761
Notes payable	730,741
Bonds payable	1,355,589
Other long-term obligations	53,744

**Total Current Liabilities** 12,552,529

**Noncurrent Liabilities**

Compensated absences payable	1,098,766
Notes payable	15,448,342
Bonds payable	50,332,632
Other long-term obligations	5,284,687

**Total Noncurrent Liabilities** 72,164,427

**TOTAL LIABILITIES** 84,716,956

**NET ASSETS**

Invested in capital assets, net of related debt	37,296,333
Restricted for:	
Debt service	1,497,525
Capital projects	758,781
Other activities	128,075
Unrestricted	(12,697,359)

**TOTAL NET ASSETS** \$ 26,983,355

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2011

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### OPERATING REVENUES

Student Tuition and Fees	\$ 4,331,933
Less: Scholarship discount and allowance	(2,977,645)
Net tuition and fees	<u>1,354,288</u>
Other Operating Revenues	<u>750,109</u>
<b>TOTAL OPERATING REVENUES</b>	<u><u>2,104,397</u></u>

### OPERATING EXPENSES

Salaries	21,757,016
Employee benefits	7,476,398
Supplies, materials, and other operating expenses and services	11,670,650
Student financial aid	279,549
Depreciation	<u>2,494,532</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>43,678,145</u></u>

### OPERATING LOSS

(41,573,748)

### NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	28,559,964
Local property taxes, levied for general purposes	3,648,259
Taxes levied for other specific purposes	2,855,564
Federal grants	1,587,162
State grants	3,302,102
State taxes and other revenues	1,279,255
Investment income	360,574
Loss on disposal of capital assets	(1,377,612)
Interest expense on capital related debt	(3,334,035)
Investment income on capital asset-related debt, net	26,349
Other nonoperating revenue	<u>3,199,786</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>40,107,368</u></u>

### INCOME BEFORE OTHER REVENUES

(1,466,380)

### OTHER REVENUES

State revenues, capital	<u><u>1,892,538</u></u>
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### CHANGE IN NET ASSETS

426,158

### NET ASSETS, BEGINNING OF YEAR

26,557,197

### NET ASSETS, END OF YEAR

\$ 26,983,355

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



**COMPTON COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 1,596,742
Payments to vendors for supplies and services	(10,543,085)
Payments to or on behalf of employees	(28,081,694)
Payments to students for scholarships and grants	(279,549)
Other operating receipts	750,109
<b>Net Cash Flows From Operating Activities</b>	<b>(36,557,477)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State apportionments	25,352,070
Grant and contracts	4,071,920
Property taxes - nondebt related	3,648,259
State taxes and other apportionments	1,084,760
Other nonoperating	911,865
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b>35,068,874</b>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Purchase of capital assets	(4,007,169)
State revenue, capital projects	1,892,538
Property taxes - related to capital debt	2,855,564
Principal paid on capital debt	(1,952,836)
Interest paid on capital debt	(2,824,102)
Interest received on capital asset-related debt	26,349
<b>Net Cash Flows From Capital Financing Activities</b>	<b>(4,009,656)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received from investments	372,941
------------------------------------	---------

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

(5,125,318)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

26,056,372

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 20,931,054

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

**COMPTON COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Operating Loss	<u>\$ (41,573,748)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	2,494,532
Changes in Operating Assets and Liabilities:	
Receivables	(46,429)
Prepaid expenses	(52,645)
Accounts payable and accrued liabilities	1,687,634
Deferred revenue	169,589
Compensated absences and retirement incentives	763,590
Total Adjustments	<u>5,016,271</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (36,557,477)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:**

Cash in banks	\$ 354,198
Cash in county treasury	20,576,856
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 20,931,054</u></u>

**NON CASH TRANSACTIONS**

On behalf payments for benefits	\$ 578,241
Board of governors fee waivers	2,977,645
<b>Total Non Cash Transactions</b>	<u><u>\$ 3,555,886</u></u>

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

**COMPTON COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011**

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	<u>Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 75,533
Investments	74,983
Accounts receivable	69,623
<b>Total Assets</b>	<u>220,139</u>
 <b>LIABILITIES</b>	
Accounts payable	30,369
Due to student groups	137,373
<b>Total Liabilities</b>	<u>167,742</u>
 <b>NET ASSETS</b>	
Unreserved	52,397
<b>Total Net Assets</b>	<u>\$ 52,397</u>

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

**COMPTON COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

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	<u>Trust</u>
<b>ADDITIONS</b>	
Local revenues	<u>\$ 46,346</u>
<b>DEDUCTIONS</b>	
Services and operating expenditures	<u>49,635</u>
<b>Change in Net Assets</b>	(3,289)
<b>Net Assets - Beginning</b>	<u>55,686</u>
<b>Net Assets - Ending</b>	<u><u>\$ 52,397</u></u>

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### *NOTE 1 - ORGANIZATION*

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

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

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

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

### *NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **Financial Reporting Entity**

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with the Compton Community College Foundation in conjunction with the GASB Statement No. 39 criteria. The Foundation is a separate not for profit organization and the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 39 have not been met to require inclusion of the Foundation financial statements in the District's annual report. Information on the Foundation may be requested through the Compton Community College business office.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

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

Financial inquiries can be made to the Compton Community College District Business Office.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office's *Budget and Accounting Manual*.

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

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2011, 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.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by Bond debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the District's General Obligation Bond.

### **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 \$847,193 at June 30, 2011.

### **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 \$52,645 was recognized during fiscal year 2010-2011. At June 30, 2011, the remaining balance is \$911,395.

### **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 routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

### **Accrued Liabilities and Long-Term Obligations**

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



# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **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, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Deferred Revenue**

Deferred revenue arises when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

### **Noncurrent Liabilities**

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

### **Net Assets**

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represent the difference between assets and liabilities. 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.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**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 Special Trustee and Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$2,384,381 of restricted net assets. At June 30, 2011, the entity-wide financial statements report deficit unrestricted net assets in the amount of \$12,697,359.

### State Apportionments

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

### Property Taxes

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

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

### Scholarship Discounts and Allowances

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **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.

### **Interfund Activity**

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

### **New Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

### ***NOTE 3 - DEPOSITS AND INVESTMENTS***

#### **Policies and Practices**

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 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.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

### General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, consist of the following:

Primary government	\$ 20,931,054
Fiduciary funds	150,516
Total Deposits and Investments	<u>\$ 21,081,570</u>
Cash on hand and in banks	\$ 204,731
Cash in revolving	225,000
Investments	20,651,839
Total Deposits and Investments	<u>\$ 21,081,570</u>

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Interest Rate Risk

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

### Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity in Days
Los Angeles County Investment Pool	\$ 20,660,580	600

### 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, 2011.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance of \$429,731 was fully insured by the Federal Deposit Insurance Corporation (FDIC).

**COMPTON COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 4 - ACCOUNTS RECEIVABLE**

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

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 792,267	\$ -
State Government		
Apportionment	6,887,386	-
Categorical aid	11,016	-
Lottery	371,390	-
Other State sources	1,252,626	-
Local Sources		
Interest	52,885	276
Legal settlement	2,150,000	-
Related party - El Camino Community College District	247,714	-
Other local sources	984,063	69,347
Total	<u>\$ 12,749,347</u>	<u>\$ 69,623</u>
Student receivables	\$ 1,925,034	
Less: Allowance for bad debt	(874,193)	
Student receivables, net	<u>\$ 1,050,841</u>	

**COMPTON COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2011, 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	29,951,260	3,007,260	-	32,958,520
Total Capital Assets Not Being Depreciated	<u>32,275,260</u>	<u>3,007,260</u>	<u>-</u>	<u>35,282,520</u>
Capital Assets Being Depreciated				
Buildings and improvements	50,942,042	13,125	1,213,265	49,741,902
Site improvements	3,106,559	-	177,472	2,929,087
Furniture and equipment	5,629,783	1,595,447	-	7,225,230
Total Capital Assets Being Depreciated	<u>59,678,384</u>	<u>1,608,572</u>	<u>1,390,737</u>	<u>59,896,219</u>
Total Capital Assets	<u>91,953,644</u>	<u>4,615,832</u>	<u>1,390,737</u>	<u>95,178,739</u>
Less Accumulated Depreciation				
Buildings and improvements	10,622,194	971,222	-	11,593,416
Site improvements	1,020,664	91,848	-	1,112,512
Furniture and equipment	4,983,675	1,431,462	-	6,415,137
Total Accumulated Depreciation	<u>16,626,533</u>	<u>2,494,532</u>	<u>-</u>	<u>19,121,065</u>
Net Capital Assets	<u>\$ 75,327,111</u>	<u>\$ 2,121,300</u>	<u>\$ 1,390,737</u>	<u>\$ 76,057,674</u>

Depreciation expense for the year was \$2,494,532.

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 \$19.2 million cost to date has been reported as part of work in progress.



**COMPTON COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 1,335,428	\$ -
Apportionment	524,240	-
Construction	1,521,676	-
Vendor payables	4,058,996	30,369
Total	<u>\$ 7,440,340</u>	<u>\$ 30,369</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue for the District consisted of the following:

	Primary Government
Federal financial assistance	\$ 28,825
State categorical aid	849,926
Enrollment fees	784,127
Other local	13,883
Total	<u>\$ 1,676,761</u>

**NOTE 8 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements.

**Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

**COMPTON COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2011 fiscal year consisted of the following:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds	\$ 50,990,000	\$ -	\$ 1,135,000	\$ 49,855,000	\$1,245,000
Bond premium	1,726,877	216,933	110,589	1,833,221	110,589
Note payable	16,886,330	-	707,247	16,179,083	730,741
<b>Total Bonds and Notes Payable</b>	<u>69,603,207</u>	<u>216,933</u>	<u>1,952,836</u>	<u>67,867,304</u>	<u>2,086,330</u>
<b>Other Liabilities</b>					
Compensated absences	1,284,031	-	185,265	1,098,766	-
Early retirement incentive	268,719	-	53,743	214,976	53,744
Claims liability	1,716,000	293,000	-	2,009,000	-
Other postemployment benefits	2,111,857	1,526,034	523,436	3,114,455	-
<b>Total Other Liabilities</b>	<u>5,380,607</u>	<u>1,819,034</u>	<u>762,444</u>	<u>6,437,197</u>	<u>53,744</u>
<b>Total Long-Term Obligations</b>	<u>\$ 74,983,814</u>	<u>\$ 2,035,967</u>	<u>\$ 2,715,280</u>	<u>\$ 74,304,501</u>	<u>\$2,140,074</u>

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 under Proposition 39. The total amount approved by the voters was \$100,000,000. At June 30, 2011, \$56,000,000 had been issued and \$49,855,000 was outstanding. Interest rates on the bonds range from 3.0 to 6.75 percent.

**COMPTON COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**Debt Maturity**

Issue Date	Interest Rate	Original Issue	Bonds		Bonds	
			Outstanding July 1, 2010	Issued	Redeemed	Outstanding June 30, 2011
1/14/2004	3.00-4.00%	\$ 41,000,000	\$ 35,990,000	\$ -	\$ 490,000	\$ 35,500,000
8/27/2009	3.00-6.75%	15,000,000	15,000,000	-	645,000	14,355,000
		<u>\$ 56,000,000</u>	<u>\$ 50,990,000</u>	<u>\$ -</u>	<u>\$ 1,135,000</u>	<u>\$ 49,855,000</u>

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

Fiscal Year	Principal	Interest	Total
2012	\$ 580,000	\$ 1,752,013	\$ 2,332,013
2013	680,000	1,731,412	2,411,412
2014	790,000	1,703,713	2,493,713
2015	910,000	1,669,712	2,579,712
2016	1,035,000	1,625,638	2,660,638
2017-2021	7,580,000	7,148,875	14,728,875
2022-2026	12,865,000	4,524,919	17,389,919
2027-2029	11,060,000	861,000	11,921,000
Total	<u>\$ 35,500,000</u>	<u>\$ 21,017,282</u>	<u>\$ 56,517,282</u>

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

Fiscal Year	Principal	Interest	Total
2012	\$ 665,000	\$ 873,683	\$ 1,538,683
2013	115,000	861,911	976,911
2014	140,000	857,664	997,664
2015	165,000	851,914	1,016,914
2016	190,000	844,695	1,034,695
2017-2021	1,435,000	4,051,105	5,486,105
2022-2026	2,500,000	3,208,334	5,708,334
2027-2031	4,150,000	2,576,450	6,726,450
2032-2035	4,995,000	879,525	5,874,525
Total	<u>\$ 14,355,000</u>	<u>\$ 15,005,281</u>	<u>\$ 29,360,281</u>

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Note Payable

Assembly Bill 318 appropriated \$30 million to the Board of Governors of the California Community Colleges as an emergency apportionment to finance, among other things, activities described in Article 5 of Chapter 5, Part 46 of the Education Code. The balance available to the District is \$12,103,200. The financing does not constitute a borrowing, but is instead an advance apportionment subject to repayment with interest. At June 30, 2011, the District had received \$17,896,800 with \$16,179,083 outstanding.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 730,741	\$ 561,679	\$ 1,292,420
2013	755,208	537,212	1,292,420
2014	780,692	511,728	1,292,420
2015	807,241	485,179	1,292,420
2016	834,904	457,516	1,292,420
2017-2021	4,632,293	1,929,807	6,562,100
2022-2026	5,524,433	937,668	6,462,101
2027-2029	2,113,571	83,248	2,196,819
Total	<u>\$ 16,179,083</u>	<u>\$ 5,504,037</u>	<u>\$ 21,683,120</u>

### Compensated Absences

At June 30, 2011, the liability for compensated absences was \$1,098,766.

### Early Retirement Incentives

The District has approved an Early Retirement Incentive Program in accordance with CalSTRS which is summarized below. A total of nine employees are participating in the program. Payments to CalSTRS will occur through 2015 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 53,744	\$ 9,686	\$ 63,430
2013	53,744	7,264	61,008
2014	53,744	4,841	58,585
2015	53,744	2,418	56,162
Total	<u>\$ 214,976</u>	<u>\$ 24,209</u>	<u>\$ 239,185</u>

### Claims Liability

At June 30, 2011, the liability for claims liability was \$2,009,000. See Note 11 for additional information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2011, was \$1,513,980, and contributions made by the District during the year were \$523,436. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$105,593 and \$(93,539), respectively, which resulted in an increase to the net OPEB obligation of \$1,002,598. As of June 30, 2011, the net OPEB obligation was \$3,114,455. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### ***NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION***

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

#### **Plan Description**

The Compton Community College Plan (the Plan) is a single-employer defined benefit healthcare plan administered by Compton Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 73 retirees and beneficiaries currently receiving benefits and 231 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 2010-2011, the District contributed \$523,436 to the Plan, all of which was used for current premiums.

**COMPTON COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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	\$ 1,513,980
Interest on net OPEB obligation	105,593
Adjustment to annual required contribution	(93,539)
Annual OPEB cost (expense)	<u>1,526,034</u>
Contributions made	<u>(523,436)</u>
Increase in net OPEB obligation	1,002,598
Net OPEB obligation, beginning of year	<u>2,111,857</u>
Net OPEB obligation, end of year	<u><u>\$ 3,114,455</u></u>

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,418,148	\$ 398,018	28%	\$ 1,020,130
2010	1,418,148	326,421	23%	2,111,857
2011	1,526,034	523,436	34%	3,114,455

**Funding Status and Funding Progress**

Actuarial Accrued Liability (AAL)	\$ 15,723,057
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 15,723,057</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u><u>N/A</u></u>

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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The above noted actuarial accrued liability was based on the March 1, 2011, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

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

In the March 1, 2011, actuarial valuation, the entity age normal cost method was used. The actuarial assumptions included a five percent investment rate of return. The District has not formed an irrevocable trust and currently funds the benefits on a strictly pay-as-you-go basis. Healthcare cost trend rates at four percent per year. The UAAL is being amortized at a level percentage of payroll method using a 30 year amortization period. Because the District has not elected to establish an irrevocable trust, there are not plan assets and, therefore, there was no valuation of plan assets.

### ***NOTE 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, 2011, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### 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 \$2,009,000 and was calculated using the expected confidence level discounted at three percent. Changes in the reported liability are shown in the following table:

	Workers' Compensation
Liability Balance, July 1, 2009	\$ 1,669,348
Claims and changes in estimates	880,991
Claims payments	(834,339)
Liability Balance, June 30, 2010	1,716,000
Claims and changes in estimates	630,686
Claims payments	(337,686)
Liability Balance, June 30, 2011	<u>\$ 2,009,000</u>
Assets Available to Pay Claims at June 30, 2011	<u><u>\$ 2,119,389</u></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, 2011

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### 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 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative CalSTRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than 8.0 percent. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$1,026,063, \$1,000,465, and \$874,355, respectively, and equal 100 percent of the required contributions for each year.

### CalPERS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were \$757,542, \$648,962, and \$633,370, 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, 2011, 2010, and 2009, which amounted to \$578,241, \$517,135, and \$478,512, respectively, 4.267 percent of salaries subject to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. The 2011 and 2010 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, 2011**

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### ***NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Statewide Association of Community Colleges (SWACC) and School Alliance for Workers' Compensation Excess II (SAWCX II) Joint Powers Authority. The District pays annual premiums for its property liability and excess workers' compensation coverage. The relationship between the District and each Joint Powers Authority (JPA) is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2011, the District made payments of \$286,040 and \$33,450 to SWACC and SAWCX II, respectively.

### ***NOTE 14 - COMMITMENTS AND CONTINGENCIES***

#### **Deferral of State Apportionments**

Due to the inability of the California State legislature to enact a budget by June 30, 2011, certain apportionments owed to the District for funding of FTES, which are attributable to the 2010-2011 fiscal year, have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was \$6,887,386. As of July 31, 2011, this amount has been received.

#### **Financial Condition**

The Compton Community College District has continued to deal with the State-wide recessionary economy within California. As noted above, the State has been withholding the cash for apportionment funding beyond June 30. This has created shortfalls in cash flows which have resulted in the need to delay payments to vendors and utilize restricted cash for unrestricted operating needs. The District has received a line of credit through the California Community Colleges Chancellor's Office in the form of an Advance Apportionment as a result of Assembly Bill 318. This has not, however, eased the strain on the current resources and budget of the District. No additional amounts have been drawn down from the line of credit during the 2010-2011 fiscal year; however, the District is responsible for repayment of both principal and interest from the Unrestricted General Fund which, for the 2010-2011 year, was \$1,292,420. The ending fund balance in the Unrestricted General Fund increased by \$157,156 during 2010-2011 and did meet the State recommendation of providing a five percent reserve for economic uncertainties going into the 2011-2012 fiscal year.

Continued reductions in State funding are anticipated during 2011-2012, and the State has increased the deferral of apportionment payments – both in amount and in duration – with an anticipated \$8.1 million being deferred into the July through October 2012 timeframe.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

On an entity-wide basis, the financial statements are showing a deficit unrestricted ending balance in the amount of \$12,697,359. This is due primarily to the long-term obligations of the District. General obligation bonds have been issued to provide funding for approved construction projects throughout the District and while these will be paid from assessments on property throughout the District boundaries and not resources of the District itself, the obligation is included within the financial statements of the District. The District has borrowed over \$16 million from future apportionments which will result in decreases in funding from the State Chancellor's Office in future years. Additionally, obligations to current employees, as well as retirees for health benefit costs, are \$3.1 million at June 30, 2011, and is anticipated to grow to \$15.7 million over the next 25 years as the costs of these benefits are amortized. This obligation is currently not funded.

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

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

### **Construction Commitments**

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

### ***NOTE 15 - ACCREDITATION***

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

### *NOTE 16 - SUBSEQUENT EVENTS*

#### **Tax Revenue Anticipation Notes**

The District issued \$3,500,000 of tax and revenue anticipation notes dated July 1, 2011. The notes mature on June 30, 2012, with an interest rate of 2.00 percent and yield 0.65 percent interest. The notes were sold to supplement cash flow.

In accordance with the terms of the agreement, the District is required to pledge certain unrestricted monies for the repayment. Thirty-three point three percent of the principal must be pledged in November 2011, an additional thirty-three point three percent in December 2011, and the remaining thirty-three point four percent, plus interest due, must be pledged in January 2012.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**COMPTON COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2011**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
October 1, 2009	\$ -	\$ 15,327,267	\$ 15,327,267	\$ -	N/A	N/A
March 1, 2011	-	15,723,057	15,723,057	-	N/A	N/A

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***SUPPLEMENTARY INFORMATION***

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# COMPTON COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2011**

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

### SPECIAL TRUSTEE

Dr. Genethia Hudley-Hayes

### BOARD OF TRUSTEES – NON-VOTING

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

### ADMINISTRATION

Dr. Keith Curry	Interim Provost/CEO
Mr. Daniel Villanueva	Chief Business Officer
Ms. Valerie O'Guynn	Interim Dean, Student Affairs
Ms. Susan Dever	Dean, Academic Affairs
Dr. Barbara Perez	Vice President
Ms. Rachelle Sasser	Dean, Human Resources
Mr. Rodney Murray	Dean, Career Technology Education
Ms. Wanda Morris	Dean, Health and Human Services

See accompanying note to supplementary information.



**COMPTON COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the California Community Colleges Chancellor's Office:			
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	[1]	\$ 26,420
Passed through the El Camino Community College District:			
Perkins Career and Technical Education Act of 2006, Title I	84.048	[1]	190,522
Direct Funded:			
TRIO Cluster:			
Upward Bound	84.047A		392,386
Upward Bound Math and Science	84.047M		229,603
Total TRIO Cluster			<u>621,989</u>
Total U.S. Department of Education			<u>838,931</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the California Department of Education:			
		04055- CACFP-19-7-	
Child and Adult Food Care Program	10.558	IC	<u>62,169</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	117,593
Foster and Kinship Care Education (FKCE)	93.658	[1]	130,353
Passed through the California Community Colleges Foundation:			
Permanency and Safety - Model Approach to Partnerships in Temporary Assistance for Needy Families (TANF) - CDC	93.558	1012-47	35,309
Permanency and Safety - PS MAPP	93.674	[1]	8,496
Youth Empowerment Strategies for Success Independent Living (YESS ILP)	93.674	[1]	19,007
Passed through the California Department of Education:			
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-0096	138,181
Child Care and Development Block Grant	93.575	CCTR-0096	184,378
Child Development Training Consortium	93.575	10-11-4159	12,142
ARRA - Infant Toddler Care	93.713	CCAP-0034	458
Total CCDF Cluster			<u>335,159</u>
Total U.S. Department of Health and Human Services			<u>645,917</u>
			<u>\$ 1,547,017</u>

[1] Pass-through entity identifying number not available.

See accompanying note to supplementary information.

**COMPTON COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>GENERAL FUND</b>			
Basic Skills	\$ 90,000	\$ 282,119	\$ 372,119
Board of Financial Assistance Program	216,650	24,677	241,327
CalWORKs	351,454	-	351,454
CalWORKs (Department of Public Social Services)	135,668	-	135,668
Cooperative Agencies Resources for Education (CARE)	404,906	510,808	915,714
Disabled Student Programs and Services	143,225	-	143,225
Enrollment Growth for Associate Degree Nursing Program	-	141,548	141,548
Extended Opportunity Program and Services	714,004	66,559	780,563
Faculty and Staff Diversity	4,173	39,828	44,001
Matriculation	158,643	-	158,643
<b>CHILD DEVELOPMENT FUND</b>			
General Child Care and Development Program	-	31,041	31,041
California State Preschool Program	370,053	-	370,053
Total State Programs			

See accompanying note to supplementary information.

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Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 352,675	\$ -	\$ 212,061	\$ 140,614	\$ 140,614
241,327	-	53,106	188,221	188,221
351,073	358	-	351,431	351,431
135,668	-	-	135,668	135,668
915,714	-	441,020	474,694	474,694
143,057	-	192	142,865	142,865
141,548	-	88,621	52,927	52,927
785,817	-	6,449	779,368	779,368
43,184	-	43,184	-	-
158,643	-	-	158,643	158,643
31,041	-	-	31,041	31,041
366,309	441	5,479	361,271	361,271
<u>\$ 3,666,056</u>	<u>\$ 799</u>	<u>\$ 850,112</u>	<u>\$ 2,816,743</u>	<u>\$ 2,816,743</u>

**COMPTON COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE  
GENERAL APPORTIONMENT  
AS OF JUNE 30, 2011**

<b>CATEGORIES</b>	<u>Reported Data**</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession - 2010</b>			
1. Noncredit	6	-	6
2. Credit	935	-	935
<b>B. Summer Intersession - 2011</b>			
1. Noncredit	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,411	-	4,411
(b) Daily Census Contact Hours	1,087	-	1,087
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	35	-	35
(b) Credit	152	-	152
<b>D. Total FTES</b>	<u>6,626</u>	<u>-</u>	<u>6,626</u>

\*\* Annual Attendance Report was revised on November 3, 2011.

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, 2011**

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

	General Unrestricted	General Restricted	Bond Interest and Redemption	Child Development
<b>FUND BALANCE/RETRAINED EARNINGS</b>				
Balance, June 30, 2011, (CCFS-311)	\$ 7,467,743	\$ 1,104,254	\$ 3,382,510	\$ 127,103
Reconciling items	(2,340,613)	430,406	(589,631)	972
Balance, June 30, 2011, Fund Financial Statements	<u>\$ 5,127,130</u>	<u>\$ 1,534,660</u>	<u>\$ 2,792,879</u>	<u>\$ 128,075</u>
	Capital Outlay Projects	Bond Construction	Self- Insurance	Self- Insurance
<b>FUND BALANCE/RETRAINED EARNINGS</b>				
Balance, June 30, 2011, (CCFS-311)	\$ 2,450,567	\$ 10,154,538	\$ 76,457	\$ 33,932
Reconciling items	(1,691,786)	2,772,342	-	-
Balance, June 30, 2011, Fund Financial Statements	<u>\$ 758,781</u>	<u>\$ 12,926,880</u>	<u>\$ 76,457</u>	<u>\$ 33,932</u>

See accompanying note to supplementary information.

**COMPTON COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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

**Total Fund Balance:**

General Funds	\$ 6,751,790	
Special Revenue Funds	128,075	
Capital Project Funds	13,685,661	
Debt Service Funds	2,792,879	
Internal Service Funds	110,389	
Fiduciary Funds	<u>136,347</u>	
<b>Total Fund Balance - All District Funds</b>		<b>\$ 23,605,141</b>

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	95,178,739	
Accumulated depreciation is	<u>(19,121,065)</u>	
		76,057,674

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.

911,395

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

(1,295,354)

Long-term obligations at year-end consist of:

Bonds payable	49,855,000	
Premium on bond	1,833,221	
Notes payable	16,179,083	
Compensated absences	1,098,766	
Other postemployment benefits	3,114,455	
Early retirement incentive - CalSTRS	<u>214,976</u>	<u>(72,295,501)</u>
<b>Total Net Assets</b>		<b><u><u>\$ 26,983,355</u></u></b>

See accompanying note to supplementary information.

# COMPTON COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **District Organization**

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

#### **Schedule of Expenditures of Federal Awards**

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

#### **Schedule of Expenditures of State Awards**

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

#### **Schedule of Workload Measures for State General Apportionment**

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 I 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 Governmental Funds 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.

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***INDEPENDENT AUDITORS' REPORTS***

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

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

We have audited the basic financial statements of Compton Community College District as of and for the year ended June 30, 2011, which collectively comprise Compton Community College District's basic financial statements and have issued our report thereon dated February 10, 2012. 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**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses as items 2011-1 through 2011-10.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies as items 2011-11 through 2011-18.

### **Compliance and Other Matters**

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

Compton Community College District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Compton Community College District's responses and, accordingly, we express no opinion on the responses.

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

*Lauren, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
February 10, 2012



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

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

**Compliance**

We have audited Compton Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Compton Community College District's major Federal programs for the year ended June 30, 2011. Compton Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Compton Community College District's management. Our responsibility is to express an opinion on Compton Community College District's compliance based on our audit.

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

In our opinion, Compton Community College District complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-20 and 2011-21.

## Internal Control Over Compliance

The management of Compton Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Compton Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compton Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-20 and 2011-21. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

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 on the responses.

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

*Jaurinek, Irine, Day, Co. LLP*

Rancho Cucamonga, California  
February 10, 2012



**REPORT ON STATE COMPLIANCE**

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

We have audited the basic financial statements of Compton Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated February 10, 2012.

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

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Compton Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Compton Community College District's compliance with the State laws and regulations applicable to the following items:

- Section 421 Salaries of Classroom Instructors: 50 Percent Law
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Required Data Elements
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 432 Enrollment Fee
- Section 433 CalWORKS – Use of State and Federal TANF Funding
- Section 435 Open Enrollment
- Section 437 Student Fee – Instructional Materials and Health Fees
- Section 473 Economic and Workforce Development (EWD)
- Section 474 Extended Opportunity Programs and Services (EOPS)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 477 Cooperative Agencies Resources for Education (CARE)
- Section 478 Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
- Section 479 To Be Arranged (TBA) Hours

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

The District did not receive or expend funds through the Economic Workforce Development Program; therefore, the compliance tests within this section were not applicable.

Based on our audit, we found that for the items tested, the Compton Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs as items 2011-22 through 2011-26. Our audit does not provide a legal determination on Compton Community College District's compliance with the State laws and regulations referred to above.

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 on the responses.

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

*Laurine, Irine Day, Co. LLP*

Rancho Cucamonga, California  
February 10, 2012

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

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**COMPTON COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</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>Yes</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.047	TRIO Cluster
<u>93.575; 93.596; 93.713</u>	<u>Child Development Cluster</u>

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

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified?	<u>Yes</u>



# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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

### 2011-1 YEAR-END CLOSING AND ACCOUNTING PROCESSES

#### Criteria or Specific Requirement

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

#### Condition

*Material Weakness:* As has been noted in prior years' audits, the District's internal controls have not been implemented to a sufficient degree to prevent and detect material misstatements from occurring during the year and in the closing process. Significant adjustments to the District's accounting records were noted during the audit process that affected the following accounts:

- State Apportionment and related student enrollment fees were not properly accounted for and required a \$524 thousand accrual for monies owed back to the State in the Unrestricted General Fund.
- Journal entries prepared as post-closing adjustments to the general ledger were misposted and, in some cases, double posted requiring a number of audit adjustments to properly reconcile assets, liabilities, revenue, and expenditures in all District funds.
- An accounts payable set up at year end to the Capital Outlay fund in the amount of \$689 thousand had been paid prior to June 30, 2011, creating an over statement of expenditures.
- Expenses owed through the Bond Fund in the amount of \$146 thousand were not accrued and required an audit adjustment.
- Deferred Revenue relating to nonresident student enrollment fees, parking, and other student fees was not properly accrued and required an audit adjustment.

The District's accounting staff has undergone significant changes in personnel over the past several years. During the closing process for the 2010-2011 year, the Chief Business Officer position was again vacant, and the District required assistance in the close from outside consultants. These consultants provided entries to the system, while at the same time, District staff were also preparing entries. As a result of the deficiencies noted, additional time was required to complete the audit and report to the State Chancellor's Office. The District's annual audit is due to the State Chancellor's Office on December 31 of each year.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

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

### **District Response**

The District concurs with the finding and recommendation; however, the adjusted trial balance prepared by the District consultants which was presented to the auditors, was subsequently determined by the auditors to contain material errors and, hence, the audit adjustments proposed. Procedures have now been implemented to ensure that all adjustments, corrections, and journal entries are reviewed and signed off by the Accounting Manager before transactions are posted to the accounting systems. The supporting documents for all journal entries are filed and were also made available for this audit.

## **2011-2 MANAGEMENT OVERSIGHT AND MONITORING**

### **Criteria or Specific Requirement**

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

### **Condition**

*Material Weakness:* During the past five years, the District Business Office leadership has been under six different Chief Business Officers and three different Special Trustees. The turnover has exacerbated the conditions noted above related to the accounting and closing process and has frustrated attempts at providing training of Business Office staff. This lack of continuity within the Business Office function has made it difficult for staff to properly address issues noted in past audits and other reviews, as well as to maintain a corporate knowledge of the history of transactions and resolutions.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

The District needs to develop and implement a plan to attract and support adequately trained Business Managers and Supervisors within the Business Office. The training of staff should be a primary objective of the individuals placed in these roles with sound internal control policies and practices a key component of the training, as well as general accounting theory training. An assessment of the accounting skills of the Business Office personnel should be conducted by the Chief Business Officer to ensure individuals have been assigned the proper tasks based upon their skill levels.

### **District Response**

The District concurs with recommendation. The District will continue to train and support Managers and staff within the Business Office through professional development workshops and in-house training. The roles and responsibilities assigned are now being closely assessed and monitored, with quantifiable outcome and timelines for completion of tasks. These measurable tasks become the basis for review and training of staff. Recruitment is underway for a qualified Chief Business Officer.

### **2011-3 FINANCIAL REPORTING (CCFS-311)**

#### **Criteria or Specific Requirement**

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

#### **Condition**

*Material Weakness:* The annual reporting of the financial activity through the CCFS-311 report was not filed in a timely manner for the 2010-2011 fiscal year. The report contained material errors, was not complete, and did not contain key analysis of the various funds' ending balances. As this report is a key document for the State Chancellor's Office, the inaccuracies do not allow for the proper oversight and monitoring of District activities. Reporting of fund balances at June 30 on the CCFS-311 materially overstated the financial position of the District's Unrestricted General Fund and misstated the positions of all other funds of the District. A reconciliation of the fund balances is included within the audit report on page 50.

#### **Recommendation**

The District should contact the State Chancellor's Office to determine the protocol for properly filing an amended 2010-2011 annual CCFS-311 report. This information should be reviewed and approved by the management of Compton Community College District and also El Camino Community College District to ensure it is accurately prepared.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### District Response

The District concurs with the recommendation. Due to a personnel change in the Chief Business Officer position, the District did not start gathering and entering data into the system until November 2011. The challenge in preparing the CCFS-311 report was exacerbated by various journal entries proposed by the District consultants and was evidenced in the comment by the auditors in finding 2011-1. The CCFS-311 report submitted to the Chancellor's Office in 2010 had overstated the ending unrestricted General Fund balance by \$3.1 million. The District corrected this overstatement in 2011 by \$3.1 million and had brought this to the attention of the auditors.

### 2011-4 FINANCIAL REPORTING SYSTEM RECONCILIATIONS

#### Criteria or Specific Requirement

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

#### Condition

*Material Weakness:* As noted in the prior years' audits, the District is utilizing two separate systems for monitoring accounting transactions - the PeopleSoft System supported by the Los Angeles County Office of Education and the locally supported DataTel System. DataTel is primarily used for student records and student service transactions such as enrollment; with PeopleSoft being the official books of record for budget monitoring, daily transactional analysis, and audit purposes. We noted the two systems are not properly reconciled on a regular basis during the year. The reconciliations selected for testing noted differences were not investigated and resolved, but the differences noted were adjusted to make the PeopleSoft system match the DataTel system. As some of these adjustments were due to timing, the entries at times were double posted or reversed the following month which created confusion within the accounts as to the accuracy.

#### Recommendation

The process to reconcile these two systems on a monthly basis must be documented with a written procedure manual and staff appropriately trained on the proper reconciliation methodology. Supervisory review and approval of all reconciling journal entries should be included with this process. These reconciliations should be completely maintained to document that all transactions have been appropriately recorded throughout the year.

#### District Response

The District concurs with the finding and recommendation. The District is establishing procedures to ensure that both the DataTel and PeopleSoft financial systems are reconciled on a monthly basis. The District has recently taken actions to ensure that reconciliations prepared by staff are reviewed and signed off by the Accounting Manager before transactions are posted. All reconciliation documents, including reports generated after the posting, are reviewed and filed for management review and audits.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### 2011-5 CORRECTIVE ACTION PLAN

#### **Condition**

*Material Weakness:* The District is to provide a corrective action plan for deficiencies, both financial statement and compliance, noted in the prior year audit; however, the analysis was incomplete, and in several cases, did not address the recommendation noted. As a result, deficiencies noted in prior years have been carried forward and are again included in the current year audit, and the conditions continue to exist. This appears to be the direct result of the turnover of supervisory staff within the District Business Office as noted in previous comments.

#### **Recommendation**

The District must develop an accurate and complete implementation plan for the recommendations noted. Ongoing monitoring of the responses put forth by District personnel must be a high priority of the Chief Business Officer, the Chief Executive Officer, and the Special Trustee to ensure the conditions are corrected in a timely manner and the procedures followed by District personnel are in line with District policies, as well as Federal and State compliance requirements.

#### **District Response**

The District concurs with the finding and recommendation. The Chief Business Officer, the Chief Executive Officer, and the Special Trustee will continue to closely monitor all audit findings and action plans to correct audit deficiencies in a timely manner.

### 2011-6 ANALYSIS OF ACCOUNT BALANCES

#### **Condition**

*Material Weakness:* Balances in asset and liability accounts have been rolled forward from prior year without benefit of a reconciliation to ensure the amounts are still valid. We noted this roll forward in the Due To/Due From accounts with some of the balance originating prior to the 2006 fiscal year. We also noted the Due To/Due From accounts have been misposted with credit balances in the asset accounts and debit balances in the liability accounts. This is also the case with Associated Student Body Funds which is rolling forward a \$4,000 accounts payable balance and student loan receivable balances, and the Scholarship and Loan Fund which has not posted any activity since the 2008 fiscal year.

#### **Recommendation**

A thorough review and reconciliation of all asset and liability account balances in all funds should be performed immediately. Adjustments that are necessary to properly record the activity should be presented to the Chief Business Officer for review prior to posting. Part of the District's closing procedure each month should be to ensure that all balances owing between funds are properly recorded. Funds that have been established by the District should be reviewed to determine whether they are necessary or should be accounted for within other District funds.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### **District Response**

The District concurs with the finding and recommendation. The District had engaged a consulting firm to perform this task due to the complexity and enormous resource it would have required of the Business Office staff to have attempted to reconcile the DueTo/Due From as far back as years prior to 2006. The District will implement a monthly reconciliation between major funds to ensure that balances are properly recorded.

### **2011-7 JOURNAL ENTRY PROCEDURES**

#### **Condition**

*Material Weakness:* The process for posting journal entries to the general ledger has continued to cause issues with account balances and classifications. Individual accounts analyzed during the audit process note journal entries being made reversed, duplicated, and posted backwards. This was exacerbated during the year-end closing process as journal entries were prepared and entered into the system with little oversight, review, and approval. Back up documentation for these journal entries was not clear to provide the reason for the entry to have been posted. As a result of the audit process, audit adjustments have been recommended and posted to properly state the account balances.

#### **Recommendation**

A clear written process to prepare, post, and review journal entries must be established. This process should include supervisory review of all entries with supporting documentation maintained which clearly notes the reason for the entry, whether it is an original entry or a correcting entry, and the offsetting accounts that will be impacted. This documentation should be maintained by the Business Manager and available for review and audit.

#### **District Response**

The District has recently implemented this recommendation. All journal entries prepared by staff are reviewed and signed off by the Accounting Manager before transactions are posted. Once the journals are posted, the journal voucher, along with all supporting documents, are reviewed again by the Accounting Manager and are filed for review or audits. This file was presented to the auditors when it was requested.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### 2011-8 INTERNAL AUDIT POSITION

#### **Condition**

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

#### **Recommendation**

In order to effectively maintain and monitor the overall internal control of the processes throughout the District, an Internal Audit position should be established. This position would report directly to the Special Trustee and work under the direction of the Chief Executive Officer. A formal risk assessment of the current process and procedures should be conducted, and regular assessments of controls and procedures should be undertaken. An important part of the responsibilities of this position should include the monitoring of the implementation of recommendations made in the various internal and external reports prepared for the District.

#### **District Response**

The District concurs with the recommendation. The District will take under advisement the recommendation of an Internal Auditor as permitted by the District financial condition. However, the District, through the Chief Business Officer, will establish procedures to monitor and implement recommendations for various internal and external financial and compliance reporting. The Chief Business Officer will also review and ensure proper internal control procedures are adhered to.

### 2011-9 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

#### **Criteria or Specific Requirement**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### **Condition**

*Material Weakness:* The SEFA prepared by District personnel was not complete and did not accurately reflect the activity within the Federal awards for the 2010-2011 fiscal year. Deficiencies noted and corrected within the audit included missing and/or inaccurate CFDA numbers, missing and/or inaccurate pass-through identifying name and number for subawards, inaccurate listing of Federal agencies providing the awards, and inaccurate disclosure of Federal expenditures recorded within the general ledger. We also noted one Federal award which was included with the State awards. The errors identified were corrected by District personnel as a result of audit procedures applied to the schedule.

### **Recommendation**

The District must provide for proper supervision, oversight, and review of the closing process including the supporting schedules and information required to support the financial activity of the District. Inaccurate reporting of the Schedule of Expenditures of Federal Awards could jeopardize the District's ability to support the awards and related expenditures of Federal grants. Additional training of personnel responsible for the reporting of Federal awards and expenditures, including the final SEFA, must be provided to ensure the District is in compliance with reporting requirements.

### **District Response**

The District consultant was assigned the responsibility to review and write a desk manual for special funded programs and to train District staff. However, in the absence of the required deliverables, the District is now finalizing SEFA/SESA templates as recommended by the current audit. The individual staff members, who are assigned Federal and State programs, will maintain their own SEFA/SESA schedules. The master schedule will be maintained and reviewed by the Manager of Accounting for proper oversight. Once completed, training and review of the schedules will be done on a monthly basis. The Business Office will now be requesting that all contracts include a clause that discloses funding sources for all awards.

## **2011-10 PERKINS LOAN CASH ACCOUNT**

### **Condition**

*Material Weakness:* As a result of our close-out audit of the Perkins Loan Program, it was discovered that the contracted collection agency for the program had not remitted collections received to the District for over two years. The District had closed the bank account which received the direct deposit of the remittances and had assumed the agency would send a check each month for amounts received. As a direct result of the confirmation process for the Perkins Loan close out, the collection agency did acknowledge the payments had not occurred. There does not appear to have been a District staff that was responsible for the oversight and monitoring of these funds.



# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### Recommendation

The District must work with the contracted collection agency to determine all amounts received from the loan program, amounts which should have been remitted, and any possible interest earnings that are due to the District. The close out of the Perkins loan program was identified in the prior year audit as a high priority to complete. This close-out audit will not be resumed or completed until the cash remittances have been resolved.

### District Response

The District concurs with the recommendation. The District has contacted the collection agency to have amounts received from the loan program analyzed and remitted to the District. The District has received written confirmation from the collection agency that this analysis is being done, and all collections will be remitted to the District when the analysis is completed.

The following comments have been determined to be *significant deficiencies* as defined: A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 2011-11 DISTRICT CASH ACCOUNTS

#### Condition

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

#### Recommendation

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### **District Response**

The District concurs with the audit recommendation and has taken steps to implement changes. The District now maintains two Cash Clearing accounts. One is maintained strictly for Enrollment Fee Revenue which is distributed into Enrollment, Out of State Student Payments, and International Student Payment accounts per the transfer document received from the Bursar's Office. The other Cash Clearing account is maintained for all non-enrollment income received - this includes income for grants and other State funded programs supported at the District. Now, twice a week, on Wednesdays and Fridays, the Bursar's Office makes deposits to the Clearing accounts maintained at US Bank. In order to adhere to the recommended maximum clearing account balance not to exceed \$100,000, the Bursar's Office will now be transmitting to the Los Angeles County Office of Education Treasury every two weeks or sooner, depending on the balance in the Clearing accounts. Upon receipt of supporting documentation, the Clearing accounts will be reconciled on a monthly basis by the Business Office Accountant assigned to the task. A copy of the transmittals to the County Treasury (Transfer Documents) will now be kept along with the monthly Clearing account reconciliations and the detailed individual supporting documentation for all deposits and transmittals.

### **2011-12 ASSOCIATED STUDENT BODY (ASB) FUND**

#### **Condition**

The ASB is an association of students of the El Camino College Compton Center. Funds are received and expended in accordance with the governance procedures of the ASB. It was noted the accounts are not maintained on the DataTel or PeopleSoft accounting systems, which results in less oversight and monitoring of activities through the funds. We noted employees of the District have been paid through the ASB which may result in the misreporting of compensation to the Internal Revenue Service. An employee of the District should have all components of compensation included on the W-2 reporting at year end rather than on both a 1099 and a W-2.

#### **Recommendation**

The District Business Office should work with the ASB to establish the accounting for activity on the software systems of the District. This will allow established District procedures and controls to be utilized by the ASB and reduce the possibility that payments will not be made appropriately.

#### **District Response**

The District has recently discontinued the payment of District employees through the ASB. All employees rendering services to the ASB shall be paid through the District Payroll system. The District has established a separate fund in DataTel for ASB related expenses, and all vendor payments are being processed through the DataTel financial system.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### 2011-13 DISTRICT CREDIT CARDS

#### Condition

The District has established Administrative Regulation (AR) 6332, *Use of Credit Cards*. The regulation specifically prohibits the use of the credit card for personal purchase. It was noted the detail receipts for credit card purchases did include instances of groceries and small equipment purchases which were not authorized for District use. Additionally, it was noted receipts were not always maintained for purchases of gas with the credit cards. A detailed review of these purchases noted diesel gas being purchased when the District car or truck was not a diesel vehicle. Amounts of gas purchased in one day at one station were in excess of the gas that could be used to fill a District vehicle and other indicators of violations of the AR 6332.

Due to non-timely payment of the credit card bill, we noted over \$1,400 had been paid in late fee charges.

#### Recommendation

Strict monitoring of the use of the District credit cards must be implemented. These cards should be in the control of one person and checked in and out on a daily basis, with receipts required to ensure expenses meet the criteria established in AR 6332.

#### District Response

The District agrees with the audit recommendation. The Director of Fiscal Affairs will be responsible for maintaining the District credit cards and ensuring the required receipts for expenses meet the criteria established in AR 6332.

### 2011-14 OVERSIGHT AND MONITORING OF CONTRACTS

#### Condition

The general oversight and monitoring of contracts during the year was not maintained. We noted expenditures in excess of approved contract amounts. Written contracts may lack a clear Scope of Work section to allow the District to monitor whether or not the services have been performed as anticipated. There may be a lack of understanding as to the type of contract the District is entering into; we noted one consulting contract was actually for a maintenance agreement.

#### Recommendation

The District should perform an analysis of the contract process. This should include a detailed procedure desk guide for the staff preparing contracts which will state the type of contract, scope of services, maximum approved amount, and who the responsible department is for the oversight and monitoring that services are performed as anticipated.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### **District Response**

The District is in agreement with this finding, and the Director of Fiscal Affairs will take immediate steps to develop and implement a new desk guide for staff.

### **2011-15 DISBURSEMENTS/ACCOUNTS PAYABLE**

#### **Condition**

The oversight and monitoring of invoices processed through accounts payable has not been consistent during the year. We noted two instances where duplicate payments were made for services rendered and/or goods received. Additionally, supporting documentation for six invoices pulled for audit could not be provided. The accounts payable function is one of the last departments to prevent and detect errors in the payments to vendors including coding to the general ledger accounts. We noted 11 instances where expenditures were charged to the wrong account codes.

The District has utilized "Meal Accountability" forms to document amounts paid for meals. From our sample selected for audit, 27 forms were not provided.

Purchases of equipment received in June 2011, including a washer and dryer, a 55 inch television, and a DVR player, were still unopened and not utilized by the department in April 2011. This indicates the equipment may not have been necessary at the time it was received and paid for.

#### **Recommendation**

Careful monitoring of the accounts payable function must include training and oversight of payments to vendors, account coding, and analysis. The Accounts Payable Department functions as a service provider to the various departments on campus, but should also serve as the monitoring function to ensure services are valid and established procedures for documentation are adhered to.

#### **District Response**

The District concurs that all documents required for payment of invoices and reimbursements to staff shall be requested before payments are made by accounts payable. The accounts payable procedure manual is being revised, and staff will continue to receive training on best practices regarding processing of payments.

There were delays experienced in waiting to have the equipment mentioned in the finding installed. All the equipment has been fully installed and continues to be in use by the Child Development Center.

The District will implement procedures to ensure that purchases for specially funded programs are made for immediate use only.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### 2011-16 PERSONNEL CONTRACTS

#### Condition

Personnel files are to maintain a signed copy of contracts for the academic employees. These contracts are an essential part of monitoring the employees assignments, teaching load, and qualifications for the teaching assignment. We noted these contracts are not consistently updated for each academic year. From our sample selected for audit, six personnel contracts were not signed, either by the employee or District personnel.

#### Recommendation

A review of personnel files for the academic employees should be undertaken by the Human Resources Department and any files missing these signed contracts should be updated and reviewed with the employee to ensure the teaching assignment is correct.

#### District Response

The District has implemented a new process in academic year 2011-2012. Academic Deans are responsible for securing signatures on academic personnel contracts of faculty assigned to their areas. Human Resources reviews the contract and places it in the employee's personnel file. An internal review of faculty contracts for 2010-2011 will be performed to ensure that full faculty workload is maintained.

### 2011-17 GENERAL OBLIGATION BOND FUND ACCOUNTABILITY

#### Condition

The District's General Obligation Bond Project Fund is utilized to provide cash flow to the State funded construction projects, as well as the General Obligation Bond projects. Some of these projects are funded jointly by both revenue sources, and some are 100 percent funded by the Bond or State. This appears to be a cash flow issue as the State provides payment on a reimbursement basis. By accounting for the funds originally in the Bond fund, the District must transfer out the State funded portion of the project through a journal entry to the Capital Projects fund at year end. As noted previously, errors occur frequently in the processing of journal entries. We also noted that a client prepared post-closing adjusting entry incorrectly identified a reimbursement to the Bond fund as being a Capital Projects fund revenue source. However, the expenditures that the State reimbursed had not been transferred out of the Bond fund, and the journal entry was reversed. This entry was provided by the consultants assisting the District in the closing process, but the history of the transaction was not properly reviewed.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

The expenditures for State funded projects should be charged to the Capital Projects fund when incurred. For cash flow purposes, the District may take a resolution to the Special Trustee for approval of a loan from the Bond fund to the Capital Projects fund. This loan would then be repaid when the reimbursement occurs. This will clearly identify the Bond related expenditures and the State funded project expenditures.

### **District Response**

The District staff correctly recorded Bond and Capital Outlay transactions at year end; the District consultant had made other adjustments to these funds including a reimbursement that had been properly recorded in a prior year. The District will implement a quarterly reconciliation procedure to adjust balances where applicable between these two funds. Furthermore, the District agrees that the Special Trustee will take action to loan funds from the Bond fund to the Capital Outlay Projects fund for required cash flow purposes.

## **2011-18 PAYROLL CLEARANCE FUND AND RELATED BENEFITS LIABILITY**

### **Condition**

As noted in the prior year finding (2010-12), the Payroll Clearance Fund has not been consistently reconciled on a complete and timely basis. The District personnel have received training on the proper reconciliation and accounting for the fund; however, changes in personnel and responsibilities have again allowed the balances in this fund to accumulate and balances may not have been appropriately paid.

### **Recommendation**

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

### **District Response**

The District concurs with the recommendation. The Manager of Accounting will reconcile all outstanding balances in the Payroll Clearance Fund and bring this fund up to date and current. Once the fund is current, the Manager of Accounting will train staff to perform monthly reconciliations of this fund. The reconciliation prepared by staff will be reviewed and signed off by the Manager of Accounting.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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The following comment has been determined to be a *control deficiency* as defined: A deficiency in the design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

### **2011-19 VACATION AND LEAVE BALANCES**

#### **Condition**

The District has not been effectively monitoring the accumulation and use of vacation time for employees. The District has adopted a policy of providing a maximum number of vacation hours that may accrue to the benefit of an employee and carried over from year to year. This amount is 352 hours. We have noted balances that have continued to grow over the past years without regard to this maximum approved accrual limit. We noted employees have accumulated balances and not taken the approved vacation leave time with total balances in excess of 1,600 hours. Administrators have accumulated and carried over balances with the maximum accrued in excess of 2,500 hours. This places a burden on the cash flow of the District when the person retires and is against the District's policy that staff should take the appropriate earned time off in the period it is earned.

#### **Recommendation**

While we have noted the District has encouraged staff to take time off during the year, and the current budget challenges have required certain staff to forgo their time off, the continued monitoring of these excess balances and the impact it has to employees and cash flows should be a high priority. Balances in excess of approved amounts should be reviewed for compliance with District policies.

#### **District Response**

The Director of Fiscal Affairs will revise the District procedure to include language to formally notify employees of excess vacation balances. In addition, the Director of Fiscal Affairs will provide to employees a vacation balance report on a quarterly basis and also provide the report to managers to be used for monitoring staff vacation balances.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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

### **2011-20 CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA #s 93.596, 93.575, and 93.173)**

#### **Criteria or Specific Requirement**

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

#### **Condition**

*Significant Deficiency:* Quarterly reports, including the final report for annual activity, were not supported by the financial records of the District.

#### **Questioned Costs**

None.

#### **Context**

All four quarterly reports for the 2010-2011 year were selected and tested for compliance. The final annual report detailing the activity for the year did not agree to the financial records of the District.

#### **Effect**

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

#### **Cause**

A formal review and approval of the annual report to the awarding agency did not occur. Financial information that was reported within the general ledger was not reconciled to the final report.

#### **Recommendation**

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



# COMPTON COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### District Response

The District concurs with the recommendation. The District has now implemented a procedure for a review of all program reports by the Accounting Manager and signed off by the Chief Business Officer. Program files with all supporting documents are now being filed for review and audit.

### 2011-21 CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA #s 93.596, 93.575, and 93.173)

#### Criteria or Specific Requirement

Unallowable Costs: OMB Circular A-21 2 CFR, Part 220, Section C.8.C.

#### Condition

*Significant Deficiency:* The prior year audit noted disallowed costs related to the Child Care and Development Block Grant. The reporting of this disallowed cost returned to the program agency was shown on the expenditure report as a current year expense.

#### Questioned Costs

None. The \$12,000 reported repayment of the disallowed cost was in excess of the current year grant and was actually paid for with local funds.

#### Context

The District received and expended approximately \$184 thousand in current year funding for the program. The \$12,000 was included in the reported costs, but was not part of the current year expenditures.

#### Effect

The District is at risk of comingling allowed expenditures related to the program with disallowed costs by reporting the repayment in the current year expenditure report.

#### Cause

The general ledger report utilized to prepare the final expenditure report did not segregate the prior year disallowance. The oversight and review process for the reporting did not catch the error.

#### Recommendation

The accumulation of expenditures incurred in the course of providing services under the Child Care and Development Block Grant should include a careful review of reported costs. Expenditures that are not allowed as part of the program should not be included within the current year reports.

# COMPTON COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **District Response**

The District concurs with the recommendation. The District will continue to closely monitor program budgets and expenditures to ensure they are correctly reported in the appropriate fiscal year. A procedure has now been implemented for the Accounting Manager to review all monthly and quarterly reports prepared by staff. The Accounting Manager will also review any request for return of funds to ensure that such refunds are correctly coded to the appropriate year.

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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

### **2011-22 50 PERCENT LAW CALCULATION**

#### **Criteria or Specific Requirement**

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

#### **Condition**

As of June 30, 2011, the District is not in compliance with the requirements of the provisions of *Education Code* Section 84362. The District's calculation as presented in the CCFS-311 Annual Financial and Budget Report, and prior to adjustments proposed as accepted as the result of audit procedures applied to the financial statements, was 46.19 percent.

#### **Questioned Costs**

Based on the calculation, the District's shortfall is \$1,098,356.

#### **Recommendation**

The District should work with the State Chancellor's Office and apply for a waiver of the requirements with the 50 Percent Law Calculation for the 2010-2011 fiscal year. The hardship that would be incurred with the shortfall would negatively impact the District and the current financial condition of the District.

#### **District Response**

The District concurs with the recommendation. The District has applied for a supplemental exemption for "serious hardship" with the State Chancellor's Office for the 2010-2011 fiscal year.

### **2011-23 EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)**

#### **Criteria or Specific Requirement**

As required by both *Education Code* Sections and the California Code of Regulations, the District is required to expend EOPS and CARE funds to provide services that are specifically designed to supplement the colleges' existing support programs and to help eligible students complete their educational goals.

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### Condition

To verify student eligibility for EOPS and CARE programs, the student files must contain a mutual responsibility contract to fulfill all EOPS and CARE eligibility criteria. This mutual responsibility contract was not consistently maintained for all students receiving EOPS and CARE services.

### Questioned Costs

None. This is a documentation finding and does not impact funding.

### Context

From our sample of ten student files selected for testing, two files did not maintain the required mutual responsibility contract.

### Recommendation

The District's student services division should review all student files under the EOPS and CARE programs to ensure that documentation required by the program directives is maintained.

### District Response

The District EOPS/CARE Director will be responsible for ensuring all student files for EOPS and CARE programs are reviewed twice per term. This will ensure that required documentation is maintained in the EOPS/CARE student files.

## 2011-24 COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

### Criteria or Specific Requirement

As required by the California Code of Regulations, the District is required to provide for an advisory board to review the programs and expenditures through the CARE program.

### Condition

The District utilizes a joint advisory committee for both EOPS and CARE. The guidelines for the CARE program require this advisory committee to meet two times each year. During 2010-2011, the CARE advisory committee met only one time during the annual EOPS advisory meeting.

### Questioned Costs

None. This is an administrative requirement and does not impact funding.

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

The District's CARE advisory committee should schedule biannual meetings to review programs and services as required by the program guidance.

### **District Response**

The District concurs with the recommendation. The District EOPS/CARE Director will be responsible for scheduling biannual advisory Board meetings.

## **2011-25 INSTRUCTIONAL SERVICE AGREEMENTS**

### **Criteria or Specific Requirement**

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

### **Condition**

*Significant Deficiency:* The Compton Community College District has two Instructional Service Agreements currently in place providing education to students. One of the agreements, Universal Beauty School, was found by the District to not have all the required elements within the contract as required by the State Chancellor's Office, as well as not having the required contracts with the actual instructors of the courses offered. Upon noting the areas of noncompliance, the District removed all FTES generated through the Universal Beauty School Instructional Service Agreement from the 2010-2011 Annual Report of Attendance (CCFS-320). However, upon additional analysis, it was noted this course was also included within the 2009-2010 and 2008-2009 calculation of FTES, although the program had been administered in the same way.

### **Questioned Costs**

For the 2010-2011 fiscal year, no questioned costs are noted as the FTES were not reported to the State Chancellor's Office for funding. However, a total of 197.30 FTES were reported under the Instructional Services Agreement in 2009-2010, and 265.51 FTES were reported under the Instructional Services Agreement in 2008-2009.

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

The District should work with the Universal Beauty School to update the contract and bring into compliance with the guidance and legal opinion provided by the State Chancellor's Office. All instructors providing educational services to the students are to have valid contracts with the Compton Community College District and are to be under the monitoring and control of the District's Dean of Instruction. The District should work with the State Chancellor's Office to determine the effect of the misreported FTES on the District's funding formula and the proper methodology for repayment of any funding received for the FTES.

### **District Response**

The District has addressed the deficiency by generating contracts for faculty working under an instructional agreement that are not paid directly by the District. Signed contracts are maintained in the appropriate division office with copies of the agreements. The District will initiate discussions with the Chancellor's Office with regards to prior year funding.

### **2011-26 ENROLLMENT FEE REPORTING (CCFS-323)**

#### **Criteria or Specific Requirement**

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

#### **Condition**

*Material Weakness:* The Form CCFS-323 *Enrollment Fee Report* submitted by the District for the 2010-2011 fiscal year did not agree with the enrollment fee revenue reported in the PeopleSoft general ledger or the enrollment fees reported within Form CCFS-311. A reconciliation to support the CCFS-323 was not provided.

#### **Context**

The CCFS-311 and PeopleSoft general ledger both reported enrollment fees of \$622,140, while the CCFS-323 report noted enrollment fees of \$622,793. The actual enrollment fees charged were \$1,030,464.

#### **Effect**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

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

### **District Response**

The District concurs with the recommendation. The Manager of Accounting, under the supervision of the Chief Business Officer, will review and reconcile the general ledger. As part of the reconciliation process, all prior year deferred enrollment fees will be revised and correctly reported as current year revenue.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

### *FINANCIAL STATEMENT FINDINGS*

#### **2010-1 YEAR-END CLOSING AND ACCOUNTING PROCESSES**

##### **Criteria or Specific Requirement**

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

##### **Condition**

*Material Weakness:* As has been noted in prior years' audits, the District's internal controls have not been implemented to a sufficient degree to prevent and detect material misstatements from occurring during the year and in the closing process. Significant adjustments to the District's accounting records were noted during the audit process that affected the following accounts:

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

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



# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

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

### **Current Status**

Not implemented. The District continues to have issues as noted in current year finding 2011-1 related to the closing process of the financial statements.

## **2010-2 FINANCIAL REPORTING SYSTEM RECONCILIATIONS**

### **Criteria or Specific Requirement**

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

### **Condition**

*Material Weakness:* As noted in the prior years' audits, the District is utilizing two separate systems for monitoring accounting transactions - the PeopleSoft System supported by the Los Angeles County Office of Education and the locally supported DataTel System. DataTel is primarily used for student records and student services transactions with PeopleSoft being the actual official books of record for budget monitoring, daily transactional analysis and audit purposes. We noted the two systems are not reconciled on a regular basis for all accounts and at year-end significant differences were noted in the revenues recorded. The primary area of unreconciled differences is in the revenue and transfer accounts. As the official books of record are the PeopleSoft system, it is these transactions that have been included within the audit procedures and required adjustments described above.

### **Recommendation**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **Current Status**

Not implemented. The reconciliation of the two accounting systems has not been consistent. See current year finding 2011-4.

### **2010-3 MANAGEMENT OVERSIGHT AND MONITORING**

#### **Criteria or Specific Requirement**

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

#### **Condition**

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

#### **Recommendation**

The District needs to develop and implement a plan to attract and support adequately trained Business Managers and supervisors within the Business Office. The training of staff should be a primary objective of the individuals placed in these roles with sound internal control policies and practices a key component of the training as well as general accounting theory training. An assessment of the accounting skills of the Business Office personnel should be conducted by the Chief Business Officer to ensure individuals have been assigned the proper tasks based upon their skill levels.

### **Current Status**

Not implemented. See current year finding 2011-2.

### **2010-4 FINANCIAL REPORTING (CCFS-311)**

#### **Criteria or Specific Requirement**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### Condition

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

### Recommendation

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

### Current Status

The filing of the annual CCFS-311 report with the State Chancellor's Office was completed timely; however, errors have been made and revisions were continuing through the audit date. See current year finding 2011-3.

## 2010-5 CAPITAL ASSETS

### Criteria or Specific Requirement

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

### Condition

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

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

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

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

### **Current Status**

Implemented.

### **2010-6 ACCOUNTING OF STUDENT FINANCIAL AID ACTIVITY**

#### **Criteria or Specific Requirement**

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

#### **Condition**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

#### Criteria or Specific Requirement

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

#### Condition

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

#### Recommendation

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

#### Current Status

Not implemented. See current year finding 2011-9.

### 2010-8 CORRECTIVE ACTION PLAN

#### Criteria or Specific Requirement

Best business practices.

#### Condition

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

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

### **Current Status**

Not implemented. See current year finding 2011-5.

### **2010-9 PROGRAM EXPENDITURE ACCOUNTING**

#### **Criteria or Specific Recommendation**

California State Chancellor's Office Budget and Accounting Manual.

#### **Condition**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### 2010-10 GENERAL OBLIGATION BOND FUND ACCOUNTABILITY

#### Criteria or Specific Requirement

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

#### Condition

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

#### Recommendation

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

#### Current Status

Improved. Construction related expenditures are paid through the Bond Fund due to cash flow needs; however, the State fund projects were segregated and accounted for through a year-end transfer.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### 2010-11 ENERGY LEASE REVENUE BONDS

#### Condition

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

#### Recommendation

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

#### Current Status

Implemented.

### 2010-12 PAYROLL CLEARANCE FUND AND RELATED BENEFITS LIABILITIES

#### Condition

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

#### Recommendation

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



# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **Current Status**

Not implemented. See current year finding 2011-18.

### **2010-13 PERKINS LOAN PROGRAM**

#### **Criteria or Specific Requirement**

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

#### **Condition**

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

#### **Recommendation**

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

### **Current Status**

In process. See current year finding 2011-10.

### **2010-14 DISTRICT CASH CLEARING ACCOUNT**

#### **Condition**

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

#### **Recommendation**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **District Response**

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

### **Current Status**

Improved. See current year finding 2011-11.

## **2010-15 SELF INSURANCE REVOLVING CASH FUND ACCOUNT**

### **Condition**

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

### **Recommendation**

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

### **Current Status**

Implemented.

## **2010-16 INTERNAL AUDIT POSITION**

### **Condition**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

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

### **Current Status**

Not implemented. See current year finding 2011-8.

### **2010-17 ASSOCIATED STUDENT GOVERNMENT (ASG) ACCOUNTS**

#### **Condition**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

### ***FEDERAL AWARD FINDINGS***

### **2010-18 STATE STABILIZATION FUND REPORTING CFDA 84.394**

#### **Criteria or Specific Requirement**

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

#### **Condition**

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

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### **Questioned Costs**

None.

### **Context**

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

### **Effect**

The District is out of compliance with Federal reporting requirements.

### **Cause**

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

### **Recommendation**

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

### **Current Status**

Implemented. This reporting was not required during the 2010-2011 fiscal year.

## ***STATE AWARD FINDINGS***

### **2010-19 SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW CALCULATION)**

#### **Criteria or Specific Requirement**

California *Education Code* Section 84362 requires a minimum of 50 percent of the District's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors". This is further defined in CCR Title 5, Section 59204.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### Condition

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

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

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

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

### Questioned Costs

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

### Recommendation

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

### Current Status

Not implemented. See current year finding 2011-22.

# COMPTON COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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### 2010-20 ENROLLMENT FEE REPORTING (CCFS-323)

#### **Criteria or Specific Requirement**

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

#### **Condition**

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

#### **Context**

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

#### **Effect**

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

#### **Recommendation**

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

#### **Current Status**

Not implemented. See current year finding 2011-26.