COMPTON
COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

COMPTON COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2008

Financial Section

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Compton Community College District
Compton, California

We have audited the accompanying basic financial statements of the business-type activities of the Compton Community College District (the District) as of and for the year ended June 30, 2008, 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.

Except as described in the following paragraph, 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.

Detailed accounting data supporting the accounts receivable related to the student enrollment fees were not maintained and available for our audit. We were unable to satisfy ourselves about the balance at which the accounts receivable were recorded within these financial statements. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial presentation of the student accounts receivable and the possible affect on the related enrollment fee revenue.

Detailed accounting records and supporting data for the Associated Student Body Fund of the District were not maintained and available for our audit. Therefore, we were not able to satisfy ourselves about the amounts at which these balances are recorded within the accompanying financial statements and the activity through the fund during the year. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial activity of the Associated Student Body Fund.

In our opinion, except for the effects of such adjustments, if any, as may be determined to be necessary in relation to the student accounts receivable and associated revenue and the Associated Student Body Fund as discussed in the preceding paragraphs, in our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Compton Community College District as of June 30, 2008, 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.

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As more fully discussed in Note 15 to the financial statements, the District's current financial health and sustainability is dependent upon funding from the State System's Office at levels that are not currently being met through the enrollment of students and the reporting of the related full-time equivalent students (FTES). The District is also reliant on the continued ability to access a $30 million line of credit from the State of California.

As more fully discussed in Note 16 to the financial statements, certain errors resulting in overstatement of previously reported asset and liability balances as of June 30, 2007, were discovered by management of the District during the current year. Accordingly, an adjustment has been made to the net assets as of July 1, 2007, to correct the errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 30, 2009

Thomas M. Fallo, Ed.D.
Superintendent/President
El Camino College

Lawrence M. Cox
Interim Provost
El Camino/Compton
Community Educational Center

INTRODUCTION

The following discussion and analysis provides a review of the financial position and activities of the Compton Community College District (the District) for the year ended June 30, 2008. This overview has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is undergoing massive systemic changes to both its financial operations. 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 the urgency legislation known as Assembly Bill (AB) 318 (Dymally). AB 318 puts in place several operational parameters unique to the Compton Community College District. The first provides for a $30 million loan to be repaid in annual increments; the second provides for a guaranteed income stream for a four-year period; and the third a framework under which the District can contract with a partner district to ensure that Compton students continue to have access to accredited educational services.

Under the authority contained in AB 318, the District has entered into a strategic partnership with the El Camino Community College District under which El Camino College provides accredited instructional and student services to students on the Compton campus through a newly established El Camino College Compton Community Educational Center. The District has also embarked upon an extensive program of planning, process improvement, and staff training to strengthen operational capacity and return to fiscal stability and health.

Accounting Standards

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments*, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities*, which applied new reporting standards to public colleges and universities. The Fiscal Accountability and Standards Committee of the California Community Colleges System's Office recommended that all California community colleges follow the new standards under the Business Type Activity (BTA) model. Nearly all public colleges and universities nationwide have selected the BTA reporting model. As such, the District is reporting according to these standards following the BTA model for reporting these financial statements.

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Financial Highlights

This section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information.

With loss of accreditation, passage of AB 318, and the initiation of the partnership with El Camino College, financial planning for 2007-2008 and 2008-2009 has been focused on maintaining institutional stability and developing a longer term recovery plan. Permanent staffing has been reduced, budgeting guidelines have been introduced, and loan proceeds have been used judiciously to begin correcting structural deficits and to pay certain extraordinary costs related to the District's current operating circumstances. The District's present operating goals are focused on achieving rapid enrollment growth, building institutional capacity, and restoring public and governmental confidence in the District.

Selected Highlights

During 2007-2008, total full-time equivalent student (FTES) as reported October 31, 2008, was 3,347. Eventually - when normal funding mechanisms again become applicable - FTES (in addition to other workload measures) will be the basis for determining the District's total General Purpose Revenue. However, under AB 318, the District receives special stabilization funding at the following levels: for the 2006-2007 year at 5,760 FTES, for 2007-2008 at 5,120 FTES, and for 2008-2009 at 4,480 FTES. During the 2007-2008 year, the District drew down an additional $5 million of the $30 million loan provided in AB 318 bringing the total accessed to $12.7 million. Other funding sources are provided via categorically funded programs which contain restricted programs and expenditure guidelines. The funds are designated for specific expenses/allocations which require both interim and annual/final reports be provided to the appropriate funding agency.

On November 5, 2002, the voters of the Compton Community College District approved a $100 million Bond Measure to construct new buildings, renovate and improve existing facilities, and purchase new equipment. The bonds are repaid solely by property taxes levied on real property within the District boundaries. None of the debt service obligation related to these bonds falls on the General Fund (Unrestricted) Budget. This funding source allowed the District to retire outstanding Certificates of Participation and lease obligations of the District and to commence planning for additional construction projects.

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with GASB Statements No. 34 and 35 which provide an entity-wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District governmental funds including Student Financial Aid Programs.

Also, in accordance with GASB Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Statement of Net Assets

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

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. In the case of Compton Community College, the financial condition of the college has improved primarily because of the availability of general obligation bond proceeds to make capital improvements, resolve deferred maintenance issues, and make much needed repairs. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

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. The final category is unrestricted net assets that are available to the District for any lawful purpose as the District may determine.

A summarized comparison of the Statement of Net Assets is presented below:

Table 1

(Amounts in thousands)

	2008	2007*	Change
ASSETS			
Current Assets			
Cash and investments	$ 13,520	$ 16,680	$ (3,160)
Accounts receivable	8,616	4,129	4,487
Other current assets	1,015	1,029	(14)
Total Current Assets	23,151	21,838	1,313
Capital Assets (net)	69,963	67,936	2,027
Total Assets	$ 93,114	$ 89,774	$ 3,340
LIABILITIES			
Current Liabilities			
Accounts payable and deferred revenue	$ 7,620	$ 9,717	$ (2,097)
Amounts held in trust for others	153	252	(99)
Current portion of long-term obligations	1,732	1,124	608
Total Current Liabilities	9,505	11,093	(1,588)
Long-Term Obligations	53,648	49,745	3,903
Total Liabilities	63,153	60,838	2,315
NET ASSETS			
Invested in capital assets	34,334	30,505	3,829
Restricted	2,913	3,337	(424)
Unrestricted	(7,286)	(4,906)	(2,380)
Total Net Assets	29,961	28,936	1,025
Total Liabilities and Net Assets	$ 93,114	$ 89,774	$ 3,340

* As restated

Except for funds held by trustees, remaining District cash balances are held in the Los Angeles County Treasury. The Statement of Cash Flows contained within these financial statements provides detail regarding the sources and uses of cash and the net change in cash during the fiscal year 2007-2008.

The majority of the accounts receivable balance is from Federal and State sources for grants and entitlement programs. The components of accounts receivable are primarily intergovernmental sources and are described more fully in the footnotes of the report.

Current liabilities of $9.5 million are amounts due as of the fiscal year end for salaries, goods and services, matured interest, amounts due to student groups, and payments for long-term obligations due within one year.

Long-term obligations include $50.5 million owed on bonds and notes payable, and $3.1 million in other liabilities, including compensated absences, early retirement incentives, and claims liabilities.

Total net assets either are restricted as to the purposes they can be used for or are invested in capital assets (land, buildings, equipment, etc.). Consequently, unrestricted net assets showed a deficit at the end of 2008. This deficit does not mean that the District does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets on a previous page are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District, the operating and non-operating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

Generally, operating revenues are earned by providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

A summarized comparison of the Statement of Revenues, Expenses, and Changes in Net Assets is presented below:

Table 2

(Amounts in thousands)

	2008	2007*	Change
Operating Revenues			
Tuition and fees	$ 1,611	$ 247	$ 1,364
Grants, contracts, and other operating revenues	8,174	7,556	618
Total Operating Revenues	9,785	7,803	1,982
Operating Expenses			
Salaries and benefits	25,782	23,725	2,057
Supplies and maintenance	11,429	13,518	(2,089)
Depreciation	906	2,996	(2,090)
Total Operating Expenses	38,117	40,239	(2,122)
Loss on Operations	(28,332)	(32,436)	4,104
Nonoperating Revenues			
State apportionments	22,462	23,918	(1,456)
Property taxes	6,440	6,367	73
State revenues	189	457	(268)
Net interest expense	(1,899)	(986)	(913)
Other nonoperating revenues	1,059	2,157	(1,098)
Total Nonoperating Revenue	28,251	31,913	(3,662)
Other Revenues			
State and local capital income	1,107	-	1,107
Net Increase in Net Assets	$ 1,026	$ (523)	$ 1,549

* As restated

Tuition and fees are generated by the residents, non-residents, and foreign students attending the Compton Community College District, including fees for parking, community services classes, and other related fees.

Non-capital grants and contracts are primarily those received from Federal and State sources and used to augment and strengthen instructional programs and offerings.

Operating expenses totaled $38.1 million of which over 68.0 percent is related to personnel costs. The balance of operating expenses is for supplies, other services, capital outlay items below the capitalization threshold, insurance, utilities, and depreciation expense.

Local property taxes are received through the Auditor-Controller's Office for Los Angeles County. The amount received for property taxes is deducted from the total State General Apportionment, an amount calculated by the State System's Office for each of California's community colleges.

State apportionments represent the base-line unrestricted funding received via the System's Office. Such funding is non-operational in nature as the funds come from the general resources of the State and not specific users of our educational program. The Compton Community College has been fortunate to secure additional capital outlay funding which is a much needed infusion of cash to alleviate some of the problems associated with old buildings, equipment, etc. Scheduled maintenance funded by the State normally requires a 50 percent match. There are, however, provisions to waive this requirement if a district can demonstrate a dire financial situation with ending balances below the three (3) percent threshold.

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 provided 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.

Table 3

(Amounts in thousands)

	2008	2007	Change
Cash Provided by (Used in)			
Operating activities	$ (27,049)	$ (29,760)	$ 2,711
Noncapital financing activities	29,409	41,394	(11,985)
Capital financing activities	(6,026)	(6,409)	383
Investing activities	506	(1,006)	1,512
Net Increase (Decrease) in Cash	(3,160)	4,219	(7,379)
Cash, Beginning of Year	16,680	12,461	4,219
Cash, End of Year	$ 13,520	$ 16,680	$ (3,160)

- Cash receipts from operating activities are from student tuition and fees and funds from Federal, State, and local grants. Use of operating cash is 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 80.6 percent of non-capital financing.

- Capital and related financing activities relate primarily to the purchase of capital assets and repayment of debt.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student aid, loans, and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the use of these assets to finance operations is not permitted by law or the education code. The District is responsible for ensuring that the assets reported in these funds are used for their intended and legal purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had $70.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2007, the District's net capital assets were $67.9 million. The District is currently in the initial stages of a major infrastructure improvement program that will lead to construction throughout the campus. Projects that are part of the program are primarily funded by funds appropriated, or to be appropriated, from the State from the sale of Statewide higher education facility bonds.

Capital projects are continuing through the 2008-2009 fiscal year and beyond with primary funding from the State, supplemented with funds from the District's voter approved capital improvement program.

Table 4

(Amounts in thousands)

	Balance Beginning of Year*	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 22,700	$ 2,175	$ -	$ 24,875
Buildings and improvements	52,301	270	-	52,571
Equipment and vehicles	4,958	487	-	5,445
Subtotal	79,959	2,932	-	82,891
Accumulated depreciation	(12,022)	(906)	-	(12,928)
	$ 67,937	$ 2,026	$ -	$ 69,963

* As restated

Obligations

At the end of the 2007-2008 fiscal year, the District had $37.4 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Compton Community College District boundaries.

In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits and lease purchase agreements for equipment.

Table 5

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Bonds and notes payable	$ 48,122	$ 5,000	$ 1,007	$ 52,115
Other liabilities	2,617	744	96	3,265
Total Long-Term Obligations	$ 50,739	$ 5,744	$ 1,103	$ 55,380
Amount due within one year				$ 1,732

Economic Factors that May Affect the Future

The economic position of the District is closely tied to that of the State of California. Reductions in State appropriations to community colleges in general, and specifically to Compton Community College District, will have a direct negative impact on our programs and our ability to serve the student body. Management will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

The declining fiscal condition of the District is being addressed locally. The State of California requires the District to maintain adequate reserves. The District is aggressively recruiting students and is engaged in extensive enrollment management planning. It is regaining the strong support of its community and local elected officials. It is implementing improved budget, financial, and cash management practices. These and other positive developments are strong indicators of its progress towards renewed fiscal viability and long-term stability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 231,113
Cash and cash equivalents - restricted	60,643
Investments - unrestricted	3,316,597
Investments - restricted	9,911,917
Accounts receivable	8,616,406
Unamortized issuance costs	815,020
Other current assets - current portion	199,598
Total Current Assets	23,151,294
Noncurrent Assets	
Nondepreciable capital assets	24,875,167
Depreciable capital assets, net of depreciation	45,087,971
Total Noncurrent Assets	69,963,138
TOTAL ASSETS	93,114,432
LIABILITIES	
Current Liabilities	
Accounts payable and other accrued liabilities	4,682,188
Interest payable, restricted	913,806
Deferred revenue	2,023,847
Amounts held in custody on behalf of others	153,312
Bonds and notes payable - current portion	1,578,890
Other long-term liabilities - current portion	153,063
Total Current Liabilities	9,505,106
Noncurrent Liabilities	
Bonds and notes payable - noncurrent portion	50,536,349
Other long-term liabilities - noncurrent portion	3,111,335
Total Noncurrent Liabilities	53,647,684
TOTAL LIABILITIES	63,152,790
NET ASSETS	
Invested in capital assets, net of related debt	34,333,947
Restricted for:	
Debt service	1,301,194
Capital projects	1,488,167
Other activities	124,410
Unrestricted	(7,286,076)
TOTAL NET ASSETS	$ 29,961,642

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

COMPTON COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES	
Student Tuition and Fees	$ 2,728,029
Less: Scholarship discount and allowance	(1,117,309)
Net tuition and fees	1,610,720
Grants and Contracts, noncapital:	
Federal	1,181,621
State	6,095,369
Other Operating Revenues	896,556
TOTAL OPERATING REVENUES	9,784,266
OPERATING EXPENSES	
Salaries	21,045,812
Employee benefits	4,735,726
Supplies, materials, and other operating expenses and services	11,100,072
Equipment, maintenance, and repairs	328,601
Depreciation	905,627
TOTAL OPERATING EXPENSES	38,115,838
OPERATING LOSS	(28,331,572)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	22,461,930
Local property taxes, levied for general purposes	6,440,393
State taxes and other revenues	189,141
Investment income	547,651
Interest expense on capital related debt	(1,899,668)
Other nonoperating revenue	511,147
TOTAL NONOPERATING REVENUES (EXPENSES)	28,250,594
LOSS BEFORE OTHER REVENUES AND EXPENSES	(80,978)
State revenues, capital	509,883
Local revenues, capital	596,962
TOTAL OTHER REVENUES AND EXPENSES	1,106,845
CHANGE IN NET ASSETS	1,025,867
NET ASSETS, BEGINNING OF YEAR AS RESTATED	28,935,775
NET ASSETS, END OF YEAR	$ 29,961,642

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 1,263,570
Noncapital grants and contracts	7,772,556
In-district contributions	896,556
Payments to vendors for supplies and services	(10,702,789)
Payments to or on behalf of employees	(26,278,839)
Net Cash Flows From Operating Activities	(27,048,946)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	23,708,986
Property taxes - nondebt related	6,440,393
State taxes and other apportionments	189,141
Other nonoperating	(930,016)
Net Cash Flows From Noncapital Financing Activities	29,408,504
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(4,083,377)
State revenue, capital projects	509,883
Principal paid on capital debt	(1,138,181)
Interest paid on capital debt	(1,910,981)
Insurance proceeds for capital facilities	596,962
Net Cash Flows From Capital Financing Activities	(6,025,694)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	505,958
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,160,178)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,680,448
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,520,270

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

STATEMENT OF CASH FLOWS, Continued
FOR THE YEAR ENDED JUNE 30, 2008

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (28,331,572)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation	905,627
Changes in Assets and Liabilities:	
Receivables, net	649,903
Prepaid expenses	13,833
Accounts payable and accrued liabilities	(432,695)
Deferred revenue	(501,487)
Compensated absences	647,445
Total Adjustments	1,282,626
Net Cash Flows From Operating Activities	$ (27,048,946)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash and cash equivalents - unrestricted	$ 231,113
Cash and cash equivalents - restricted	60,643
Investments - unrestricted	3,316,597
Investments - restricted	9,911,917
Total Cash and Cash Equivalents	$ 13,520,270
NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 452,497

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

NOTE 1 - ORGANIZATION

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

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

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

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

Financial Reporting Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

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

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools,* investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students. Management has analyzed these accounts and believes all amounts are fully collectible.

Unamortized Issuance Costs

Amounts paid for fees and underwriting costs associated with General Obligation Bonds previously issued were capitalized and are amortized to interest expense over the life of the bonds. Issuance costs of $1,029,500 were capitalized and are amortized using the straight-line method. Amortization of $42,896 was recognized during 2006-2007.

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Bond Premiums

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums are deferred and amortized over the life of the bonds using the straight line method. See Note 9 for additional information.

Compensated Absences

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

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

Deferred Revenue

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

Net Assets

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

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

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

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

Operating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement Systems (CalPERS) on behalf of all community colleges in California.

Estimates

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

Property Taxes

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

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

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

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

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASB Statement No. 47 is encouraged.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.* This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 27, *Accounting for Pensions by State and Local Governmental Employers,* to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to those intangible assets, as applicable. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as Phase 1 or Phase 2 governments for the purpose of implementing Statement No 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement is intended to improve how State and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 3 - CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. The District's investment policy does not address risk criteria as defined in GASB Statement No. 40.

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

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

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

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, consist of the following:

Cash and cash equivalents	$ 291,756
Investments	13,228,514
	$ 13,520,270

Cash on hand and in banks	$ 91,756
Cash in revolving	200,000
Investments	13,228,514
Total Deposits and Investments	$ 13,520,270

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity in Days
County Pool	$ 13,216,298	556

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, 2008.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2008, the District's bank balance of $131,954 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

Federal government	$ 684,225
State government	
State apportionment	1,317,534
State categorical aid	39,499
State lottery	126,373
Other State sources	5,000,000
Local sources	
Local agency - related party	497,804
Interest	105,970
Other local sources	845,001
Total	$ 8,616,406

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Restated 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	20,376,280	2,174,887	-	22,551,167
Total Capital Assets Not Being Depreciated	22,700,280	2,174,887	-	24,875,167
Capital Assets Being Depreciated				
Buildings and improvements	49,427,453	214,410	-	49,641,863
Site improvements	2,873,231	55,856	-	2,929,087
Furniture and equipment	4,957,753	486,770	-	5,444,523
Total Capital Assets Being Depreciated	57,258,437	757,036	-	58,015,473
Total Capital Assets	79,958,717	2,931,923	-	82,890,640
Less Accumulated Depreciation				
Buildings and improvements	8,654,187	11,824	-	8,666,011
Site improvements	586,598	130,019	-	716,617
Furniture and equipment	2,781,090	763,784	-	3,544,874
Total Accumulated Depreciation	12,021,875	905,627	-	12,927,502
Net Capital Assets	$ 67,936,842	$ 2,026,296	$ -	$ 69,963,138

Depreciation expense for the year was $905,627.

The Learning Resource Center Building (LRC) is currently unoccupied and has not been placed into service though the construction is substantially complete. The LRC building is the subject of possible litigation revolving around structural integrity. The $17,363,585 cost to date has been reported as part of work in progress.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

Accrued payroll	$ 1,059,213
Construction	1,739,461
Vendor payables	1,615,856
Other	267,658
Total	$ 4,682,188

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

State categorical aid	$ 1,621,429
Federal categorical aid	107,546
Student fees	80,028
Other	214,844
Total	$ 2,023,847

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivables and payables consist of amounts due for cost allocation. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivable and payable balances at June 30, 2008, have been eliminated in the consolidation process for financial statement presentation.

Interfund Operating Transfers

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

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$38,325,000	$ -	$ 905,000	$37,420,000	$ 1,030,000
Bond premium	2,031,620	-	101,581	1,930,039	101,581
Note payable	7,765,200	5,000,000	-	12,765,200	447,309
Total Bonds and Notes Payable	48,121,820	5,000,000	1,006,581	52,115,239	1,578,890
Other Liabilities					
Compensated absences	817,813	631,939	-	1,449,752	-
Early retirement incentive - CalSTRS	312,656	112,316	47,689	377,283	54,821
Early retirement incentive - CalPERS	196,484	-	49,121	147,363	98,242
Claims liability	1,290,000	-	-	1,290,000	-
Total Other Liabilities	2,616,953	744,255	96,810	3,264,398	153,063
Total Long-Term Obligations	$50,738,773	$5,744,255	$1,103,391	$55,379,637	$ 1,731,953

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.

Description of Debt

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was $100,000,000. At June 30, 2008, $41,000,000 had been issued and $37,420,000 was outstanding. Interest rates on the bonds range from 3.0 to 4.0 percent.

Debt Maturity

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Redeemed	Bonds Outstanding June 30, 2008
1/14/2004	7/1/2028	3.0-4.0%	$ 41,000,000	$ 38,325,000	$ 905,000	$ 37,420,000

The bonds mature through fiscal year 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	$ 1,030,000	$ 1,807,013	$ 2,837,013
2010	400,000	1,780,913	2,180,913
2011	490,000	1,768,063	2,258,063
2012	580,000	1,752,013	2,332,013
2013	680,000	1,731,413	2,411,413
2014-2018	5,250,000	8,088,131	13,338,131
2019-2023	9,470,000	6,261,775	15,731,775
2024-2028	15,515,000	3,083,825	18,598,825
2029	4,005,000	100,125	4,105,125
Total	$ 37,420,000	$ 26,373,271	$ 63,793,271

Note Payable

Assembly Bill 318 appropriated $30 million to the Board of Governors of the California Community Colleges as an emergency apportionment to finance, among other things, activities described in Article 5 of Chapter 5, Part 46 of the Education Code. The financing does not constitute a borrowing, but is instead an advance apportionment subject to repayment with interest. At June 30, 2008, the District had received $12,896,800 with $12,765,200 outstanding.

Fiscal Year	Principal	Interest to Maturity	Total
2009	$ 447,309	$ 642,476	$ 1,089,785
2010	466,017	538,950	1,004,967
2011	485,572	519,395	1,004,967
2012	506,014	498,953	1,004,967
2013	527,386	477,581	1,004,967
2014-2018	2,993,316	2,031,520	5,024,836
2019-2023	3,695,627	1,329,209	5,024,836
2024-2028	3,643,959	705,406	4,349,365
Total	$ 12,765,200	$ 6,743,490	$ 19,508,690

Compensated Absences

At June 30, 2008, the liability for compensated absences was $1,449,752.

Early Retirement Incentives

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

Early Retirement Incentive – CalSTRS

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

Fiscal Year	Principal	Interest to Maturity	Total
2009	$ 54,821	$ 17,271	$ 72,092
2010	53,743	13,748	67,491
2011	53,745	12,110	65,855
2012	53,744	9,686	63,430
2013	53,743	7,264	61,007
2014-2016	107,487	7,259	114,746
Total	$ 377,283	$ 67,338	$ 444,621

Early Retirement Incentive – CalPERS

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

Fiscal Year	Principal	Interest to Maturity	Total
2009	$ 98,242	$ 9,514	$ 107,756
2010	49,121	4,757	53,878
Total	$ 147,363	$ 14,271	$ 161,634

Claims Liability

At June 30, 2008, the liability for claims liability was $1,290,000. See Note 11 for additional information.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in California Public Employees' Retirement System (CalPERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in California State Teachers' Retirement System (CalSTRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis as premiums are paid. During the 2008 fiscal year, the District provided insurance premium benefits to 74 retired employees with total expenditures of $586,843. The District will be implementing provisions of GASB Statement No. 45 during the 2008-2009 fiscal year.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year ending June 30, 2008, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

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

Claims Liability

The District records an estimated liability for workers' compensation claims against the District. Claims liability is based on the ultimate cost of the reported claims including future claim adjustment expense and an estimate for claims incurred, but not reported, based on historical experience. The amount of the liability is based on Bay Actuarial Consultants report dated June 7, 2007. The projected liability for unpaid losses reported in the Statement of Net Assets is $1,290,000 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, 2006	$ 1,018,170
Claims and changes in estimates	(140,107)
Claims payments	411,937
Liability Balance, June 30, 2007	1,290,000
Claims and changes in estimates	(611,382)
Claims payments	611,382
Liability Balance, June 30, 2008	$ 1,290,000
Assets Available to Pay Claims at June 30, 2008	$ 1,279,910

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the 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 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, CA 95826.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative CalSTRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2008, 2007, and 2006, were $826,529, $891,232, and $1,103,450, 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 death 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, CA 95811.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2007-2008 was 9.306 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007, and 2006, were $700,562, $559,581, and $753,319, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2008, 2007, and 2006, which amounted to $452,497 and $509,020 for 2008 and 2007, respectively, 4.517 percent of salaries subject to CalSTRS. Information was not available for the payment of the 2006 year. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. The 2008 and 2007 amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The U.S. Department of Education is currently conducting a review of the District Student Financial Aid Program for the year ended June 30, 2004. This review has not yet been finalized. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2008, is not known.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the effect of the disposition of the litigation on the financial statements at June 30, 2008, is not currently known.

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
New construction, renovations, and improvements:		
Learning Resource Center Close-Out	$ 200,000	November 2009
Learning Resource Center Reprogramming	104,000	November 2009
Energy Efficiency Improvements:		
Server Room HVAC Enhancements	504,000	March 2009
	$ 808,000	

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

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

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

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

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

During the year ended June 30, 2008, the District made payments of $254,393 and $18,397 to SWACC and SAWCX II, respectively.

NOTE 15 - DISTRICT FINANCIAL CONDITION

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

The current fiscal and operational deficiencies of the District place doubt on the ability to continue with the current structure and achieve independent financial and operational stability.

Management has begun to actively address the operational issues by hiring an internal auditor and a business manager. The fiscal stability issues are being addressed through a $30 million line of credit from the State of California. Management believes these positive changes and more direct monitoring and oversight will allow the District to return to operational and fiscal stability within the next five year timeframe.

NOTE 16 - RESTATEMENT OF NET ASSETS

The financial statements reflect a correction of accumulated accounting errors which were discovered and reconciled by management. The Capital Asset Equipment balance has been corrected to reflect disposals resulting from a physical inventory taken by a third party. The Capital Asset Construction in Progress account has been corrected to reflect adjustments in construction expenditures previously reported in the past three to four year period. Accounts Receivable and Deferred Revenue accounts have been corrected to reflect changes to previously reported grant revenues and expenditures. The Accounts Payable account has been adjusted to reflect the clearing of previously accrued balances that were not properly cleared.

Summarized below are the effects to net assets:

Net Assets - Beginning	$ 30,040,801
Restatement of construction expenditures:	
Construction in progress	(2,067,091)
Restatement based on capital asset inventory:	
Depreciable capital assets	(2,432,983)
Restatement of grant activities:	
Accounts receivable and deferred revenue (net)	611,900
Restatement to correct accrual balances	2,783,148
Net Assets - Beginning as Restated	$ 28,935,775

SUPPLEMENTARY INFORMATION

COMPTON COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2008

The Compton Community College District was established on July 1, 1927, and is comprised of an area of approximately 29 square miles located in Los Angeles County. The Assembly Bill 61 authorized the Board of Governors to suspend the authority of the Board of Trustees of the District effective July 14, 2004. Assembly Bill 318 extended the provisions of Assembly Bill 61 to a period of five years from the effective date of the Bill which was June 30, 2006.

SPECIAL TRUSTEE

Dr. Peter J. Landsberger

BOARD OF TRUSTEES – NON-VOTING

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

ADMINISTRATION

Dr. Lawrence M. Cox	Provost/CEO
Mr. Keith Curry	Dean, Student Affairs
Ms. Susan Dever	Dean, Academic Affairs
Ms. Jane Harmon	Interim Administrative Dean, Academic Affairs
Ms. Rachelle Sasser	Dean, Human Resources
Mr. Rodney Murray	Dean, Career Technology Education
Ms. Wanda Morris	Acting Dean, Health and Human Services

COMPTON COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Direct Funded:		
TRIO Cluster:		
Student Support Services	84.042A	$ 267,986
Upward Bound	84.047M	176,759
Upward Bound Math and Science	84.047A	347,620
Passed through the California Department of Education:		
Independent Living Program	84.169	7,787
Total U.S. Department of Education		800,152
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the California Department of Education:		
Child and Adult Food Care Program	10.558	46,322
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the California Community Colleges System's Office:		
Temporary Assistance for Needy Families	93.558	148,202
Foster Kinship Care	93.658	141,222
Passed through the California Community Colleges Foundation:		
MAPPS - Foster Care	93.676	9,300
Passed through the California Department of Education:		
School Age Resource	93.575	1,631
Child Development Programs - Infant Toddler Care	93.575	2,666
Direct Funded:		
HRSA - Nursing Education, Practice, and Retention Grant: Career Ladder	93.359	32,872
Total U.S. Department of Health and Human Services		335,893
Total Expenditures of Federal Awards		$ 1,182,367

See accompanying note to supplementary information.

COMPTON COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Articulation	$ 5,000	$ 669	$ 5,669
Basic Skills	99,761	287,064	386,825
Board of Financial Assistance Program	301,723	33,021	334,744
CalWORKs	724,866	-	724,866
CalWORKs (Department of Public Social Services)	186,402	-	186,402
Cooperative Agencies Resources for Education (CARE)	624,997	686,898	1,311,895
Careers in Child Care	159,904	-	159,904
Child Care Training Consortium	12,500	-	12,500
Child Development Grants - Instructional Materials	3,237	-	3,237
Disabled Student Programs and Services	222,067	80,514	302,581
Economic Development	-	33,678	33,678
Enrollment Growth for Associate Degree Nursing Program	240,023	26,253	266,276
Extended Opportunity Program and Services	1,018,979	306,884	1,325,863
Faculty and Staff Diversity	9,148	17,003	26,151
General Child Care and Development Program	894,132	-	894,132
Matriculation	305,558	156,760	462,318
Plant and Equipment Block Grant	100,000	203,853	303,853
Telecommunication and Technology Infrastructure Program	45,183	15,776	60,959
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 5,669	$ -	$ -	$ 1,251	$ 4,418	$ 4,418
386,735	-	-	263,400	123,335	123,335
335,836	-	34,113	22,160	279,563	279,563
724,866	-	-	16,938	707,928	707,928
186,402	-	-	22,640	163,762	163,764
1,011,894	-	-	450,719	561,175	561,175
101,284	6,904	-	-	108,188	108,188
9,014	2,429	-	-	11,443	11,443
3,237	-	-	-	3,237	3,237
222,067	30,166	-	-	252,233	252,233
33,678	-	33,678	-	-	-
368,383	-	-	231,932	136,451	136,451
1,325,863	-	-	-	1,325,863	1,325,863
26,151	-	-	26,151	-	-
679,665	-	-	110,582	569,083	569,083
462,318	-	-	136,527	325,791	325,791
303,853	-	-	278,170	25,683	25,683
60,959	-	-	60,959	-	-
$ 6,247,874	$ 39,499	$ 67,791	$ 1,621,429	$ 4,598,153	$ 4,598,155

COMPTON COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

CATEGORIES	Revised Reported Data [1]	Audit Adjustments	Audited Data
A. Summer Intersession - 2007			
1. Noncredit	8	-	8
2. Credit	414	-	414
B. Summer Intersession - 2008			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,233	-	2,233
(b) Daily Census Contact Hours	414	-	414
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	33	-	33
(b) Credit	245	-	245
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	-	-	-
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	3,347	-	3,347
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	-	-	-
2. Credit	332	-	332
	332	-	332

[1] Revised as of October 31, 2008

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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	Child Development	Capital Outlay
FUND BALANCE/RETRAINED EARNINGS				
Balance, June 30, 2008, (CCFS-311)	$ 4,267,030	$ 149,820	$ 282,619	$ 1,563,816
Increase in:				
Cash in County Treasury	-	-	-	-
Accounts receivable	-	37,161	-	-
Due from other funds	-	-	-	-
Accounts payable	-	-	-	(75,649)
Due to other funds	(406,453)	(9,884)	-	-
Claims liability	-	-	-	-
Deferred revenue	-	(333,243)	-	-
Fund balance	667,899	568,004	-	-
Decrease in:				
Accounts receivable	-	-	(6,939)	-
Accounts payable	205,143	44,768	8,876	-
Due to other funds	2,380,884	-	-	-
Fund balance	-	-	(160,146)	-
Balance, June 30, 2008, Fund Financial Statement	$ 7,114,503	$ 456,626	$ 124,410	$ 1,488,167

See accompanying note to supplementary information.

Revenue Bond Construction	Self-Insurance	Student Financial Aid
$ 3,930,386	$ (158,637)	$ (409,679)
-	175,000	-
-	-	-
-	-	209,416
(794,386)	(26,441)	-
(2,380,884)	-	-
-	(12)	-
-	-	-
2,150,712	-	-
-	-	-
-	-	92,746
-	-	-
-	-	-
$ 2,905,828	$ (10,090)	$ (107,517)

COMPTON COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance:		
General Funds	$ 7,571,129	
Special Revenue Funds	124,410	
Capital Project Funds	4,393,995	
Debt Service Funds	2,215,000	
Internal Service Funds	(10,090)	
Fiduciary Funds	45,795	
Total Fund Balance - All District Funds		**$ 14,340,239**
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	82,890,640	
Accumulated depreciation is	(12,927,502)	
Net Capital Assets		69,963,138
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.		815,020
Amounts held in trust on behalf of others (Trust and Agency Funds)		(153,312)
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.		(913,806)
Long-term obligations at year end consist of:		
Bonds payable	(37,420,000)	
Premium on bond	(1,930,039)	
Notes payable	(12,765,200)	
Compensated absences	(1,449,752)	
Early retirement incentive - CalSTRS	(377,283)	
Early retirement incentive - CalPERS	(147,363)	
Total Long-Term Obligations		(54,089,637)
Total Net Assets		**$ 29,961,642**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

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

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

Reconciliation of Annual Financial and Budget Report (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 fund financial statements.

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

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

INDEPENDENT AUDITORS' REPORTS

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

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

Board of Trustees
Compton Community College District
Compton, California

We have audited the financial statements of the business-type activities of the Compton Community College District (the District) for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2008-1 through 2008-16.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 through 2008-9 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compton Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 through 2008-16.

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 30, 2009

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

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

Board of Trustees
Compton Community College District
Compton, California

Compliance

We have audited the compliance of Compton Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Compton Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Compton Community College District's management. Our responsibility is to express an opinion on Compton Community College District's compliance based on our audit.

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

In our opinion, Compton Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-17.

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Internal Control Over Compliance

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

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 30, 2009

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

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
Compton Community College District
Compton, California

We have audited the financial statements of the Compton Community College District (the District) for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the System's Office's *California Community Colleges Contracted District Audit Manual (CDAM)*. The Compton Community College District has lost accreditation and, accordingly, did not operate the Educational Center (Compton College) during the fiscal year ended June 30, 2008. The Center is operated by the El Camino Community College District through a memorandum of understanding with Compton Community College District. Accordingly, through mutual agreement with the California Community Colleges System's Office, certain sections of the Contract District Audit Manual are not applicable to the Compton Community College District because they relate to systems and processes of El Camino Community College District. The applicable sections of which we are issuing an opinion include sections:

Administration

Section 426: Students Actively Enrolled
Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds
Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

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Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings 2008-18 and 2008-19 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the Compton Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

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 them.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008

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

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No
STATE AWARDS	
Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

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

MATERIAL WEAKNESSES

2008-1 Financial Condition

Criteria

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

Condition

The Compton Community College District has experienced several years of deficit spending, both within the various funds of the District and at an entity-wide level. The Unrestricted Net Assets of the District reported on page 13 are $(7.3) million at the end of the 2007-2008 fiscal year. The negative Unrestricted Net Assets at the end of the 2006-2007 fiscal year were $(8.3) million. The District has lost accreditation to provide educational programs and Federal student financial aid to the students attending the Compton Education Center. The District is currently relying on a set funding level from the State Community College's System's Office, as well as a $30 million line of credit from the State of California. As of June 30, 2008, $12.9 million of this line of credit had been accessed.

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

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

Context

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

Effect

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

Recommendation

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

Management Response and Planned Corrective Action

The District is in agreement that, as of June 30, 2008, internal control policies and procedures were still under development and progress on implementation was severely lacking. In fact, the audit report, along with management letter comments for the year ended June 30, 2007, was not available to the District for response until March 2008. However, as of November 2008, the District staff believe the District had developed and implemented 24 of the 29 previous year's management letter comments. An additional four were in progress and only one remained under review.

The District is in agreement that their overall financial stability has remained, and will remain for a period, subject to reliance on the State line of credit.

The District is in agreement that in the mid-term, it will be challenging to maintain fiscal operations that provide sufficient funds to repay the loan from the State.

The District has, throughout the past few years, developed various fiscal models. It is critical to note that the District's full-time equivalent students (FTES) which are typically the basis for a district's State revenue, has made a significant recovery through June 30, 2008. Further, the FTES for the period July 1, 2008 through December 31, 2008, continues to grow at better than projected rates.

Unfortunately, the general condition of the State of California's budget has the likely potential of negatively impacting all California community colleges (other than those on basic aid). The District is fortunate to have the current protection of SB 318 during these crucial times.

2008-2 Financial Statement Reporting

Criteria

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

Condition

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

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

Context

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

Effect

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

Recommendation

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

Management Response and Planned Corrective Action

The District agrees that the accounting maintenance of two parallel software accounting systems is most difficult for a district of this size and with its limited number of high-level trained accounting staff. The District will re-look at this process. Obviously, for the year ended June 30, 2009, the two parallel software accounting systems will remain.

It is critical to note that Los Angeles County Office of Education (LACOE) has been in the process of evaluating their continuing relationship with PeopleSoft, as well as their "in progress" upgrade to a newer version of PeopleSoft. The District's re-look will include considerable interaction with LACOE and LACOE's future plans.

The District will redouble its direct oversight on the reconciliation of the two accounting systems and, specifically, journal entries.

The District does agree that the CCFS-311 incorrectly included activity that should not have been reported. It was disclosed to the auditors during their field work that those entries were present and those entries would be moved over at the time of our final adjusting entries. The District does agree to revisit this matter and ascertain whether an alternative method of tracking and transmitting is more logical. The District does remain concerned with regard to older balance forwards. The clean-up of multiple prior years and the lateness of prior financial closing and reporting has added its own layers of confusion in the recording of adjusting entries.

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

Federal Programs Affected

See the SEFA included within the audited financial statements.

Criteria or Specific Requirement

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

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Recommendation

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

Management Response and Planned Corrective Action

The District is in agreement that the SEFA required elements are most challenging and understands the complete compliance with this Federal requirement will require substantial extended work by high-level trained accounting staff. The District is aware that most, if not all, California community college districts are receiving findings on this matter. The District does agree that most all Federal program awards can only be reported on El Camino Community College District's final reports – exceptions to be Trio and some Child Development Center funds.

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

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

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

Management Response and Planned Corrective Action

The District agrees that the audit results of the payroll testing and cash receipts coding and posting dictate significant more attention and training is needed in these areas. Further, substantial, additional testing is already underway on several payroll matters requiring expansive review. A plan for this follow up, which includes further training, was submitted to the auditors prior to the end of their field work. Work is already in planning and/or underway on all matters relating to payroll. The cash receipts coding is currently undergoing further research.

The District believes that substantial training and improvements have been made in other accounting areas such as accounts payable and general accounting. Several Compton Community College District employees were under the direct supervision of El Camino Community College District staff. Stability of and the depth and breadth of a knowledgeable accounting staff has been a desired outcome. While there certainly have been challenges in certain funds, the clean-up required on certain of these finds are dramatic and expand for many years. This fact, added to the lateness of the prior year's audit, closing process and reporting have exasperated the correct recording of year-end journal entries and the appropriate reversals thereof.

The District does understand the importance of the accounting role that its future Chief Business Officer must perform in an environment of this limited size. However, it is difficult to attract such talent given the previous fiscal and related conditions. The District is currently recruiting for just such talent.

2008-5 Accrual Accounts

Criteria

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

Condition

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

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

Effect

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

Recommendation

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

Management Response and Corrective Action Plan

The District is in agreement that this matter deserves and will receive more careful attention in future years' audits. The review and adherence to proper year-end cut-off procedures will be a focus of Compton Community College District's new Chief Business Officer. It is anticipated that the clean-up of various funds, coupled with a more current and expanded year-end audit, will make the upcoming year-end audit cleaner and more quickly doable. These facts should allow for more accurate and reconciled year-end accruals and all associated with same.

2008-6 Capital Asset Accounting

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Corrective Action Plan

The District would agree that the previously existing status of fixed asset accounting and inventory was without merit. The lack of such a system allowed errors to go unadjusted for years, perhaps dating as far back at the early 1990s. Staff has been able to verify that items sold and/or surpluses back as far as 2002 (and likely much further back) were never appropriately deleted from the accounting records. While this deficiency had been known for many years, the accounting entries to recognize this deficiency appear to have never been made. It was determined that, at the end of this fiscal year, accounting records would be properly adjusted to reflect the actual inventory on site as of the Spring independent inventory. Thus, while this adjustment appears large, it likely covers a massive time period of perhaps as many as 20 or more years.

It is the District's intent to have an independent fixed asset inventory at least every two years to assure that the physical inventory is reconciled to the accounting inventory. A draft Board Policy and Administrative Procedure is currently under review by management.

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

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Corrective Action

The District agrees the fund and related accounting practices deserve more careful attention in the coming year. The review and adherence to proper year-end cut-off procedures will be a focus of Compton Community College District's new Chief Business Officer. The monthly transfers and reconciliations will also be a high priority of this Chief Business Officer.

2008-8 Internal Balances - Receivables and Payables

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Corrective Action Plan

The District agrees the Interfund activity and related accounting practices deserve significantly more careful attention in the coming year. The review and adherence to proper year-end cut-off procedures will be a focus of Compton Community College District's new Chief Business Officer. Given the status of the multiple year clean-ups currently being accomplished, this process should now become much more doable in future year-ends. By this clean-up, management will be able to focus on issues of substantial importance. Procedures have already begun to resolve these very old "balance forwards", etc., and take the necessary action for adjustments and future decisions.

2008-9 Student Enrollment Fees and Related Accruals

Criteria

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

Condition

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

Effect

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

Context

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

Recommendation

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

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

Management Response and Corrective Action Plan

The District agrees that the student accounts receivable and deferred revenue balances need further review and validation. The internal auditor has just completed a reconciliation.

SIGNIFICANT DEFICIENCIES

2008-10 Internal Control Structure

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

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

Management Response and Planned Corrective Action

The District is in the process of reviewing all Board Policies and will ensure the proper policies are updated and brought to the Special Trustee for approval.

2008-11 Financial Statement Reporting

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Planned Corrective Action

The District is in agreement that the number of supplemental payroll during the 2007-2008 fiscal year was excessive. The District will take action to ensure payroll is properly calculated prior to regular payroll dates to reduce the number of supplemental payroll necessary during the 2008-2009 year.

2008-12 Payroll

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Planned Corrective Action

The District is in agreement with this finding and has engaged the Internal Auditor to do a complete review of all instructor workloads and the payments made to instructors. The District will correct any errors in payments by either providing a supplemental paycheck for instructors who have not been paid the proper amount or setting up a repayment schedule for those instructors that have been overpaid.

2008-13 Payroll Clearance Fund and Liability Accounts

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Planned Corrective Action

The District agrees with this finding and will institute a reconciliation process.

2008-14 Vacation Liability Maintenance

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Corrective Action Plan

The District agrees with the recommendation, and the new procedures will be a focus of Compton Community College District's new Chief Business Officer.

2008-15 Cash Bank Reconciliations

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Corrective Action Plan

The District agrees with the recommendation, and the new procedures will be a focus of Compton Community College District's new Chief Business Officer.

2008-16 Bursar's Office Procedures

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

Management Response and Corrective Action

The District agrees with the recommendation, and the new procedures will be a focus of Compton Community College District's new Chief Business Officer. Written procedures, as well as training of staff, have occurred during the past two years. However, from the condition of the records and the lack of sufficient recording, it is apparent that established procedures have not been adhered to and that oversight is substantially lacking.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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

2008-17 Procurement, Suspension, and Debarment

Major Program

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

Criteria

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

Condition

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

Questioned Costs

None. See context.

Context

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

Effect

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

Cause

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

Recommendation

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

Management Response and Corrective Action Plan

The District will modify purchasing procedures to include verification that any vendor, who is providing goods and services in excess of $25,000 to a federally funded District program, has not been suspended or debarred from providing such services. The verification will be made using the EPLS listing maintained by the Federal Government, asking for a certification form from the vendor, or adding a condition to the purchasing transactions. The District will update its contract templates for all contract types that exceed $25,000 to include this verification condition.

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

2008-18 Enrollment Fees

Criteria or Specific Requirement

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

- Educational Code Section 76300, 76140(k), and 84757
- Form CCFS-323, Actual Enrollment Fee Revenue Report
- Form CCFS-311, Annual Financial and Budget Report
- Accounting Advisory No. 98-02, date April 13, 1998
- Budget and Accounting Manual (BAM), Ch. 3, pg. 3.36, Local Revenue Account 8874 "Enrollment"

Condition

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

Questioned Costs

Unable to determine.

Context

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

Effect

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

Cause

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

Recommendation

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

Management Response and Corrective Action Plan

The District has researched and verified that the CCFS-323 Report to the State Chancellor's Office was incorrect. The District will further make efforts to verify that this incorrect reporting did not impact the District's State apportionment funding. Obviously, in the future, such incorrect reporting would lead to incorrect State apportionment funding. The District agrees that the supervisory personnel involved in any and all State reporting must be schooled in such reporting requirements.

2008-19 CalWORKs

Criteria

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

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

Condition

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

Questioned Costs

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

Context

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

Effect

The granting agency may require disallowed costs be repaid.

Cause

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

Recommendation

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

Management Response and Corrective Action Plan

The District agrees that the Program Director should review and sign off on all expenditures of these funds. The District does not agree that any inappropriate expenditure of funds occurred. On the items determined by the auditors to be "inappropriate", gas cards (that were allowed in the TANF Program Handbook Guidelines) were charged to CalWORKs rather than TANF. This was clearly done with the approval of the Chancellor's Office CalWORKs program staff. The auditors have been provided the documentation of the Chancellor's Office approval.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

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

2007-1 District Financial Condition

Criteria or Specific Requirement

Best practices require an entity to establish adequate controls related to budgets and expenditures to ensure the entity will continue as a going concern

Condition

Material Weakness – As noted in the prior years' audit reports (comments 04-13, 05-01 and 06-01) and in the current year Note 14 to the Financial Statements, the District has experienced significant decline in the available reserves of the General Fund, increased deficit spending within the Child Development fund and the Workers' Compensation Self-Insurance fund. The State of California has provided a $30 million line of credit to the District of which $7.897 million has been drawn as of June 30, 2007. With this loan, included within the General Fund, the ending balance has returned to a positive position, and the reserve levels are within State guidelines. However, the District has failed to implement sound internal controls policies and budget monitoring processes which may impact the District's return to financial stability on an on-going basis.

Effect

The continued deficit spending and lack of sound budget monitoring procedures within the various funds of the District may have an overall impact on the financial stability of the District in the future.

Current Status

Not implemented. See current year finding 2008-1.

2007-2 Internal Control Structure

Criteria or Specific Requirement

Industry standards and best practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

Condition

Material Weakness – Internal control structure over the budget monitoring, account review and reconciliation, and reporting is lacking the basic components necessary to ensure the timely and accurate review, analysis, and reporting of financial information. There is a lack of oversight and knowledge base of generally accepted accounting principles within the financial accounting offices, as well as a lack of the qualifications, experience, and training of staff to fulfill their assigned functions. The procedures related to recording transactions, preparing journal entries, reconciling accounts, and approving financial information have not been written to serve as a basis for training new staff coming into the financial accounting office. The District is required to complete and file the financial statements on Form CCFS-311 on or before October 15, 2007, and the annual audit report on or before December 31, 2007. The District did meet the filing timeline for the CCFS-311 report; however, the errors and omissions noted during the audit are of such significance that the report does not present the financial activity of the District for the year ended June 30, 2007.

Effect

As a result of the deficiencies in the internal control structure, the District is at risk of misreporting activity and account balances and not identify the misreporting in a timely manner. Audit adjustments within the balance sheet and income statement accounts were necessary to report the financial activity during the year. The information necessary to complete the audited financial statements was not provided and reviewed to ensure the timely filing of the audited financial statements in accordance with the State Chancellor's Office's December 31 due date.

Current Status

Improved. See current year finding 2008-10.

2007-3 Financial Accounting Software System

Criteria or Specific Requirement

Industry standards and best practices require the use of a financial accounting system that captures all financial transactions for the accounting period and is reconciled to properly report all such transactions.

Condition

Material Weakness – The District utilized two separate financial accounting systems during the year: PeopleSoft and DataTel. The transition to one system for all transactions and the reconciliation of data within each system was not accomplished to ensure the proper posting of journal entries and original accounting entries. Payroll activity was not able to be posted to the DataTel system, and we noted adjusting entries posted to DataTel that were never posted to PeopleSoft. In the final analysis, the PeopleSoft ledger maintained the "Official" accounting records for the District.

Effect

As a result of the inconsistent use and reconciliation of the two financial accounting software systems, significant audit adjustments were required to capture all activity of the District during the year.

Current Status

Not implemented. See current year finding 2008-2.

2007-4 Capital Asset Accounting

Criteria or Specific Requirement

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

Condition

Material Weakness – The District has not followed its own internal policy of capitalizing all equipment and construction related purchases over a $5,000 threshold. We noted several items of equipment totaling of $85,000 that had been recorded within the accounting records, but not included in the capital asset listing. A line item for computer equipment within the fixed asset listing totaling $325,000 that, upon further analysis, was not computer equipment, but actually various types of supplies that did not meet the definition of capital equipment. Construction expenses in excess of $1.3 million were not properly capitalized to the current construction in process account. Additionally, an asset noted to have been purchased in the 2000-2001 fiscal year and art work donated to the District continues to not be included in that capital asset listing.

We also noted a physical inventory of the equipment had not been conducted for several years to ensure all items that had been capitalized in past years were in fact still in use by the District.

Effect

As a result of the deficiencies in the internal control structure, net audit adjustments in excess of $1.3 million were required to bring the capital asset balances to the proper year end balance. By not conducting a physical inventory of the equipment, the District is at risk of having lost or stolen equipment and cannot demonstrate the appropriate level of safeguarding of assets required by generally accepted accounting standards.

Current Status

Improved. See current year finding 2008-6.

2007-5 Workers' Compensation Liability

Criteria or Specific Requirement

Industry standards and best practices require the District to obtain an actuarial report of the Claims Liability for Workers' Compensation Fund liability at least every three years.

Condition

Material Weakness – Though the District did obtain an actuarial study of the Claims Liability related to Workers' Compensation in May 2007, no analysis of the impact to the fund and no adjustments to the determined liability were made. Additionally, the District has not set the expense rate for the Workers' Compensation fund at an amount that will properly set aside sufficient amounts to fund the liability leaving the fund in a negative position at June 30, 2007.

Effect

An audit adjustment of approximately $300,000 was proposed and posted to recognize the calculated liability for Workers' Compensation. The Workers' Compensation Fund is currently at a deficit of approximately $900,000. The available financial resources of the District are at risk when the claims liability is not updated and properly accounted for and the expense rate is not properly charged for the transfer to the self-insurance fund.

Current Status

Improved. See current year finding 2008-7.

2007-6 Cash Clearing Account

Criteria or Specific Requirement

Properly functioning internal controls over cash require that deposits of amounts received and the corresponding recording of the revenue be completed in a timely manner.

Condition

Material Weakness – The District maintains a Cash Clearing account with a local financial institution to clear checks and cash received for a variety of payments including student enrollment fees, parking fees, and instructional material fees, as well as other receipts. The account had not been reconciled in any month prior to year end and was carrying a balance in excess of $690,000 representing revenue that had not been properly recognized in the accounting records of the District.

Effect

As a result of the deficiencies in the internal control structure, an audit adjustment of approximately $690,000 was proposed and posted to the District financial records as of June 30, 2007. The District is at risk of not reporting revenue in the correct period if proper procedures are not followed.

Current Status

Not implemented. See current year findings 2008-15 and 2008-16.

2007-7 Segregation of Duties

Criteria or Specific Requirement

Industry standards, the Education Code, and best practices related to internal controls require segregation of duties between functions so that one individual will not have primary responsibility and control all aspects of a transaction.

Condition

Material Weakness – Segregation of duties within the Bursar's Office has allowed the same individual to collect funds, prepare deposits, reconcile accounts, and determine revenue accounts to be posted to. There was no evident oversight and monitoring by the Compton Fiscal Affairs or Business Office necessary to ensure the monies are properly recorded to the correct account and posted intact and in a timely manner. Written procedures to document the approved processes have not been prepared.

Effect

As noted above, deposits of funds held within the Bursar's Office clearing account have not been transmitted in a timely manner. Without the proper oversight of another individual in the process, funds could be misapplied to revenue accounts, or lost or stolen and not detected in a timely manner. Without written guidelines, the staff may not understand the importance of these controls or the proper timelines for the transactions.

Current Status

Not implemented. See current year finding 2008-10.

2007-8 Bank Account Custody and Control

Criteria of Specific Recommendation

Industry standards, Education Code, and best practices require accounts held in the name and Employer Identification Number of the District, and holding and receiving monies of the District, be properly approved by the Board with signatures of current District employees authorized to sign on the account.

Condition

Material Weakness – An account with a financial institution has been opened in the name and Employer Identification number of the District by a former employee. The account was not authorized by the Board or the Special Trustee, and the former employee is the only authorized signature on the account. Current employees have not been able to obtain sufficient information from the financial institution to close the account and transfer the funds to an account authorized by the District.

Effect

Without the proper authorization by the Special Trustee and the Board to open and maintain accounts in the name of the District, funds could be misappropriated and not detected in a timely manner by District employees.

Current Status

Implemented.

2007-9 Categorical Program Accounting

Criteria or Specific Requirement

Industry standards and best practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

Condition

Material Weakness – Categorical program accounting internal controls are either missing or are ineffective at providing for accurate financial reporting. Summarized below are conditions noted:

- Lack of adequate and necessary organizational structure within the Business Office. The structure of the Business Office does not include a dedicated grant accountant with sufficient expertise in grant accounting, laws, and regulations.
- Monitoring of the categorical programs was either not occurring or was ineffective. Program managers were unable to determine the status of their program budgets to effectively utilize categorical funds.
- Program budgets and carryovers were not reconciled to prior year audited results. Many programs were overspent resulting in a required contribution from unrestricted resources of the District.
- Misclassification of expenditures between programs as a result of changes in the account code structure and the migration to the DataTel Accounting system. The review process of the District did not identify this issue during the closing process and resulted in numerous audit adjustments and reclassifications between programs.
- Closing entries related to accounts receivable and deferred revenue were not posted for any program resulting in significant audit adjustments to the revenue accounts.

- Accruals noted during the audit of the 2005-2006 fiscal year were posted to the 2006-2007 period in error. The review process of the District did not identify this issue during the closing process and resulted in numerous audit adjustments and reclassifications between programs.
- Clear and concise file maintenance for the grants and categorical programs has not been implemented. The programs are monitored in a decentralized fashion and reconciliations to the general ledger have not been completed.

Effect

The reporting of the activity within the Schedule of Expenditures of Federal Awards (SEFA) is required under OMB A-133. The above deficiencies resulted in a variety of reclassifications and audit adjustments and ultimately led to the auditors disclaiming an opinion on the fair presentation of the SEFA. The Schedule of Expenditures of State Awards (SESA) is required by the California State Chancellor's Office. The above deficiencies resulted in a variety of reclassifications and audit adjustments.

Current Status

Not implemented. See current year findings 2008-3 and 2008-4.

2007-10 Accounts Payable Accrual and Reconciliation

Criteria or Specific Requirement

Industry standards and best practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

Condition

Material Weakness – An important aspect of the year end closing process is the accrual of liabilities related to services of goods received prior to June 30. The condition noted in the prior year audit report as finding 2006-7 was not resolved in the current year. The cut off and analysis of accounts payable at June 30 did not take into account construction projects which had been completed, retention payments for services performed, and other vendor payments for services prior to June 30, 2007. These obligations should have been included as 2006-2007 expenditures.

Effect

The District is at risk of not properly reporting the expenditures within the period the obligation occurs. An audit adjustment of approximately $1.3 million was proposed for unrecorded expenditures noted in our subsequent payment testing.

Current Status

Not implemented. See current year finding 2008-5.

2007-11 Revolving Cash Fund

Criteria or Specific Requirement

Industry standards and best practices require a system of internal control that is adequately documented. It is advisable that this be accomplished through written policies and procedures reviewed and approved by appropriate levels of management.

Condition

Significant Deficiency – Policies regarding the appropriate use of the District's revolving fund were not made available for review. A formal written policy regarding the revolving fund in both the General Fund and the Self-Insurance fund was not made available for our review. As a result, it was unclear as to what type of activity may pass through the revolving funds and what the proper process is for a disbursement request and approval. Additionally, all expenditures tested were noted to have been above the $50 limit that is expressly written on the District's "*Revolving Fund Request Form*". It is unknown as to whether all of the disbursements made through the revolving fund are allowed expenditures as adequate supporting documentation was not provided for six of eight items tested.

The District's revolving account (petty cash account) is not being reconciled to the imprest balance of $25,000. It appears that the reconciliation was prepared through October 2006 and stopped thereafter. Additionally, it was also noted that the last time the revolving account was replenished was in October 2006.

Effect

Though the activity of the revolving account was not determined to be significant in amount by nature, revolving fund activities provide an opportunity to circumvent established controls over disbursing funds. The lack of supporting documentation warrants mention as an indication of a significant deficiency in the internal control structure.

Current Status

Partially implemented. See current year finding 2008-15.

2007-12 Bank Reconciliations

Criteria or Specific Requirement

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

Condition

Significant Deficiency – Routine and timely bank reconciliations were not being performed on any of the District cash accounts. Reconciliations of the June 30, 2007, account balances did not occur until October 2007 with the District's Workers' Compensation account and Perkins Loan account not reconciled at all.

Further, supporting documentation for a wire transfer on August 2006 from the Workers' Compensation account to the Associated Student Body Clubs that could not be satisfactorily explained or supported.

Effect

The completion of routine accounting functions such as the bank account reconciliations do not appear to be given an adequate level of importance. Transactions could be misposted and not be discovered by staff within a reasonable period of time.

Current Status

Not implemented. See current year finding 2008-15.

2007-13 Records Retention and file Maintenance

Criteria or Specific Requirement

Principals for sound fiscal management and criteria adopted by the Board of Governors (CCR Section 58311) notes that each district will adequately safeguard and manage district assets to ensure the ongoing effective operations of the district. Management will…"*implement and maintain effective internal controls*" and "*Each district shall adhere to appropriate fiscal policies and procedures and have adequate controls to ensure that established fiscal objectives are met.*"

Condition

Significant Deficiency – Record retention and standards for the adequacy of supporting documentation for transactions of the District do not appear to meet the above criteria. Instances where supporting documents were not provided occurred throughout the course of the audit. Records supporting disbursement transactions were missing, incomplete, or never provided in several areas of transactional testing.

Effect

The lack of documentation for receipts and expenditures of the District funds could result in disallowed costs for categorical programs, mispostings of activity, and inappropriate use of District funds.

Current Status

Implemented.

2007-14 General Ledger Reconciliation

Criteria or Specific Requirement

Industry standards and best practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

Condition

Significant Deficiency – General ledger account balances including due to/from accounts were found to contain beginning balances carried from previous periods. The accounts have not been reconciled, and supporting documents for these beginning balances were not available.

Effect

Balances carried forward from prior year and not reconciled may result in transactions being posted to current year activity – resulting in duplication of activity. Additionally, when account balances are representative of amounts due to or from internal funds of the District, unreported loans may be occurring.

Current Status

Not implemented. See current year findings 2008-2, 2008-8, and 2008-9.

2007-15 Accounts Receivable Reconciliations

Criteria or Specific Requirement

Principals for sound fiscal management and criteria adopted by the Board of Governors (CCR Section 58311) notes that each district will adequately safeguard and manage district assets to ensure the ongoing effective operations of the district. Management will…"*implement and maintain effective internal controls*" and "*Each district shall adhere to appropriate fiscal policies and procedures and have adequate controls to ensure that established fiscal objectives are met."*

Condition

Significant Deficiency – Accounts receivable accruals were not effectively monitored. Entries were posted in the current year that were posted in error to the wrong fiscal period during the prior year closing. The accruals remained on the books through this year's closing indicating that they are not being effectively monitored or cleared during routine accounting functions.

Effect

The accounting for the accounts receivable and the related revenues may not be posted correctly to the proper year.

Current Status

Not implemented. See current year finding 2008-9.

2007-16 Payroll Clearing Account

Criteria or Specific Requirement

Industry standards and best practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

Condition

Significant Deficiency – Payroll liability account balances in the General Fund were found to include unnatural debit balances. Review of the accounts determined that the accounts and their relationship to the Warrant Pass Through Fund had not been adequately monitored or effectively reconciled.

Effect

Inadequate monitoring and review may result in a potential impact to the financial condition of the District as the entries necessary to correct the transaction balances could adversely impact the fund balance.

Current Status

Not implemented. See current year finding 2008-13.

2007-17 Personnel File Maintenance

Criteria or Specific Requirement

Principals for sound fiscal management and criteria adopted by the Board of Governors (CCR Section 58311) notes that each district will adequately safeguard and manage district assets to ensure the ongoing effective operations of the district. Management will…"*implement and maintain effective internal controls*" and "*Each district shall adhere to appropriate fiscal policies and procedures and have adequate controls to ensure that established fiscal objectives are met*."

Condition

Control Deficiency – The personnel files for faculty do not contain adequate documentation to support how units are calculated. We found that changes in the organization have resulted in inconsistent documentation supporting how the appropriate salary schedule placement was determined.

Effect

Inadequate documentation supporting the evaluation of the numbers of qualifying educational units of academic employees could result in improper salary schedule placement.

Current Status

Not implemented. See current year finding 2008-12.

2007-18 Payroll and Human Resource Account Reconciliation

Criteria or Specific Requirement

Principals for sound fiscal management and criteria adopted by the Board of Governors (CCR Section 58311) notes that each district will adequately safeguard and manage district assets to ensure the ongoing effective operations of the district. Management will…"*implement and maintain effective internal controls*" and "*Each district shall adhere to appropriate fiscal policies and procedures and have adequate controls to ensure that established fiscal objectives are met."*

Condition

Control Deficiency – Access to certain screens within the Human Resource System (HRS) was not adequately segregated between the Human Resource and the Payroll Departments. We found the payroll clerk could modify salary schedule placement and had the ability to change their own pay.

Effect

Unrestricted access presents opportunities to circumvent the objective of controls whereby the Human Resource and the Payroll Department functions are segregated and could result in inappropriate changes to restricted data that might go undetected by District internal controls.

Current Status

Not implemented. See current year finding 2008-11 and 2008-12.

2007-19 Vacation Liability Reconciliation

Criteria or Specific Requirement

Principals for sound fiscal management and criteria adopted by the Board of Governors (CCR Section 58311) notes that each district will adequately safeguard and manage district assets to ensure the ongoing effective operations of the district. Management will…"*implement and maintain effective internal controls*" and "*Each district shall adhere to appropriate fiscal policies and procedures and have adequate controls to ensure that established fiscal objectives are met*."

Condition

Control Deficiency – The balance of accrued vacation was significantly reduced from prior year. We were unable to compare employee balances to prior year because the information was not available and was not presented for review.

Effect

Employees may not have been properly compensated for accrued vacation.

Current Status

Not implemented. See current year finding 2008-14.

2007-20 Anti-Fraud Program

Criteria or Specific Requirement

Industry standards and best practices require agencies to institute and maintain adequate controls over the accounting and financial statement to prevent and detect fraud within the organization.

Condition

Control Deficiency – In accordance with the auditing standard (SAS 99), the audit is required to assess the organization's anti-fraud program and the procedures in place to prevent and detect fraud. We noted the District had not implemented the recommendation included within the prior year audit report (2006-2). The District is currently undergoing a variety of internal and external assessments of the operations and fiscal conditions.

Effect

The District is currently undergoing a variety of internal and external reviews with the focus on the internal control of the organization and operational procedures. Not instituting the Anti-Fraud Program places the integrity and credibility of the District at risk both within the organization and in the community.

Current Status

Not implemented. See current year finding 2008-10.

FEDERAL AWARD FINDINGS

2007-21 Program Reporting – Schedule of Expenditures of Federal Awards

Major Program – ***U.S. Department of Education TRIO Cluster: Student Support Services (CFDA 84.042A), Upward Bound (CFDA 84.047A) and Upward Bound Math and Science (CFDA 84.047A), and Talent Search (CFDA 84.044A)***

Criteria or Specific Requirement

Internal Controls

Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List the individual Federal programs by Federal agency. For Federal program included in a cluster of programs, list individual programs within a cluster of programs.
- Include, for Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
- Provide the total Federal awards expended for each individual program and the CFDA number or other identifying number when the CFDA information is not available.
- For Federal awards received as a pass-through entity, identify, to the extent practical, the total amount provided to subrecipients from each Federal program.
- Include, in either the schedule or a note to the schedule, the value of Federal awards expended in the form of non-cash assistance.

Condition

Material Weakness – The SEFA prepared and provided for audit did not contain the CFDA number for awards, pass through numbers when applicable, or pass through amounts in a separate schedule. The preparation of the SEFA was performed without adequate knowledge of the requirements and does not appear to have been subject to sufficient internal review necessary to provide for accurate reporting. Significant adjustments were proposed and accepted by the District to provide the level of reporting included within this report.

Questioned Costs

Unknown.

Effect

A direct result of the errors and omissions noted on the SEFA has resulted in a disclaimer of an opinion of the SEFA in relation to the financial statements of the District. Inaccurate reporting can be interpreted by oversight agency as deficient reporting.

Current Status

Not implemented. See current year finding 2008-3.

2007-22 Allowable Costs/Cost Principals

Major Program – ***U.S. Department of Education TRIO Cluster: Student Support Services (CFDA 84.042A), Upward Bound (CFDA 84.047A) and Upward Bound Math and Science (CFDA 84.047A), and Talent Search (CFDA 84.044A) Non-Major Program Foster Kinship and Care***

Criteria or Specific Requirement

Internal Control

An organization establishes internal control processes to provide reasonable assurance that it will achieve certain objectives concerning the reliability of its financial reporting, the effectiveness and efficiency of its operations, and its compliance with laws and regulations.

Compliance

OMB Circular A-21, Cost Principles for Educational Institutions, Part J, General Provisions for Selected Items of Cost, No. 10, Compensation for Personal Services.

(1)(e) At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges and to indirect cost are reasonable in relation to work performed.

Condition

Material Weakness – The District did not complete the implementation of the prior year findings.

- An acceptable payroll distribution system that includes the documentation of the percentage of time spent working within one or more programs by employees is not in place. Specific criteria require documentation be prepared and maintained during each academic term, and no less frequently than every six months, to support the payroll charges to Federal programs. The District remains out of compliance as described in prior year finding 2006-21. See questioned costs below.
- Internal controls are not adequate to internally identify misclassifications during the routine course of the daily accounting functions. During our review of the Schedule of Expenditures of Federal Awards, the District provided to us salary reclassifications that involved the TRIO grants and CalWORKs grants. While these items were identified by the internal controls of the District, they were not identified until post year end and post closing. Therefore, the District remains out of compliance as described in the prior year finding 2006-24.

- Also, support for five disbursements totaling $78,403 was not provided. One transaction in our sample was not properly authorized by the Dean of Support Services. This exception supports, therefore, that the District remains out of compliance as described in prior year finding 2006-26. See questioned costs below.

Questioned Costs

Payroll charges by program:

• Student Support Services	$387,867
• Upward Bound	$134,563
• Upward Bound Math and Science	$ 16,758
• Talent Search	$ 44,091
• Disbursements without support	$ 78,403

Effect

The District is at risk of additional disallowed costs by not maintaining the required documentation related to charges to Federal grants and awards.

Current Status

Implemented.

2007-23 Cash Management

Major Program – ***U.S. Department of Education TRIO Cluster: Student Support Services (CFDA 84.042A), Upward Bound (CFDA 84.047A) and Upward Bound Math and Science (CFDA 84.047A), and Talent Search (CFDA 84.044A)***

Criteria or Specific Requirement

Internal Control

An organization establishes internal control processes to provide reasonable assurance that it will achieve certain objectives concerning the reliability of its financial reporting, the effectiveness and efficiency of its operations, and its compliance with laws and regulations.

Condition

Material Weakness – Controls over the process of how the District draws down funds through the e-payments system were found to be deficient. Written procedures have not been prepared to provide guidance on the approval and processing of draw-downs of Federal funds. The oral description of the procedure indicated that each draw would be performed only after a written request was made and signed by the program director. No documentation supporting that this process was followed was provided. The draw-down amount was not supported by expenditures reported on the general ledger, but was instead based on records maintained by the program department. Also, the draw-down that was performed was posted in the subsequent fiscal period instead of being properly accrued in the current fiscal period.

Effect

The District is in jeopardy of over-drawing Federal funds or inappropriately drawing the funds for expenditures not incurred.

Questioned Cost

$16,934 was not supported with current year expenditures.

Current Status

Implemented.

2007-24 Eligibility

Major Program – ***U.S. Department of Education TRIO Cluster: Student Support Services (CFDA 84.042A), Upward Bound (CFDA 84.047A) and Upward Bound Math and Science (CFDA 84.047A), and Talent Search (CFDA 84.044A)***

Criteria or Specific Requirement

Internal Control

An organization establishes internal control processes to provide reasonable assurance that it will achieve certain objectives concerning the reliability of its financial reporting, the effectiveness and efficiency of its operations, and its compliance with laws and regulations.

Condition

Significant Deficiency – For the above noted programs, eligibility is a specific criteria for funding. A checklist is used to document the eligibility review and program director approval. The checklist was not used in the files of the Upward Bound Math and Science program, but was in the regular Upward Bound program, as well as the Student Support Services program. This checklist is a key component of the internal control system to ensure eligibility of individuals receiving services.

Effect

The District is at risk of serving individuals not meeting the specific eligibility criteria required for the program.

Questioned Cost

None.

Current Status

Implemented.

2007-25 Procurement, Suspension, and Debarment

Major Program – ***U.S. Department of Education TRIO Cluster: Student Support Services (CFDA 84.042A), Upward Bound (CFDA 84.047A) and Upward Bound Math and Science (CFDA 84.047A), and Talent Search (CFDA 84.044A)***

Criteria or Specific Requirement

Internal Control

An organization establishes internal control processes to provide reasonable assurance that it will achieve certain objectives concerning the reliability of its financial reporting, the effectiveness and efficiency of its operations, and its compliance with laws and regulations.

Compliance

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

Condition

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

Effect

Without procedures in place to monitor vendors, it is possible that the District could contract with a party who has been debarred by the Federal Government. This could result in material non-compliance and jeopardize grant funding.

Questioned Cost

None. The vendor had not been suspended or debarred.

Current Status

Not implemented. See current year finding 2008-17.

STATE AWARD FINDINGS

STUDENTS ACTIVELY ENROLLED

2007-26 Criteria or Specific Requirement

Each district shall claim for apportionment only the attendance of students actively enrolled in a course section as of the census date.

- CCR, Title 5, 58003.1, 58004, 58005, and 58051
- Student Attendance Accounting Manual, California Community Colleges, pages 1.02-1.04

Condition

Significant Deficiency – Currently, the Compton Education Center does not have a procedure in place to monitor and track whether each instructor turned in their attendance rosters.

Effect

The District is at risk of inaccurately reporting the FTES generated by students. As this is a key component of funding, the District is also at risk of inappropriately receiving State funding.

Current Status

Implemented.

CalWORKs

2007-27 Criteria or Specific Requirement

Internal Controls

An organization establishes internal control processes to provide reasonable assurance that it will achieve certain objectives concerning the reliability of its financial reporting, the effectiveness and efficiency of its operations, and its compliance with laws and regulations.

Compliance Requirement

Chancellor's Office Program CalWORKs Program Handbook Guidelines 2005

Condition

The year end report filed with the Chancellor's Office for the CalWORKs program did not agree to reports from the PeopleSoft financial activity system. This condition has been noted in prior audit reports and appears to be the result of program managers not reconciling financial activity to the general ledger as maintained by the accounting office.

Questioned Cost

We identified ten transactions that do not appear to meet program requirements. Total questioned cost is $165,126. Further, one of the transactions was for the purchase of prepaid gas cards. The cards are stored in a safe, but are not subject to adequate inventory controls that we believe are necessary to adequately safeguard the cards.

Effect

The District is at risk of losing funding or disallowance of reported charges.

Current Status

Not implemented. See current year finding 2008-19.

ENROLLMENT FEES

2007-28 Criteria or Specific Requirement

Internal Controls

An organization establishes internal control processes to provide reasonable assurance that it will achieve certain objectives concerning the reliability of its financial reporting, the effectiveness and efficiency of its operations, and its compliance with laws and regulations.

Compliance

Education Code Section 76300, 76140(k), and 84757
Accounting Advisory 98-02, dated April 13, 1998
Chancellor's Office Legal Opinion O 02-12 "Uncollected Enrollment Fee Revenue"
Budget and Accounting Manual Chapter 3, page 3.36 Local Revenue Account 8874 "Enrollment"

Condition

The District is required to annually report the student enrollment fees earned during the year on the *Community College Financial Statement (CCFS) – 323 Report*. Enrollment fees are one of the components of the apportionment funding and are required to be accurately reported to the State Chancellor's Office. The Enrollment Fee report submitted by the District did not agree with the general ledger at June 30, 2007. Additionally, we noted the District primarily accounts for the enrollment fees on a cash basis as noted in the prior year audit report finding 2006-9. A deferral of fees was implemented during the 2006-2007 year to recognize that students have paid their enrollment for summer and fall terms prior to June 30, 2007; however, the District used an arbitrary date to determine the accrual rather than the actual fees paid by students for the subsequent term.

Effect

The misreporting of enrollment fees could cause the State portion of the apportionment calculation to be in correctly provided to the District.

Current Status

Not implemented. See current year finding 2008-18.

MATRICULATION

2007-29 Criteria or Specific Requirement

Internal Controls

An organization establishes internal control processes to provide reasonable assurance that it will achieve certain objectives concerning the reliability of its financial reporting, the effectiveness and efficiency of its operations, and its compliance with laws and regulations.

Compliance

Education Code Section 78210-78218
California Code of Regulations Title 5, Section 51024, 55500-55534, and 58106

Condition

The District is required to annually file a report detailing the activities within Matriculation grant. One component of this report is an analysis of monies received and expended within the program. The report filed with the State Chancellor's Office for the 2006-2007 fiscal year did not agree with the financial activity recorded within the District's general ledger.

Effect

The District is at risk of having funding for State grants revoked if reporting is not accurate and complete.

Current Status

Implemented.