

COMPTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2011



**COMPTON UNIFIED SCHOOL DISTRICT
OF LOS ANGELES COUNTY**

COMPTON, CALIFORNIA

JUNE 30, 2011

The Compton Unified School District was established on July 1, 1970, and is comprised of an area of approximately 30 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is operating 24 elementary schools, 8 middle schools, 3 high schools, one adult school, and four alternative schools.

GOVERNING BOARD

Member	Office	Term Expires
Satra D. Zurita	President	2013
Margie Garrett	Vice President	2013
Emma Sharif	Clerk	2011
Mae Thomas	Legislative Representative	2013
Micah Ali	Member	2011
Fred Easter	Member	2011
Marjorie Shipp	Member	2013

DISTRICT ADMINISTRATORS

Karen Frison
Acting Superintendent

Dr. Abimbola Ajala
Associate Superintendent, Elementary Schools

Dr. Donald Evans
Associate Superintendent, Secondary Schools

Deborah Willard
Associate Superintendent, Business and Administrative Services

Alejandro Flores
Associate Superintendent, Human Resources

Dr. Ramon Zavala
Interim Assistant Superintendent – Accountability, Instruction and EL

Otha Johnson
Interim Facilities Officer

**COMPTON UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Compton Unified School District
Compton, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Compton Unified School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Compton Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Compton Unified School District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of the Compton Unified School 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 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 should be considered in assessing the results of our audit.

SAN DIEGO

RANCHO CUCAMONGA

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The required supplementary information, such as management's discussion and analysis on pages 3 through 11, the budgetary comparison information on page 52, and the schedule of funding progress on page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Compton Unified School 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 the U.S. Office of Management and Budget Circular A-133, *Audits of State, 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.

Christine White Accountancy Corporation

San Diego, California

December 14, 2011

COMPTON UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

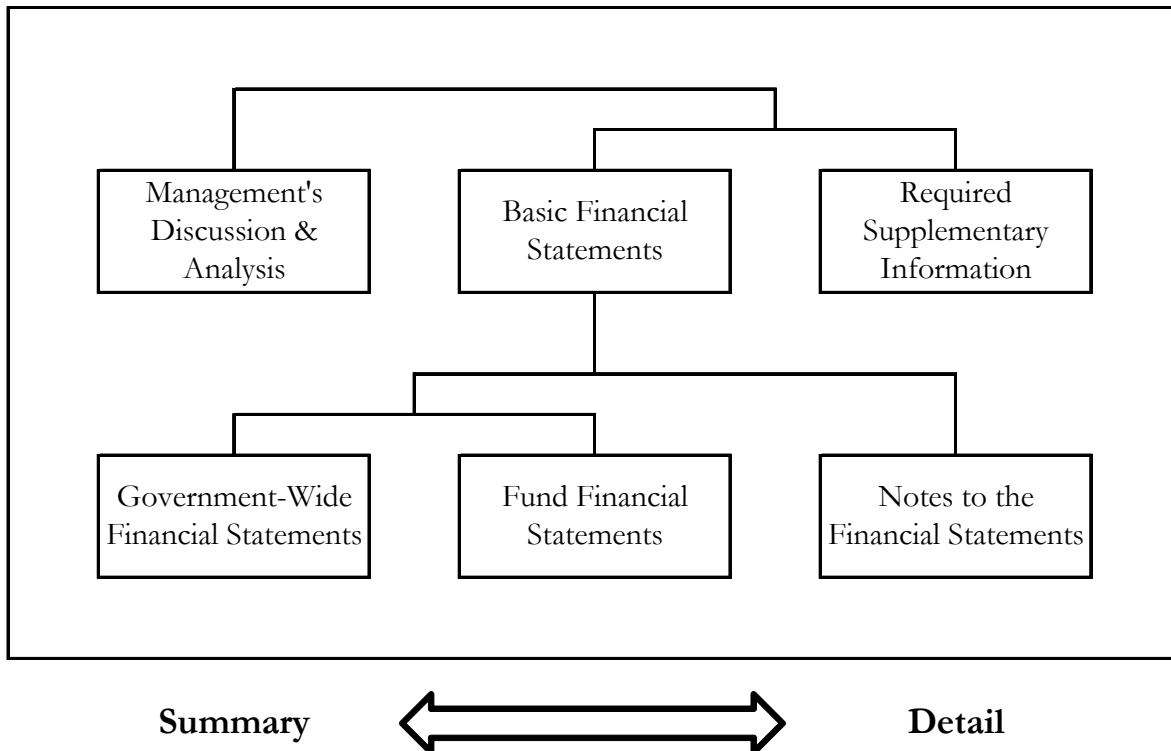
Our discussion and analysis of Compton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$259,983,413 at June 30, 2011. This was a decrease of \$38,562,953 from the prior year.
- Overall expenses were \$298,597,801 which exceeded revenues of \$260,034,848.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$259,983,413 at June 30, 2011, as reflected in Table A-1 below. Of this amount, \$37,067,106 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations.

Table A-1
Compton Unified School District's Net Assets

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Current assets	\$ 159,819,606	\$ 131,998,756	-17%
Noncurrent assets	309,529,051	309,155,459	0%
Total assets	469,348,657	441,154,215	-6%
Current liabilities	54,066,430	55,134,855	2%
Noncurrent liabilities	116,735,861	126,035,947	8%
Total liabilities	170,802,291	181,170,802	6%
Total net assets	\$ 298,546,366	\$ 259,983,413	-13%

COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (*continued*)

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 12. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

Table A-2
Changes in Compton Unified School District's Net Assets

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 404,000	\$ -	-100%
Operating grants and contributions	96,670,843	88,798,646	-8%
<i>General revenues</i>			
Property taxes	23,514,795	21,869,984	-7%
Other revenues	143,182,034	149,366,218	4%
Total revenues	263,771,672	260,034,848	-1%
Expenses:			
Instruction-related	195,335,988	187,421,119	-4%
Student support services	27,389,711	28,634,848	5%
Maintenance and operations	35,136,299	22,197,766	-37%
Administration	18,730,440	22,742,928	21%
Other expenses	19,072,134	37,601,140	97%
Total expenses	295,664,572	298,597,801	1%
Change in net assets	\$(31,892,900)	\$ (38,562,953)	-21%

COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (*continued*)

Changes in Net Assets (*continued*)

The cost of all our governmental activities this year was \$298,597,801 (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$209,799,155 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$88,798,646).

Table A-3
Net Costs of Compton Unified School District's
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 187,421,119	\$ 127,601,118
Pupil support services	28,634,848	9,691,536
Maintenance and operations	22,197,766	20,393,755
Administration	22,742,928	18,382,001
Other expenses	37,601,140	33,730,745
Total expenses	\$ 298,597,801	\$ 209,799,155

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$63,664,817, which is less than last year's ending fund balance of \$71,249,566. The District's General Fund had \$16,572,097 less in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010-11 the District had invested \$417,859,224 in capital assets.

**Table A-4
Compton Unified School District's Capital Assets**

	Governmental Activities		Total
	2010	2011	Percentage Change 2010-11
Land	\$ 6,693,026	\$ 6,693,026	0%
Site improvements	6,715,691	7,046,941	5%
Buildings	359,085,054	368,549,097	3%
Furniture and equipment	19,975,433	20,306,959	2%
Construction in progress	19,076,816	15,263,201	-20%
Total capital assets	\$ 411,546,020	\$ 417,859,224	2%

COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (*continued*)

Long-Term Debt

At year-end, the District had \$132,808,949 in long-term debt, an increase of 8% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

Table A-5
Compton Unified School District's Long-Term Debt

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
General obligation bonds	\$ 69,076,524	\$ 80,286,721	16%
Premiums	6,526,093	6,045,765	-7%
Certificates of participation	31,365,000	30,020,000	-4%
Capital leases	7,179,120	5,837,536	-19%
Compensated absences	2,609,430	2,507,665	-4%
Net OPEB obligation	6,665,802	8,080,219	21%
Postemployment benefits	39,486	31,043	-21%
Total long-term debt	\$ 123,461,455	\$ 132,808,949	8%

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2012-13 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2011-12 fiscal year.

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 Business Office, Compton Unified School District, 501 South Santa Fe Avenue, Compton, CA 90221.

COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 81,112,604
Accounts receivable	50,327,396
Inventory	558,756
Total current assets	131,998,756
Deferred charges	1,458,447
Capital assets, non-depreciable	21,956,227
Capital assets, depreciable, net	285,740,785
Total non-current assets	309,155,459
Total Assets	441,154,215
LIABILITIES	
Accrued liabilities	43,327,907
Deferred revenue	5,033,946
Long-term liabilities, current portion	6,773,002
Total current liabilities	55,134,855
Long-term liabilities, non-current portion	126,035,947
Total Liabilities	181,170,802
NET ASSETS	
Invested in capital assets, net of related debt	203,719,368
Restricted for	
Capital projects	3,926,096
Debt service	2,346,268
Educational programs	12,924,575
Unrestricted	37,067,106
Total Net Assets	\$ 259,983,413

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

COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Operating Grants and Contributions	Governmental Activities	Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 161,843,522	\$ 51,319,310		\$ (110,524,212)
Instruction-related services				
Instructional supervision and administration	7,278,300	4,153,115		(3,125,185)
Instructional library, media, and technology	1,426,734	89,621		(1,337,113)
School site administration	16,872,563	4,257,955		(12,614,608)
Pupil services				
Home-to-school transportation	4,867,480	2,833,358		(2,034,122)
Food services	11,865,042	11,107,022		(758,020)
All other pupil services	11,902,326	5,002,932		(6,899,394)
General administration				
Centralized data processing	2,054,379	68,907		(1,985,472)
All other general administration	20,688,549	4,292,020		(16,396,529)
Plant services	22,197,766	1,804,011		(20,393,755)
Ancillary services	644,097	2,704		(641,393)
Interest on long-term debt	17,428,137	-		(17,428,137)
Transfer to other agencies	11,383,663	3,867,691		(7,515,972)
Depreciation (unallocated)	8,145,243	-		(8,145,243)
Total Governmental Activities	\$ 298,597,801	\$ 88,798,646		(209,799,155)
General revenues				
Taxes and subventions				
				15,884,635
				5,879,131
				106,218
				148,131,919
				976,529
				257,770
				171,236,202
CHANGE IN NET ASSETS				
				(38,562,953)
Net Assets - Beginning				
				298,546,366
Net Assets - Ending				
				\$ 259,983,413

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

COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 44,814,857	\$ 10,107,317	\$ 54,922,174
Accounts receivable	47,343,357	2,875,811	50,219,168
Due from other funds	3,000,000	-	3,000,000
Stores inventory	402,822	155,934	558,756
Total Assets	\$ 95,561,036	\$ 13,139,062	\$ 108,700,098
LIABILITIES			
Accrued liabilities	\$ 26,862,284	\$ 2,479,441	\$ 29,341,725
Due to other funds	-	3,000,000	3,000,000
Deferred revenue	5,033,935	11	5,033,946
Total Liabilities	31,896,219	5,479,452	37,375,671
FUND BALANCES			
Nonspendable	552,822	155,934	708,756
Restricted			
Educational programs	12,924,575	-	12,924,575
Capital projects	-	4,035,059	4,035,059
Debt service	-	2,346,268	2,346,268
Committed	-	1,294,194	1,294,194
Assigned	41,839,582	-	41,839,582
Unassigned	8,347,838	(171,845)	8,175,993
Total Fund Balances	63,664,817	7,659,610	71,324,427
Total Liabilities and Fund Balances	\$ 95,561,036	\$ 13,139,062	\$ 108,700,098

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

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2011**

Total Fund Balance - Governmental Funds \$ 71,324,427

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 417,859,224	
Accumulated depreciation	(110,162,212)	307,697,012

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in deferred charges on the statement of net assets are:

1,458,447

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamortized interest owing at the end of the period was:

(244,533)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$ 86,332,486	
Net OPEB obligation	8,080,219	
Compensated absences	2,507,665	
Certificates of participation payable	30,020,000	
Capital leases payable	5,837,536	
Other long term debt	31,043	(132,808,949)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:

12,557,009

Total Net Assets - Governmental Activities \$ 259,983,413

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

**COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Revenue limit sources	\$ 127,834,515	\$ -	\$ 127,834,515
Federal sources	39,825,789	10,078,254	49,904,043
Other state sources	70,887,019	3,138,862	74,025,881
Other local sources	1,854,353	6,416,056	8,270,409
Total Revenues	240,401,676	19,633,172	260,034,848
EXPENDITURES			
Current			
Instruction	155,037,130	5,627,523	160,664,653
Instruction-related services			
Instructional supervision and administration	6,833,854	444,446	7,278,300
Instructional library, media, and technology	1,426,734	-	1,426,734
School site administration	16,240,230	632,333	16,872,563
Pupil services			
Home-to-school transportation	4,867,480	-	4,867,480
Food services	1,301,632	10,563,410	11,865,042
All other pupil services	11,871,945	40,499	11,912,444
General administration			
Centralized data processing	2,054,379	-	2,054,379
All other general administration	20,078,572	814,222	20,892,794
Plant services			
Facilities acquisition and maintenance	875,989	4,381,738	5,257,727
Ancillary services	644,097	-	644,097
Transfers to other agencies	11,383,663	-	11,383,663
Debt service			
Principal	1,816,200	4,172,516	5,988,716
Interest and other	989,104	2,456,156	3,445,260
Total Expenditures	256,973,773	30,618,959	287,592,732
Excess (Deficiency) of Revenues			
Over Expenditures	(16,572,097)	(10,985,787)	(27,557,884)
Other Financing Sources (Uses)			
Transfers in	15,000,000	7,012,652	22,012,652
Transfers out	(6,012,652)	(1,000,000)	(7,012,652)
Net Financing Sources (Uses)	8,987,348	6,012,652	15,000,000
NET CHANGE IN FUND BALANCE	(7,584,749)	(4,973,135)	(12,557,884)
Fund Balance - Beginning	71,249,566	12,632,745	83,882,311
Fund Balance - Ending	\$ 63,664,817	\$ 7,659,610	\$ 71,324,427

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

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds \$ (12,557,884)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay: \$	6,313,204	
Depreciation expense:	(8,145,243)	(1,832,039)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

6,245,266

Debt issue costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Issue costs incurred during the period: \$	-	
Issue costs amortized for the period:	(100,743)	(100,743)

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

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2011**

Accreted interest on long-term debt:	
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.	(14,768,879)
Unmatured interest on long-term debt:	
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:	141,424
Compensated absences:	
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:	101,765
Postemployment benefits other than pensions (OPEB):	
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(1,414,417)
Other liabilities not normally liquidated with current financial resources:	
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	8,443
Amortization of debt issue premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:	480,328
Internal Service Funds:	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	(14,866,217)
Change in net assets of Governmental Activities	\$ (38,562,953)

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

COMPTON UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
	<u>Self-Insurance</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 26,190,430
Accounts receivable	108,228
Total current assets	26,298,658
Total Assets	26,298,658
LIABILITIES	
Current liabilities	
Accrued liabilities	13,741,649
Total current liabilities	13,741,649
Total Liabilities	13,741,649
NET ASSETS	
Unrestricted	12,557,009
Total Net Assets	\$ 12,557,009

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

COMPTON UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
	<u>Self-Insurance</u>
OPERATING REVENUE	
Charges to other funds	\$ 5,671,522
Total operating expenses	5,671,522
OPERATING EXPENSE	
Professional services	6,032,486
Total operating expenses	6,032,486
OPERATING LOSS	(360,964)
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	494,747
Transfers out	(15,000,000)
Total non-operating revenues/(expenses)	(14,505,253)
CHANGE IN NET ASSETS	(14,866,217)
Net Assets - Beginning	27,423,226
Net Assets - Ending	\$ 12,557,009

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

COMPTON UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
	<u>Self-Insurance</u>
Cash flows from operating activities	
Cash received from assessments made to other funds	5,690,535
Cash payments for payroll, insurance and operating costs	(6,006,658)
Net cash used by operating activities	(316,123)
Cash flows from non-capital financing activities	
Interfund transfers out	(15,000,000)
Net cash used by non-capital financing activities	(15,000,000)
Cash flows from investing activities	
Interest received	494,747
NET DECREASE IN CASH	(14,821,376)
CASH	
Beginning of year	41,011,806
End of year	\$ 26,190,430
 Reconciliation of operating loss to cash used by operating activities	
Operating loss	\$ (360,964)
Decrease in accounts receivable	19,013
Increase in accrued liabilities	25,828
Net cash used by operating activities	\$ (316,123)

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

COMPTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Private-Purpose Trust Fund	Payroll Clearing Fund	ASB Agency Funds
ASSETS			
Cash and cash equivalents	\$ 81,563	\$ 529,122	\$ 85,463
Accounts receivable	247	658	-
Prepaid expenses	-	162,833	-
Total Assets	81,810	\$ 692,613	\$ 85,463
LIABILITIES			
Cash overdraft	-	\$ -	-
Due to regulatory agencies	-	(692,613)	-
Due to student groups	-	-	85,463
Total Liabilities	-	\$ (692,613)	\$ 85,463
NET ASSETS			
Unrestricted	81,810		
Total Net Assets	\$ 81,810		

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

COMPTON UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust Fund	
	<hr/>	
ADDITIONS		
Investment earnings	\$	1,064
Total Additions		<hr/> 1,064
NET CHANGE IN FUND BALANCE		1,064
Net Assets - Beginning		<hr/> 80,746
Net Assets - Ending	\$	<hr/> 81,810

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Compton Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with two JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Alliance of Schools for Cooperative Insurance Programs (ASCIP)
- Schools' Excess Liability Fund (SELF)

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the LEA, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Fiduciary funds are used to account for assets held by the LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (Education Code Sections 52616[b] and 52501.5[a]).

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by an LEA for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (Education Code Section 8328).

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code Sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code Sections 38091 and 38100).

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Deferred Maintenance Fund. This fund is used to account separately for state apportionments and the LEA's contributions for deferred maintenance purposes (Education Code Sections 17582–17587). In addition, whenever the state funds provided pursuant to Education Code Sections 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the district (Education Code Sections 17582 and 17583).

Capital Project Funds. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code Sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code Sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

State School Building Lease-Purchase Fund. This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

County School Facilities Fund. This fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840).

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Tax Override Fund. This fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies. An example is a public school building loan repayment.

Proprietary Funds

Internal Service Funds. Internal service funds are created principally to render services to other organizational units of the LEA on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund. Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Fiduciary Funds

Trust and Agency Funds. Trust and Agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Foundation Private-Purpose Trust Fund. This fund is used to account separately for gifts or bequests per Education Code Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the LEA's own programs.

Student Body Fund. The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (Education Code Sections 48930–48938).

E. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

All governmental-type activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Basis of Accounting – Measurement Focus (*continued*)

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K-12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Basis of Accounting – Measurement Focus (*continued*)

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or 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.

Certain grants received that have not met eligibility requirements are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$15,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements 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 capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	20 - 50
Furniture and Equipment	5 - 20
Vehicles	8

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net assets.

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 government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Liabilities, and Net Assets (*continued*)

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Liabilities, and Net Assets (*continued*)

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

H. 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.

I. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Cash on hand and in banks	\$ 1,675	\$ -	\$ 85,463	\$ 87,138
Cash with fiscal agent	919,997	500,000	-	1,419,997
Cash in county	53,850,502	25,690,430	610,685	80,151,617
Cash in revolving fund	150,000	-	-	150,000
Total	\$ 54,922,174	\$ 26,190,430	\$ 696,148	\$ 81,808,752

B. 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; collateralized mortgage obligations; and the Los Angeles County Investment Pool.

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 accounting 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.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

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

D. 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 and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment with the Los Angeles County Investment Pool with a fair value of approximately \$80,183,678 and an amortized book value of \$80,151,617. The average weighted maturity for this pool is 600 days.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

E. 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 investments in the Los Angeles County Investment Pool are rated at least A by Moody’s Investors Service.

F. 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 for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Self-Insurance	Total Governmental Activities	Private-Purpose Trust Fund
Federal Government					
Categorical Aid	\$ 9,207,987	\$ 1,328,443	\$ -	\$ 10,536,430	\$ -
State Government					
Apportionment	27,269,449	-	-	27,269,449	-
Categorical Aid	7,944,973	1,337,986	-	9,282,959	-
Lottery	1,828,581	-	-	1,828,581	-
Other Local Sources	1,092,367	209,382	108,228	1,409,977	247
Total	\$ 47,343,357	\$ 2,875,811	\$ 108,228	\$ 50,327,396	\$ 247

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,693,026	\$ -	\$ -	\$ 6,693,026
Construction in progress	19,076,816	5,622,228	9,435,843	15,263,201
<hr/>				
Total Capital Assets not Being Depreciated	25,769,842	5,622,228	9,435,843	21,956,227
<hr/>				
Capital assets being depreciated				
Land improvements	6,715,691	331,250	-	7,046,941
Buildings & improvements	359,085,054	9,464,043	-	368,549,097
Furniture & equipment	19,975,433	331,526	-	20,306,959
<hr/>				
Total Capital Assets Being Depreciated	385,776,178	10,126,819	-	395,902,997
<hr/>				
Less Accumulated Depreciation				
Land improvements	4,403,596	191,699	-	4,595,295
Buildings & improvements	78,672,844	7,686,079	-	86,358,923
Furniture & equipment	18,940,529	267,465	-	19,207,994
<hr/>				
Total Accumulated Depreciation	102,016,969	8,145,243	-	110,162,212
<hr/>				
Governmental Activities				
Capital Assets, net	\$ 309,529,051	\$ 7,603,804	\$ 9,435,843	\$ 307,697,012

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

	<u>Due From Other Funds</u>	
	<u>General Fund</u>	<u>Total</u>
<u>Due To Other Funds</u>		
Non-Major Governmental Funds	\$ 3,000,000	\$ 3,000,000
Total Due From Other Funds	\$ 3,000,000	\$ 3,000,000
Due from the Child Development Fund to the General Fund for cash flow purposes.		\$ 890,069
Due from the Cafeteria Fund to the General Fund for cash flow purposes.		2,109,931
Total		\$ 3,000,000

B. Operating Transfers

	<u>Interfund Transfers In</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<u>Interfund Transfers Out</u>			
General Fund	\$ -	\$ 6,012,652	\$ 6,012,652
Non-Major Governmental Funds	-	1,000,000	1,000,000
Self-Insurance Fund	15,000,000	-	15,000,000
Total Interfund Transfers	\$ 15,000,000	\$ 7,012,652	\$ 22,012,652
Transfer from the Self-Insurance Fund to the General Fund to allow the District to meet its financial obligations.			\$ 15,000,000
Transfer from the General Fund to the Adult Education Fund to help the program meet its financial obligations.			4,200,989
Transfer from the General Fund to the Deferred Maintenance Fund to help pay for its expenditures.			1,811,663
Transfer from the Capital Facilities Fund to the Deferred Maintenance Fund to cover current financial obligations.			500,000
Transfer from the Capital Facilities Fund to the Special Reserve for Capital Outlay Fund to pay for expenditures.			500,000
Total			\$ 22,012,652

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	Non-Major Governmental				Total Governmental
	General Fund	Funds	Self-Insurance	District-Wide	Activities
Payroll	\$ 15,817,067	\$ 924,534	\$ -	\$ -	\$ 16,741,601
Vendors payable	11,041,541	1,554,907	-	-	12,596,448
Interest payable	-	-	-	244,533	244,533
Other liabilities	3,676	-	13,741,649	-	13,745,325
Total	\$ 26,862,284	\$ 2,479,441	\$ 13,741,649	\$ 244,533	\$ 43,327,907

NOTE 7 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	Non-Major Governmental		Total Governmental
	General Fund	Funds	Activities
Federal sources	\$ 4,652,253	\$ 11	\$ 4,652,264
State categorical sources	381,682	-	381,682
Total	\$ 5,033,935	\$ 11	\$ 5,033,946

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2011, is shown below.

	Balance July 01, 2010	Accretion/ Additions	Deductions	Balance June 30, 2011	Balance Due In One Year
Governmental Activities					
General Obligation (GO) Bonds	\$ 69,076,524	\$ 14,768,879	\$ 3,558,682	\$ 80,286,721	\$ 3,586,704
Premiums	6,526,093	-	480,328	6,045,765	480,328
Certificates of Participation (COPs)	31,365,000	-	1,345,000	30,020,000	1,395,000
Capital leases	7,179,120	-	1,341,584	5,837,536	1,302,527
Compensated absences	2,609,430	467,273	569,038	2,507,665	-
Post-employment benefits	39,486	1,557	10,000	31,043	8,443
Net OPEB obligation	6,665,802	1,414,417	-	8,080,219	-
Total	\$ 123,461,455	\$ 16,652,126	\$ 7,304,632	\$ 132,808,949	\$ 6,773,002

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2011 amounted to \$2,507,665. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

On December 8, 2004, the District issued Series B Certificates of Participation amounting to \$11,045,000 payable in annual installments from October 1, 2005 through October 1, 2024. Interest rates range from 2.00 to 5.00 percent, payable beginning April 15, 2005. The agreement is between the District and the County Schools Regionalized Business Services Corporation with the Los Angeles U.S. Bank as trustee. Amounts on deposit in the Project Fund and the Costs of Delivery Fund shall be applied to pay project costs and costs of delivery. At June 30, 2011, the principal outstanding was \$8,490,000.

On June 1, 2007, the District issued Series B Certificates of Participation to \$25,000,000 payable in annual installments from June 1, 2008 through June 1, 2027. Interest rates range from 3.6 to 5.0 percent, payable beginning December 1, 2007. The agreement is between the District and the County Schools Regionalized Business Services Corporation with the Bank of New York as trustee. Amounts on deposit in the Project Fund shall be applied to finance the modernization and rehabilitation of approximately 28 different schools on sites within the boundaries of Compton. At June 30, 2011, the principal outstanding was \$21,530,000.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (*continued*)

B. Certificates of Participation (*continued*)

The annual requirements to amortize all certificates of participation, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,395,000	\$ 1,393,731	\$ 2,788,731
2013	1,450,000	1,341,019	2,791,019
2014	1,505,000	1,285,044	2,790,044
2015	1,565,000	1,214,494	2,779,494
2016	1,645,000	1,140,894	2,785,894
2017 - 2021	9,455,000	4,463,359	13,918,359
2022 - 2026	11,130,000	1,950,300	13,080,300
2027	1,875,000	89,063	1,964,063
	<u>\$ 30,020,000</u>	<u>\$ 12,877,904</u>	<u>\$ 42,897,904</u>

C. General Obligation Bonds

In the November 2002 election, the citizens of the District approved the issuance and sale of not more than \$80,000,000 of general obligation bonds to finance the construction, improvement, equipping and furnishing of various capital facilities of the District. Under such voters' authorization, there have been two bond issuances (Series A and Series B) with terms summarized as follows:

	<u>Series A</u>	<u>Series B</u>
Amount of original issuance	\$ 40,000,000	\$ 20,000,000
Date of bond issuance	March 12, 2003	June 22, 2004
Years of maturity (term)	2003 - 2027	2005 - 2029

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

In June 2006, the District issued \$19,999,970 in General Obligation Series C Bonds and \$50,789,740 in General Obligation Series D Bonds to finance the acquisition and improvement of various capital facilities of the District, advance refund on a current basis all outstanding Certificates of Participation Series B amounting to \$19,380,000, and partially refund \$34,445,000 of outstanding 2002 Series A general obligation bonds and \$14,955,000 of outstanding 2002 Series B general obligation bonds. Terms of the Series C and Series D bonds are summarized as follows:

	Series C	Series D
Amount of original issuance	\$ 19,999,970	\$ 50,789,740
Date of bond issuance	June 1, 2006	June 1, 2006
Years of maturity (term)	2006 - 2029	2006 - 2022

Debt service payments are made from property tax levy authorized by the voters.

The annual requirements to amortize these bonds and the remaining outstanding balance of 2002 Series A and B bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,586,704	\$ 2,726,321	\$ 6,313,025
2013	3,641,407	2,978,443	6,619,850
2014	4,224,533	3,799,330	8,023,863
2015	2,724,644	4,500,356	7,225,000
2016	4,347,396	3,237,604	7,585,000
2017 - 2021	20,055,927	20,789,070	40,844,997
2022 - 2026	8,769,395	15,615,605	24,385,000
2027 - 2031	14,833,300	4,909,200	19,742,500
Accretion	18,103,415	(18,103,415)	-
	<u>\$ 80,286,721</u>	<u>\$ 40,452,514</u>	<u>\$ 120,739,235</u>

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

D. Capital Leases

The District entered into various capital leases with options to purchase, primarily equipment and temporary facilities, with semi-annual payments in May and November of each year, with principal maturing through 2016. Future minimum lease payments are as follows:

Year Ended June 30,	Lease Payment
2012	\$ 1,544,696
2013	1,250,450
2014	1,250,450
2015	1,250,450
2016	1,250,450
Total	6,546,496
Less: Amount representing interest	(708,960)
Present value of minimum lease payments	\$ 5,837,536

E. Postemployment Benefits

In November 1992, the District offered a retirement bonus to full-time certificated employees retiring on or after November 1, 1992, with a minimum of 20 years full-time paid service, retiring between their 55th and 65th birthday; and to full-time certificated employees who retired between July 1, 1989, and October 1, 1992, with a minimum of 11 years full-time paid service, retiring between their 55th and 65th birthday. From the retiree's 55th to 65th birthday, the District will pay the retiree an annual bonus of \$1,388 payable quarterly. From the retiree's 65th to 68th birthday, the District will pay the retiree an annual bonus of \$688, payable quarterly. The retirement bonus will cease after the retiree's 68th birthday.

The total post-employment benefits payable as of June 30, 2011 amount to \$31,043.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 150,000	\$ -	\$ 150,000
Stores inventory	402,822	155,934	558,756
Restricted			
Educational programs	12,924,575	-	12,924,575
Capital projects	-	4,035,059	4,035,059
Debt service	-	2,346,268	2,346,268
Committed			
Adult education	-	171,492	171,492
Deferred maintenance	-	1,122,702	1,122,702
Assigned			
Legal obligations	5,000,000	-	5,000,000
Encroachment	36,839,582	-	36,839,582
Unassigned			
Reserve for economic uncertainties	8,347,838	-	8,347,838
Unassigned	-	(171,845)	(171,845)
Total	\$ 63,664,817	\$ 7,659,610	\$ 71,324,427

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 10 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Adult Education Fund	\$ 4,575,468	\$ 4,810,468	\$ (235,000)
Child Development Fund	\$ 2,047,200	\$ 2,589,135	\$ (541,935)
County School Facilities Fund	\$ 108,175	\$ 191,539	\$ (83,364)
Self-Insurance Fund	\$ 5,474,670	\$ 21,032,486	\$ (15,557,816)

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

A. Plan Description and Contribution Information

The District provides medical, dental and vision benefits to retirees and their covered eligible dependents. The District pays a portion of the medical costs for eligible retirees only. Retirees must pay the entire cost for dental, vision, and dependent medical benefits. All active employees who retire directly from the District and meet the eligibility criteria may participate.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	523
Active plan members	2,721
Total	3,244

Number of participating employers	1
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B. Funding Policy

The District's contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2011, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
 (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	2,598,483
Interest on net OPEB obligation		333,290
Adjustment to annual required contribution		(412,971)
Annual OPEB cost (expense)		2,518,802
Contributions made		(1,104,385)
Increase in net OPEB obligation		1,414,417
Net OPEB obligation, beginning of the year		6,665,802
Net OPEB obligation, end of the year	\$	8,080,219

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2009, 2010 and 2011 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008-09	\$ 2,396,107	0%	\$ 4,792,214
2009-10	\$ 2,533,867	26%	\$ 6,665,802
2010-11	\$ 2,518,802	44%	\$ 8,080,219

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
 (OPEB) (continued)

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2009
Actuarial Cost Method	Unit Credit
Amortization Method	Level-dollar basis
Remaining Amortization Period	30
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Healthcare cost trend rate	9.0%

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

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).

A. CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (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 plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 8,670,164	100%
2009-10	\$ 9,187,174	100%
2008-09	\$ 9,356,933	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$4,484,314 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

B. CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (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 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2010-11	\$ 4,924,824	100%
2009-10	\$ 4,650,596	100%
2008-09	\$ 4,349,183	100%

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2011, the District had commitments with respect to unfinished capital projects of \$1,416,289.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers agreements (JPAs); the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the Schools' Excess Liability Fund (SELF). The relationships between the District and the JPAs are such that the JPAs 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, fund transactions between the JPAs and the District are included in these statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

COMPTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ 108,315,715	\$ 111,637,774	\$ 112,700,590	\$ 1,062,816
Local sources	14,757,022	16,890,327	15,581,526	(1,308,801)
Transfers	59,714	38,297	(447,601)	(485,898)
Federal sources	31,434,662	37,634,503	39,825,789	2,191,286
Other state sources	64,747,486	63,194,291	70,887,019	7,692,728
Other local sources	4,509,272	4,759,325	1,854,353	(2,904,972)
Total Revenues	223,823,871	234,154,517	240,401,676	6,247,159
EXPENDITURES				
Certificated salaries	108,797,605	104,633,727	104,831,583	(197,856)
Classified salaries	35,690,229	37,557,683	37,014,481	543,202
Employee benefits	37,805,488	38,789,472	43,241,026	(4,451,554)
Books and supplies	17,149,163	29,792,544	18,565,493	11,227,051
Services and other operating expenditures	31,828,881	33,001,950	38,938,377	(5,936,427)
Capital outlay	126,863	264,601	1,008,068	(743,467)
Other outgo				
Excluding transfers of indirect costs	14,670,640	15,753,849	14,188,967	1,564,882
Transfers of indirect costs	(703,982)	(735,759)	(814,222)	78,463
Total Expenditures	245,364,887	259,058,067	256,973,773	2,084,294
Excess (Deficiency) of Revenues				
Over Expenditures	(21,541,016)	(24,903,550)	(16,572,097)	8,331,453
Other Financing Sources (Uses):				
Transfers in	-	-	15,000,000	15,000,000
Transfers out	(5,456,838)	(6,012,652)	(6,012,652)	-
Net Financing Sources (Uses)	(5,456,838)	(6,012,652)	8,987,348	15,000,000
NET CHANGE IN FUND BALANCE	(26,997,854)	(30,916,202)	(7,584,749)	23,331,453
Fund Balance - Beginning	71,249,566	71,249,566	71,249,566	-
Fund Balance - Ending	\$ 44,251,712	\$ 40,333,364	\$ 63,664,817	\$ 23,331,453

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2007	\$ -	\$ 16,350,739	\$ 16,350,739	0%	\$ 157,602,189	10%
7/1/2009	\$ -	\$ 21,530,631	\$ 21,530,631	0%	\$ 163,794,208	13%

**SUPPLEMENTARY
INFORMATION**

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 12,997,892
Title I, Part A, Program Improvement LEA Corrective Action Resources	84.010	14955	381,281
ARRA - Title I, Part A	84.389	15005	7,860,879
Subtotal Title I, Part A Cluster			21,240,052
Adult Education: Adult Secondary Education	84.002A	13978	14,246
Adult Education: English Literacy and Civics Education	84.002A	14109	95,181
Adult Education: Basic Education and ESL	84.002A	14508	210,906
Title I, Part B, Reading First Program	84.357	14328	135,787
Title II, Part A, Teacher Quality	84.367A	14341	2,369,140
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	91,280
ARRA - Title II, Part D, EETT Formula Grants	84.386	15019	262,745
ARRA - Title II, Part D, EETT Competitive Grants	84.386	15126	416,000
Subtotal Education Technology State Grants Cluster			770,025
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,912,114
Title III, Immigrant Education Program	84.365	15146	155,313
Title IV, Part A, Drug-Free Schools	84.186	14347	91,402
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	1,051,467
Department of Rehab: Workability II, Transition Partnership	84.158	10006	154,256
School Improvement Grants Cluster			
Title I, School Improvement Grant	84.377	14971	3,524,730
ARRA - Title I, School Improvement Grant	84.388	15004	1,430,875
Subtotal School Improvement Grants Cluster			4,955,605
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,043,765
Part B, Preschool Grants	84.173	13430	19,818
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	1,187,739
ARRA - Preschool Local Entitlement, Part B	84.391	15002	123
ARRA - Part B, Preschool Grants	84.392	15000	86,273
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	36,799
Preschool Staff Development	84.173A	13431	565
Subtotal Special Education Cluster			4,375,082
Vocational Programs: Postsecondary and Adult II C, Sec 132 (Carl Perkins Act)	84.048	14893	67,528
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	428,512
McKinney-Vento Homeless Assistance Cluster			
Title X, McKinney-Vento Homeless Assistance	84.196	14332	95,149
ARRA - Title X, McKinney-Vento Homeless Assistance	84.387	15007	185,160
Subtotal McKinney-Vento Homeless Assistance Cluster			776,349
ARRA - State Fiscal Stabilization Fund	84.394	24997	5,365,270
Total U. S. Department of Education			43,672,195
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
Needy School Breakfast	10.553	13526	1,767,772
National School Lunch Program	10.555	13391	7,032,200
Basic School Breakfast	10.553	13525	3,185
Federal Snack Program	10.558	23165	298,716
Subtotal Child Nutrition Cluster			9,101,873
USDA Commodities	10.558	13389	601,899
Fresh Fruit and Vegetable Program	10.582	14968	599,460
Total U. S. Department of Agriculture			10,303,232
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	15,232
Total U. S. Department of Health & Human Services			15,232
Total Federal Expenditures			\$ 53,990,659

See accompanying note to supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011**

	Second Period Report	Second Period Report after Audit Adjustments*	Annual Report
ELEMENTARY			
Kindergarten	2,067	2,067	2,080
First through third	6,201	6,201	6,189
Fourth through sixth	5,583	5,581	5,575
Seventh through eighth	3,472	3,471	3,483
Special education	619	625	638
Home and hospital	3	3	18
Opportunity school	3	3	5
Community day school	9	9	11
Total Elementary	17,957	17,960	17,999
SECONDARY			
Regular classes	5,156	5,158	5,007
Continuation education	277	277	251
Special education	343	362	334
Home and hospital	6	6	31
Opportunity school	7	7	8
Community day school	13	13	15
Total Secondary	5,802	5,823	5,646
Average Daily Attendance Total	23,759	23,783	23,645

* - Adjustments are due to audit findings as well as client adjustments.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

Grade Level	1982 - 83	1982 - 83	1986 - 87	1986 - 87	2010-11	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced	Actual Minutes		
Kindergarten	31,500	30,625	36,000	35,000	54,094	180	Complied
Grade 1	46,740	45,442	50,400	49,000	54,094	180	Complied
Grade 2	46,740	45,442	50,400	49,000	54,094	180	Complied
Grade 3	46,740	45,442	50,400	49,000	54,255	180	Complied
Grade 4	50,120	48,728	54,000	52,500	54,255	180	Complied
Grade 5	50,120	48,728	54,000	52,500	54,255	180	Complied
Grade 6	50,120	48,728	54,000	52,500	58,855	180	Complied
Grade 7	50,120	48,728	54,000	52,500	58,855	180	Complied
Grade 8	50,120	48,728	54,000	52,500	58,855	180	Complied
Grade 9	58,885	57,249	64,800	63,000	64,875	180	Complied
Grade 10	58,885	57,249	64,800	63,000	64,875	180	Complied
Grade 11	58,885	57,249	64,800	63,000	64,875	180	Complied
Grade 12	58,885	57,249	64,800	63,000	64,875	180	Complied

See accompanying note to supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	\$ 217,963,564	\$ 240,401,676	\$ 244,397,071	\$ 270,449,000
Transfers in	-	15,000,000	201,191	-
Total	217,963,564	255,401,676	244,598,262	270,449,000
Expenditures	232,040,175	256,973,773	274,513,493	292,503,000
Other uses and transfers out	2,667,825	6,012,652	9,060,632	4,774,000
Total	234,708,000	262,986,425	283,574,125	297,277,000
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ (16,744,436)	\$ (7,584,749)	\$ (38,975,863)	\$ (26,828,000)
ENDING FUND BALANCE	\$ 46,920,381	\$ 63,664,817	\$ 71,249,566	\$ 110,225,000
AVAILABLE RESERVES*	\$ 7,628,010	\$ 8,347,838	\$ 8,507,224	\$ 64,088,000
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO	3.3%	3.2%	3.0%	21.6%
LONG-TERM DEBT	\$ 126,035,947	\$ 132,808,949	\$ 123,461,455	\$ 124,200,725
AVERAGE DAILY ATTENDANCE AT P-2	23,783	23,783	24,460	25,125

The General Fund balance has decreased by \$46,560,183 over the past two years. The fiscal year 2011-2012 budget projects a further decrease of \$16,744,436. For a district this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long term obligations have increased by \$8,608,224 over the past two years.

Average daily attendance has decreased by 1,342 ADA over the past two years. No change in ADA is anticipated during the 2011-2012 fiscal year.

* Available reserves consist of all unassigned fund balance within the General Fund including the Reserve for Economic Uncertainties

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
FUND BALANCE				
June 30, 2011 annual financial and budget report	\$ 66,245,355	\$ 314,554	\$ 65,143	\$ 644,166
Adjustments and reclassifications:				
Decrease for reversal of A/P debit balances	(2,580,538)	(143,062)	(108,641)	(197,069)
Decrease for child nutrition reimbursements	-	-	-	(419,510)
June 30, 2011 audited financial statements	\$ 63,664,817	\$ 171,492	\$ (43,498)	\$ 27,587

See accompanying note to supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no Charter Schools in the District during the year ended June 30, 2011.

**COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2011**

NOTE 1 – PURPOSE OF SCHEDULES

A. 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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2011 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2011.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 49,904,043
ARRA: State Fiscal Stabilization Fund (SFSF)	84.394	4,175,206
Medi-Cal Billing Option	93.778	<u>(88,590)</u>
 Total Expenditures reported in the Schedule of Expenditures of Federal Awards		 \$ <u>53,990,659</u>

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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 school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, *continued*
JUNE 30, 2011

NOTE 1 – PURPOSE OF SCHEDULES (*continued*)

D. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

E. Schedule of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

F. Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

G. Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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

Board of Trustees
Compton Unified School District
Compton, California

We have audited the financial statements of Compton Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. 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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Questioned Costs as items #2011-1 through #2011-4 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Compton Unified School 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 the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chint White Accountancy Corporation

San Diego, California

December 14, 2011



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

Board of Trustees
Compton Unified School District
Compton, California

Compliance

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Compton Unified School District's major federal programs are identified in the summary of auditor's 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 Unified School District's management. Our responsibility is to express an opinion on Compton Unified School 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 Unified School 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 Unified School District's compliance with those requirements.

In our opinion, Compton Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Compton Unified School 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 Unified School 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


San Diego, California
December 14, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Compton Unified School District
 Compton, California

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Compton Unified School District's management. Our responsibility is to express an opinion on Compton Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Compton Unified School 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 on Compton Unified School District's compliance with the state laws and regulations referred to above.

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

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

SAN DIEGO

RANCHO CUCAMONGA

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Not Applicable

As described in items #2011-5 through #2011-7 in the accompanying schedule of findings and questioned costs, we noted instances of non-compliance related to Attendance Reporting, Class Size Reduction, and School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Compton Unified School District to comply with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011.

In our opinion, except for the noncompliance described in the preceding paragraph, Compton Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011.

Compton Unified School 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 the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christie White Accountancy Corporation

San Diego, California
December 14, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>	
<u>84.010, 84.389</u>	<u>Title I, Part A Cluster including ARRA</u>	
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</u>	
<u>84.377, 84.388</u>	<u>School Improvement Grants Cluster, including ARRA</u>	
<u>84.365</u>	<u>Title III, Limited English Proficient Student Program</u>	
<u>84.027, 84.027A, 84.173, 84.173A, 84.391, 84.392</u>	<u>Special Education Cluster, including ARRA</u>	
<u>84.394</u>	<u>ARRA - State Fiscal Stabilization Fund</u>	
<u>10.553, 10.555, 10.556, 10.559</u>	<u>Child Nutrition Cluster</u>	
<u>84.318, 84.386</u>	<u>Educational Technology State Grants Cluster, including ARRA</u>	
<u>84.196, 84.387</u>	<u>McKinney-Vento Homeless Assistance Cluster, including ARRA</u>	
Dollar threshold used to distinguish between Type A and Type B programs:		\$ <u>1,619,720</u>
Auditee qualified as low-risk auditee?		<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Qualified</u>

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

FIVE DIGIT CODE

30000

AB 3627 FINDING TYPE

Internal Control

Finding #2011-1: Associated Student Body (ASB) (30000)

Criteria: Internal controls should be implemented to minimize the possibility for waste or abuse of Associated Student Body (ASB) resources.

Condition: The following items were noted during ASB testing:

Compton High School
Cash Receipts

7 of 8 receipts tested totaling \$4,908 could not be reconciled from the receipt of cash to the deposit. Various elements were missing for the deposit as follows:

- A reconciliation showing where cash came from when it is turned into the ASB office for deposit.
- Receipts and ticket worksheets should be attached to deposit or kept in an orderly way as to be able to reconcile the deposit.
- Copies of checks or receipt should be kept along with the deposit.

Cause: Lack of training at the Compton High School ASB.

Effect or Potential Effect: Abuse within the District's ASB organizations.

Perspective: A sample of cash receipts at the District's ASB organizations.

Recommendation: We recommend that the District provide training to ASB staff and implement controls to address the internal control deficiencies noted above.

District Response: The District has issued a handbook to all ASB's outlining policies and procedures and will continue to conduct semi-annual training workshops for all ASB staff.

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Finding #2011-2: Bank Accounts and Reconciliations (30000)

Criteria: Internal controls should be implemented to ensure that bank accounts are reconciled.

Condition: In our test of the District's clearing account balance, we noted a variance of \$156,492 between the balance on the bank reconciliation and the District's general ledger. The reconciliation balance should reflect a zero balance as the account is a clearing account. In our test of ASB accounts, we noted various old items (dating back to 2007) sitting on reconciliations which should have been written-off. Reconciliations, particularly for high schools, were not prepared correctly as we noted negative fund balance amounts.

Cause: Lack of training and internal control procedures surrounding bank reconciliations.

Effect or Potential Effect: Cash balances may not be properly stated without a reconciliation process.

Perspective: Review of year-end bank accounts and reconciliations.

Recommendation: We recommend that the District implement procedures to ensure that all bank accounts are properly reconciled and that these reconciliations are reviewed by an appropriate individual on a timely basis.

District Response: All bank reconciliations are now reviewed and signed by the Associated Superintendent of Business and Administrative Services. Deadlines are given for completion of the bank reconciliations to ensure that they are prepared in a timely manner.

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Finding #2011-3: Internal Controls for Child Nutrition Services (30000)

Criteria: Internal controls should be implemented to ensure that the accounting function at Child Nutrition Services is properly supervised.

Condition: In our test of child nutrition services' federal and state revenues, we noted that October 2011's state revenue was booked as federal revenue. Also, in our test of child nutrition services' cash in bank balance, auditor noted that the balance reported in the general ledger does not reconcile with the bank reconciliation. Finally, we noted that the accrual to record the May and June federal and state reimbursements was overstated.

Cause: Lack of supervision over Child Nutrition Services.

Effect or Potential Effect: Cash balances may not be accurately stated without a proper reconciliation process. Revenues and accounts receivable were overstated.

Perspective: Review of year-end bank accounts and reconciliations, review of cafeteria claim forms.

Recommendation: We recommend that the District implement procedures to ensure that journal entries posted by Child Nutrition Services are correct, and that these entries are reviewed by appropriate personnel to ensure accuracy. We also recommend that the District implement procedures to ensure that all bank accounts are properly reconciled and that these reconciliations are reviewed by an appropriate individual on a timely basis.

District Response: All bank reconciliations and journal entries will be reviewed by the Director of Accounting and Budgeting for accuracy. Deadlines will be given to staff for completion of bank reconciliations to ensure that they are prepared in a timely manner.

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Finding #2011-4: Health and Welfare Benefits Liability Accounts (30000)

Criteria: Internal controls should be implemented to ensure that health and welfare benefits liability accounts are properly stated.

Condition: There were several audit adjustments that had to be made to properly state the District's health and welfare and benefits liability accounts.

Cause: The accounts were not reconciled on a consistent basis.

Effect or Potential Effect: The health and welfare benefits liability accounts were not accurately stated.

Perspective: Review of year-end health and welfare liability account balances.

Recommendation: We recommend that the District reconcile these accounts on a consistent basis going forward.

District Response: The District has implemented a procedure to have all health and welfare and benefit liability accounts reconcile on a monthly basis and reviewed by the Director of Accounting and Budgeting to ensure accuracy.

COMPTON UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

There were no federal award findings or questioned costs for the year ended June 30, 2011.

COMPTON UNIFIED SCHOOL DISTRICT
 STATE AWARD FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

FIVE DIGIT CODE

10000
 40000
 61000
 70000
 71000
 72000

AB 3627 FINDING TYPE

Attendance
 State Compliance
 Classroom Teacher Salaries
 Instructional Materials
 Teacher Misassignments
 School Accountability Report Card

Finding #2011-5: Attendance Accounting (10000)

Criteria: Regular class attendance submitted to the California Department of Education should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (California Education Code Section 46000 et seq.). Auditors are required to verify compliance in Section 19817.1 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

Condition: We noted attendance discrepancies from the scantrons to the attendance system as follows:

Bunche Middle School

One (1) of 10 students tested had attendance discrepancies with a net one day under-reported.

Compton High School

Four (4) of 10 students tested had attendance discrepancies with a net four days under-reported.

Davis Middle School

Four (4) of 5 students tested had attendance discrepancies with a net two days under-reported.

Washington Elementary School

Nine out of ten students tested had attendance discrepancies with a net one day over-reported.

Bursch Elementary School

Seven out of 10 students tested had attendance discrepancies with a net 5 days over-reported.

Questioned Costs: 3 attendance days were understated as tested (0.02 ADA). The District has 128 days in its P-2 reporting period and its base revenue limit is \$6,387.57. The fiscal impact of the ADA understatement is \$150, calculated as follows: 3 days/128 days multiplied by \$6,387.57=\$150. The District has revised P-2 to reflect this change.

Cause: The school site's personnel did not properly organize and maintain all source documents of attendance in the 2010-11 school year.

Effect: The District is out of compliance with the State's requirements regarding attendance reporting.

COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Finding #2011-5: Attendance Accounting (10000) continued

Recommendation: The District should provide training to site attendance personnel on the requirements relating to retention of attendance source documents. Also maintain a record of all other attendance scantrons (i.e., for other periods during the days noted) for the students and days for which missing scantrons were noted above.

District Response: The District has and will continue to provide monthly training to site attendance personnel on the requirements relating to retention of attendance source documents. The District has properly revised P-2 to reflect the change in ADA.

Finding #2011-6: School Accountability Report Card (72000)

Criteria: School facilities conditions assessments as indicated in a school's annual School Accountability Report Card (SARC) should match the information indicated in facility conditions evaluation instruments developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002.

Condition: We noted that three of eleven sites tested had discrepancies found to what was reported on the 2009-10 SARC compared to the facilities inspection tool form used to evaluate the sites facilities. The sites that had inconsistencies are Bunche Middle, Roosevelt Middle, and Bursch Elementary.

Questioned Costs: Not applicable

Cause: The District reported the incorrect facilities information.

Effect: Non-compliance of state requirements.

Recommendation: The District should update the SARCs to ensure that accurate information is being reported and made available. As required per Education Code Section 33126, SARC information reported about the conditions of school facilities must be consistent with the facilities inspection tool forms used to make the evaluation.

District Response: The District will conduct an evaluation and update the SARCs to ensure that the correct information is being reported and made available.

COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Finding #2011-7: Class Size Reduction (40000)

Criteria: Pursuant to Education Code Sections 52120-52128.5, the District received Class Size Reduction Program funding. Auditors are required to verify compliance in Section 19845.2 of the Standards and Procedures for Audits of California K-12 Local Educational Agencies.

Condition: The District's submitted claim form (J-7 CSR) did not agree to the support from the AERIES attendance system as follows:

- Grade One - 15 pupil classes was under reported by one, 18 pupil classes was under reported by one, 20.45-21.44 pupil class was under reported by one, 21.45-22.44 pupil class was over reported by one, and 24.95 or greater classes was under reported by one.
- Grade Two - 16 pupil classes was under reported by one.
- Grade Three - 19 pupil classes was under reported by one, 20.25-21.44 classes was over reported by one, 22.95-24.94 classes was under reported by two, and 24.95 or greater classes was over reported by one.
- Kindergarten - 19 pupil classes was under reported by one, 22.95-24.94 classes was over reported by three, and 24.95 or greater classes was under reported by five.

Questioned Costs: The District's submitted claim form calculated apportionment of \$7,292,439, while the correct recalculated claim form calculated apportionment of \$7,413,462 meaning the District was underfunded by \$121,023. The District has re-submitted a revised claim form with the correct apportionment.

Cause: Errors were made in transferring data from the AERIES attendance system into the form J-7 CSR.

Effect: The District is out of compliance with the State's requirements regarding class size reduction.

Recommendation: The District should review the form J-7 CSR to ensure that the numbers reported agree to the AERIES attendance system.

District Response: The District has re-assigned the reporting of this report to the Fiscal Services Department which will be reviewed by the senior director of fiscal services for accuracy before submitting to the State.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-1: Associated Student Bodies (30000)

Criteria: Internal controls should be implemented to minimize the possibility for waste or abuse of ASB resources.

Condition: We found the following internal control deficiencies during the audit of the District's ASB's:

Compton High School

- Proper approvals are not obtained for cash disbursements. Five (5) of 12 tested expenditures did not have approval of a student council representative.
- Proper supporting documentation is not retained for cash disbursements. Two (2) of 12 tested expenditures did not have a receipt or invoice to support the purchase. One payment was for services of a homecoming game, and the other payment was a reimbursement to the assistant principal who purchased a costume.
- Proper supporting documentation of cash receipts is not obtained. Ten (10) of 10 tested cash receipts did not have documentation such as pre-numbered receipts, ticket control worksheets, inventory counts, or itemized collection worksheets to verify completeness and timeliness of deposits.

Bunche Middle School

- Proper supporting documentation of cash receipts is not obtained. One (1) of 2 tested cash receipts for the 8th grade dance did not have documentation, such as ticket control worksheets, to verify the completeness of the deposit.

Davis Middle School

- Proper supporting documentation of cash receipts is not obtained. Three (3) of 4 tested cash receipts did not have documentation such as pre-numbered receipts, ticket control worksheets, inventory counts, or itemized collection worksheets to verify completeness of deposits.

Walton Middle School

- An annual budget was not prepared for the 2009-10 school year.

Willowbrook Middle School

- Proper approvals are not obtained for cash disbursements. Three (3) of 3 tested expenditures did not have second approval because all purchases are made with an ASB account ATM card.
- The ASB checking account includes an ATM card, and is used by the ASB bookkeeper to make purchases for the ASB.
- Proper supporting documentation of cash receipts is not obtained. One (1) of 1 tested cash receipts for the student store did not have documentation such as an inventory count worksheet, to verify the completeness of the deposit.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-1: Associated Student Bodies (30000) continued

Effect: The possibility exists for waste or abuse of ASB resources without timely detection.

Recommendation: Provide training to ASB staff and implement controls to address the internal control deficiencies noted above.

Current Status: Partially implemented, see finding #2011-1.

Prior Year Audit Finding #2010-2: Bank Accounts and Reconciliations (30000)

Criteria: Internal controls should be implemented to ensure that bank accounts are reconciled on a timely basis.

Condition: We found during our testing of cash balances that one bank account was being reconciled but activity had not been posted to the general ledger since at least July 2009. We also discovered that the District had a cash account for Self-Insurance that was not recorded on the general ledger. Additionally, we noted that reconciliations for ASB accounts are being performed but not reviewed.

Recommendation: We recommend that the District implement procedures to ensure that all bank accounts are properly reconciled and that these reconciliations are reviewed by an appropriate individual on a timely basis.

Current Status: Not implemented, see finding #2011-2.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-3: Expenditures (30000)

Criteria: Internal controls in the processing of expenditures should be implemented to minimize the risk of errors and irregularities.

Condition: We found the following items during our testing of 69 expenditures:

- Former superintendent approved own credit card charges for payment – 8 occurrences
- Expenditure may have contained personal items – 8 occurrences
- Receipt or invoice did not indicate purpose of expenditure – 8 occurrences
- Purchase order dated after invoice – 5 occurrences
- Payment recorded in 2009-10 year, relates to 2008-2009 – 3 occurrences
- Department level approval not indicated on invoice – 4 occurrences
- Supporting documentation could not be located – 1 occurrence
- Public Works item just below \$15,000 bid threshold; bid splitting may have occurred – 5 occurrences
- No purchase order attached to payment – 1 occurrence

Recommendation: We recommend that the District implement procedures to ensure that a more diligent review occurs over the processing of expenditures.

Current Status: Implemented

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-4: Warehouse Operations (30000)

Condition: We found the following areas of concern during our interviews conducted with Alameda Warehouse and Food Warehouse personnel, as well as during our year-end testing:

Alameda Warehouse

- Several items were stolen from the District during the fiscal year
- There is no process to ensure that physical inventory counts are regularly performed for items greater than \$500 that have been distributed out to the sites, and there is also not a mechanism to track these items as they are relocated
- Cycle inventory counts of items maintained at the Warehouse are not performed

Food Services Warehouse

- Personnel were not adequately trained on the online requisitioning system, resulting in cycle count errors that were subsequently corrected
- The June 2011 federal reimbursement for cafeteria claims of was double booked in the general ledger

Recommendation: We understand that not all thefts are preventable but recommend that the District implement procedures to better safeguard and track assets. Physical Inventories of items should be conducted on an annual basis. Food Services Warehouse personnel should be adequately trained on the online requisitioning system. Also, procedures should be implemented to ensure that adjustments are recorded in the proper fiscal year and that the general ledger balances are accurately stated.

Current Status: Implemented

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-5: Interfund Activities (30000)

Criteria: Per Education Code 42603, all temporary loans must be repaid in the same fiscal year (with the exception of those loans taken out in the last 120 days of the year).

Condition: The Adult Education Fund borrowed \$1,600,000 from the General Fund during the last 120 days of fiscal year 2008-09 but did not repay it during the 2009-10 fiscal year.

Questioned Costs: None.

Cause: An adequate cash balance does not exist in the Adult Education Fund.

Effect: This lack of reimbursement to the General Fund does not appear compliant with the law.

Recommendation: We recommend that the Adult Education Fund repays the temporary loan back to the General Fund to stay in compliance with Education Code.

Current Status: Implemented

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-6: Personnel Time Accounting for Federal Programs (50000)

Federal Program Information:

- U.S. Department of Agriculture: Passed through California Department of Education (CDE) –National School Lunch Program Cluster, CFDA # 10.553, 10.555, and 10.558
- U.S. Department of Education: Passed through California Department of Education (CDE) -- Special Education (IDEA) Cluster including ARRA – Basic Local Assistance, Part B – CFDA # 84.027, Preschool Local Entitlement, Part B – CFDA # 84.027A, Preschool Grants, Part B – CFDA # 84.173, Preschool Staff Development, Part B – CFDA # 84.173A, ARRA – IDEA Part B, Preschool Local Entitlement – CFDA # 84.391, ARRA – IDEA Part B, Basic Local Assistance – CFDA #84.391, and ARRA – IDEA Part B, Preschool Grants – CFDA # 84.392
Title III – Limited English Proficient Student Program, CFDA # 84.365
Title II – Part A, Improving Teacher Quality, CFDA # 84.367
Title X – McKinney-Vento Homeless Assistance Cluster including ARRA – Title X – McKinney-Vento Homeless Assistance – CFDA # 84.196, and ARRA – Title X McKinney-Vento Homeless Assistance – CFDA #84.387.

Criteria: OMB Circular A-87, *Cost Principles for Local, State and Indian Tribe Governments*, requires an accounting for personnel time on multi-funded positions by the time spent on each program and to semi-annually certify positions charged 100% to federal programs. The California Department of Education has issued an advisory dated August 28, 1997 that further expands on the requirements as related to school district agencies.

Condition: The District did not provide time certification documents under OMB Circular A-87, *Cost Principles for Local, State and Indian Tribe Governments*, which requires an accounting of personnel time for individuals charged 100% to the federal programs noted above.

Questioned Costs: \$5,788,250 was charged to the National School Lunch Program Cluster, \$2,604,283 was charged to Basic Local Assistance, Part B – CFDA # 84.027, \$79,543 was charged to Preschool Local Entitlement, Part B – CFDA # 84.027A , \$33,285 was charged to Preschool Grants, Part B – CFDA # 84.173, \$22,480 was charged to ARRA – IDEA Part B, Basic Local Assistance – CFDA #84.391. \$1,483,529 was charged to the Title III – Limited English Proficient Student Program, \$984,170 was charged to the Title II – Part A, Improving Teacher Quality Program, \$114,502 was charged to Title X – McKinney-Vento Homeless Assistance – CFDA # 84.196, and \$2,715 was charged to ARRA – Title X McKinney-Vento Homeless Assistance – CFDA #84.387. However, the charges appear otherwise appropriate based on our review of personnel records on program assignments.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-6: Personnel Time Accounting for Federal Programs (50000) continued

Context: All employees tested.

Cause: Management is not monitoring the time certifications used to account for salaries charged to federal programs.

Effect: Non-compliance with Federal documentation regulation.

Recommendation: We recommend the District follow OMB Circular A-87 and CSAM Procedure 905 to prepare semi-annual certification for those charged to a "single cost objective." The certifications may be signed by the employee or their immediate supervisor. The District should also determine if any after-the-fact adjustments are needed to correct 2009-10 expenditures for time not worked on each program.

Current Status: Implemented

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-7: Attendance Accounting (10000)

Criteria: Regular class attendance submitted to the California Department of Education should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (California Education Code Section 46000 et seq.). Auditors are required to verify compliance in Section 19817.1 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

Condition: We noted attendance discrepancies from the scantrons to the attendance system as follows:

- Chavez Continuation School – six of nine students tested had attendance discrepancies with net 12 hours under reported.
- Tubman Continuation School – one of three students tested had attendance discrepancies with net five (5) hours over reported.
- Thurgood Marshall Independent Study School – seven of eight students tested had attendance discrepancies with a net 200 hours, or 50 days over reported.
- Compton High School – two of ten students tested had attendance discrepancies with a net two days under reported.
- Centennial High School – three of nine students tested had attendance discrepancies with a net three days over reported.
- Davis Middle School – one of ten students tested had attendance discrepancies with a net one day over reported.

Willard Elementary School – two of 20 students tested had attendance discrepancies with a net two days over reported.

Questioned Costs: 47 attendance days were overstated as tested (0.35 ADA). The fiscal impact of the ADA overstatement is \$2,263. The District has revised P-2 to reflect this change.

Cause: The school site's personnel did not properly organize and maintain all source documents of attendance in the 2009-10 school year.

Effect: The District is out of compliance with the State's requirements regarding attendance reporting.

Recommendation: The District should provide training to site attendance personnel on the requirements relating to retention of attendance source documents. Also maintain a record of all other attendance scantrons (i.e., for other periods during the days noted) for the students and days for which missing scantrons were noted above.

Current Status: Not implemented, see finding #2011-5.

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Year Audit Finding #2010-8: School Accountability Report Card (72000)

Criteria: School facilities conditions assessments as indicated in a school's annual School Accountability Report Card (SARC) should match the information indicated in facility conditions evaluation instruments developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002.

Condition: We noted that twelve of fifteen sites tested had discrepancies found to what was reported on the 2008-09 SARC compared to the facilities inspection tool form used to evaluate the sites facilities. The sites that had inconsistencies are Compton High, Centennial High, Bunche Middle, Roosevelt Middle, Walton Middle, Willowbrook Middle, Anderson Elementary, Emerson Elementary, Longfellow Elementary, Rosecrans Elementary, Washington Elementary, and Willard Elementary.

Questioned Costs: Not applicable

Cause: The District reported the incorrect facilities information.

Effect: Non-compliance of state requirements

Recommendation: The District should update the SARCs to ensure that accurate information is being reported and made available. As required per Education Code Section 33126, SARC information reported about the conditions of school facilities must be consistent with the facilities inspection tool forms used to make the evaluation.

Current Status: Not implemented, see finding #2011-6.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-9: Independent Study (10000)

Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent or guardian, and a certificated employee prior to the commencement of independent study (Education Code Section 51747(c)(8)).

Condition: At six school sites we found that a total of eighteen agreements did not contain all required signatures on or before the commencement of independent study. A total of 247 days of attendance were deemed to be unallowable. We also noted that samples of student work were not consistently attached, evidence of certificated staff evaluation of pupil work was not documented, and the objectives of independent study work were not always maintained.

Cause: District procedures were not followed to obtain all required elements of the independent study agreement prior to commencement of independent study.

Effect: Overstatement of independent study attendance.

Questioned costs: 247 attendance days were overstated as tested (1.86 ADA). The fiscal impact of the ADA overstatement is \$11,894. The District has revised P-2 to reflect this change.

Context: Eighteen independent study contracts tested at six school sites.

Recommendation: The District should continue to monitor the procedures and policies over independent study through annual training.

Current Status: Implemented.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-10: After School Education and Safety (ASES) Program Attendance (40000)

Criteria: Education Code 8482.3 requires districts applying for ASES funding to follow all fiscal reporting and accounting requirements of the California Department of Education. The auditor is to verify the district has maintained proper controls over the ASES Program to ensure that amounts recorded for reporting to the state are accurate.

Condition: In the testing of the number of students served in the ASES program that was submitted to the State, we found nine of thirty-two schools tested had attendance being inaccurately reported compared to the students sign-in and sign-out log. The attendance testing resulted in a net of 865 students served understatement.

Questioned Costs: The ASES program funding is not affected as long as the student participation level is maintained at 85% or greater. The District met their participation threshold of a minimum of 85% after taking into account this correction of this error, therefore there is no questioned cost.

Cause: Insufficient controls over attendance reporting.

Effect: Incorrect attendance being reported on the report submitted to the State.

Recommendation: We recommend that the District perform monthly reconciliations of manual sign-in sheets and system detail reports to ensure that the correct numbers of students are being recorded for attendance reporting purposes.

Current Status: Implemented.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-11: English Learner Teachers (40000)

Criteria: Pursuant to the provisions of Education Code Sections 44253.3, 44253.4, or 44253.10, any teacher that is assigned to teach a class in which more than 20 percent of the pupils are English learners must be authorized to instruct Limited-English-proficient pupils

Condition: From a sample of 70 teachers, we noted two teachers for whom we were unable to locate English language learners authorizations.

Questioned Costs: None.

Cause: Teacher credentials could not be located.

Effect: The District is not in compliance with this requirement.

Recommendation: The District should ensure that all teachers assigned to teach a class in which more than 20 percent of the pupils are English learners have the proper credentials.

Current Status: Implemented.