

**CITY OF COMPTON, CALIFORNIA**

Annual Financial Report

For the Fiscal Year Ended June 30, 2014



Certified  
Public  
Accountants

**CITY OF COMPTON, CALIFORNIA**

Annual Financial Report  
For the Fiscal Year Ended June 30, 2014

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## Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Compton  
Compton, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Compton, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Modified
Business-type Activities	Unmodified
General Fund	Modified
Federal Grants Special Revenue Fund	Modified
Retirement Special Revenue Fund	Unmodified
Public Finance Authority Capital Projects Fund	Unmodified
Compton Housing Successor Capital Projects Fund	Unmodified
Water Enterprise Fund	Unmodified
Rubbish Enterprise Fund	Unmodified
Sewer Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### Basis for Qualified Opinion on Governmental Activities

The City could not provide documentation to support \$6.3 million in additions to capital assets. Management of the City did not perform an analysis to determine whether all grant revenues had been earned and reported as of June 30, 2014. Accounting principles generally accepted in the United States of America require that capital assets reported be supported by underlying accounting records and grant revenue be recognized as revenue when all underlying grant eligibility criteria have been met. The amount by which these departures would affect the assets, liabilities, net position, and revenues of the governmental activities has not been determined.

### Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City as of June 30, 2014, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Qualified Opinion on General Fund

The City recorded grant revenue on a cash basis during the fiscal year ended June 30, 2014. Accounting principles generally accepted in the United States of America require that revenue be recognized when it is measurable and available. The amount by which this departure would affect the assets, deferred inflows of resources, fund balance, and revenues of the General Fund has not been determined.

### Qualified Opinion on General Fund

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on General Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the City as of June 30, 2014, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified Opinion on Federal Grants Special Revenue Fund**

The City has not determined whether \$2.9 million of unearned revenues had been earned as of June 30, 2014. In addition, the City did not perform an analysis to determine whether grant revenue not received as of June 30, 2014, was received prior to or subsequent to the availability period. Accounting principles generally accepted in the United States of America require that revenue be recognized when measurable and available. The amount by which these departures would affect the assets, liabilities, deferred inflows of resources, fund balance, and revenues of the Federal Grants Special Revenue Fund has not been determined.

### **Qualified Opinion on Federal Grants Special Revenue Fund**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Federal Grants Special Revenue Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Grants Special Revenue Fund of the City as of June 30, 2014, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund other than the General Fund and the Federal Grants Special Revenue Fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note 13 to the basic financial statements, the City’s General Fund had a deficit fund balance of \$36,488,124 and advances from other funds in the amount of \$37,011,379 as of June 30, 2014. This indicated a significant liquidity problem at June 30, 2014. Management’s plan to reduce the deficit and the repayment plan for the due from and advances from other funds are described in Note 13. Our opinion is not modified with respect to this matter.

As discussed in Notes 1 and 2 to the basic financial statements, effective July 1, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the General Fund, Major Federal Grants and Retirement Special Revenue Funds, and the schedules of funding progress listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.



Los Angeles, California  
November 17, 2016

## **BASIC FINANCIAL STATEMENTS**

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# CITY OF COMPTON, CALIFORNIA

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources:			
Assets			
Cash and investments	\$ 40,186,653	\$ 12,488,217	\$ 52,674,870
Restricted cash and investments	33,921,207	28,758,517	62,679,724
Receivables, net	4,724,753	3,907,775	8,632,528
Grants receivable	497,725	-	497,725
Internal balances	(21,839,768)	21,839,768	-
Inventories	15,045	274,827	289,872
Prepaid expenses	86,699	-	86,699
Deposits	1,433	1,278	2,711
Due from fiduciary funds	32,744	-	32,744
Loans receivable, net	755,106	-	755,106
Land held for resale	16,137,052	-	16,137,052
Capital assets:			
Nondepreciable	17,518,196	5,081,424	22,599,620
Depreciable, net	92,127,061	35,239,370	127,366,431
Total assets	<u>184,163,906</u>	<u>107,591,176</u>	<u>291,755,082</u>
Deferred Outflows of Resources			
Deferred loss on refunding of bonds	354,618	-	354,618
Total assets and deferred outflows of resources	<u>184,518,524</u>	<u>107,591,176</u>	<u>292,109,700</u>
Liabilities:			
Accounts payable	3,219,568	2,723,720	5,943,288
Accrued liabilities	7,373,788	470,511	7,844,299
Accrued interest payable	813,775	1,465,881	2,279,656
Deposits	24,446	1,406,071	1,430,517
Unearned revenue	3,951,024	-	3,951,024
Advances from Successor Agency	5,516,641	-	5,516,641
Long-term liabilities:			
Due within one year	7,115,650	1,838,149	8,953,799
Due within more than one year	115,650,505	66,493,698	182,144,203
Total liabilities	<u>143,665,397</u>	<u>74,398,030</u>	<u>218,063,427</u>
Net Position:			
Net investment in capital assets	79,399,926	3,261,603	82,661,529
Restricted for:			
Low/moderate income housing	40,556,885	-	40,556,885
Retirement	22,717,392	-	22,717,392
Federal grants	4,250,590	-	4,250,590
Road improvements	9,843,798	-	9,843,798
Transit systems	665,224	-	665,224
Police services	548,585	-	548,585
Recycling and clean air	351,691	-	351,691
Unrestricted (deficit)	(117,480,964)	29,931,543	(87,549,421)
Total net position	<u>\$ 40,853,127</u>	<u>\$ 33,193,146</u>	<u>\$ 74,046,273</u>

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Statement of Activities For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 20,761,304	\$ 1,880,705	\$ 550,380	\$ -	\$ (18,330,219)	\$ -	\$ (18,330,219)
Public safety	35,926,733	2,725,810	1,103,466	-	(32,097,457)	-	(32,097,457)
Public works	11,959,064	-	4,889,977	2,976,789	(4,092,298)	-	(4,092,298)
Management services	14,870,964	5,224,033	-	-	(9,646,931)	-	(9,646,931)
Environmental and human services	11,902,986	248,746	14,124,776	-	2,470,536	-	2,470,536
Interest on long-term debt	2,823,655	-	-	-	(2,823,655)	-	(2,823,655)
Total governmental activities	98,244,706	10,079,294	20,668,599	2,976,789	(64,520,024)	-	(64,520,024)
Business-type activities:							
Water	13,675,239	20,379,765	-	-	-	6,704,526	6,704,526
Rubbish	10,780,199	10,953,355	-	-	-	173,156	173,156
Sewer	910,707	1,923,108	-	-	-	1,012,401	1,012,401
Golf course	45,500	70,415	-	-	-	24,915	24,915
Recreational	-	805	-	-	-	805	805
Total business-type activities	25,411,645	33,327,448	-	-	-	7,915,803	7,915,803
Total	\$ 123,656,351	\$ 43,406,742	\$ 20,668,599	\$ 2,976,789	(64,520,024)	7,915,803	(56,604,221)
General revenues:							
Taxes:							
Property taxes					3,984,337	-	3,984,337
Utility user taxes					13,509,201	-	13,509,201
Franchise taxes					1,931,523	-	1,931,523
Special assessments					24,949,279	963,896	25,913,175
Transient occupancy taxes					117,738	-	117,738
Real property transfer taxes					194,212	-	194,212
Intergovernmental not restricted to specific programs					16,311,137	-	16,311,137
Investment earnings					174,165	108,159	282,324
Other income					2,458,481	-	2,458,481
Transfers					200,000	(200,000)	-
Total general revenues and transfers					63,830,073	872,055	64,702,128
Change in net position					(689,951)	8,787,858	8,097,907
Net position at beginning of year, as restated					41,543,078	24,405,288	65,948,366
Net position at end of year					\$ 40,853,127	\$ 33,193,146	\$ 74,046,273

See Accompanying Notes to Basic Financial Statements.

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# CITY OF COMPTON, CALIFORNIA

## Balance Sheet Governmental Funds June 30, 2014

		Special Revenue		Capital Projects
	General	Federal Grants	Retirement	Public Finance Authority
<b>Assets</b>				
Cash and investments	\$ 1,170,483	\$ 7,717,395	\$ 16,827,651	\$ 66,247
Restricted cash and investments	-	-	-	17,940,086
Taxes and special assessments receivable	2,639,875	-	778,556	-
Accounts receivable	362,622	160,249	2,061	-
Grants receivable	-	251,106	-	-
Due from other funds	2,660,155	-	-	268,131
Due from fiduciary funds	32,744	-	-	-
Prepaid items	9,047	77,652	-	-
Inventories	244	-	-	-
Deposits	-	-	-	1,433
Advances to other funds	-	1,149,527	6,277,260	811,045
Loans receivable, net	-	755,106	-	-
Land held for resale	50,000	-	-	-
<b>Total assets</b>	<b>\$ 6,925,170</b>	<b>\$ 10,111,035</b>	<b>\$ 23,885,528</b>	<b>\$ 19,086,942</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 776,096	\$ 653,231	\$ 232,652	\$ 90,282
Accrued liabilities	5,601,373	500,093	935,484	-
Unearned revenue	-	3,663,507	-	-
Due to other funds	-	779,284	-	-
Deposits	24,446	-	-	-
Advances from other funds	37,011,379	-	-	-
<b>Total liabilities</b>	<b>43,413,294</b>	<b>5,596,115</b>	<b>1,168,136</b>	<b>90,282</b>
Deferred inflows of resources				
Revenues earned but unavailable	-	186,678	-	-
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Prepaid items/Inventory	9,291	77,652	-	-
Land held for resale	50,000	-	-	-
<b>Restricted for:</b>				
Debt service	-	-	-	3,949,138
Capital projects	-	-	-	15,047,522
Federal grants	-	4,250,590	-	-
Retirement	-	-	22,717,392	-
Road improvements	-	-	-	-
Transit systems	-	-	-	-
Police services	-	-	-	-
Recycling and clean air	-	-	-	-
Low/moderate income housing	-	-	-	-
<b>Committed to:</b>				
Regional park	2,500,000	-	-	-
Unassigned	(39,047,415)	-	-	-
<b>Total fund balances (deficits)</b>	<b>(36,488,124)</b>	<b>4,328,242</b>	<b>22,717,392</b>	<b>18,996,660</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,925,170</b>	<b>\$ 10,111,035</b>	<b>\$ 23,885,528</b>	<b>\$ 19,086,942</b>

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Balance Sheet Governmental Funds June 30, 2014

Capital Projects Compton Housing Successor	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,107,834	\$ 9,817,184	\$ 38,706,794
15,981,121	-	33,921,207
-	135,347	3,553,778
-	646,043	1,170,975
-	246,619	497,725
-	2,448,612	5,376,898
-	-	32,744
-	-	86,699
-	-	244
-	-	1,433
5,380,878	1,714,450	15,333,160
-	-	755,106
16,087,052	-	16,137,052
<u>\$ 40,556,885</u>	<u>\$ 15,008,255</u>	<u>\$ 115,573,815</u>
\$ -	\$ 1,355,359	\$ 3,107,620
-	297,060	7,334,010
-	287,517	3,951,024
-	4,597,614	5,376,898
-	-	24,446
-	-	37,011,379
<u>-</u>	<u>6,537,550</u>	<u>56,805,377</u>
<u>-</u>	<u>-</u>	<u>186,678</u>
-	-	86,943
-	-	50,000
-	-	3,949,138
-	-	15,047,522
-	-	4,250,590
-	-	22,717,392
-	9,843,798	9,843,798
-	665,224	665,224
-	548,585	548,585
-	351,691	351,691
40,556,885	-	40,556,885
-	-	2,500,000
-	(2,938,593)	(41,986,008)
<u>40,556,885</u>	<u>8,470,705</u>	<u>58,581,760</u>
<u>\$ 40,556,885</u>	<u>\$ 15,008,255</u>	<u>\$ 115,573,815</u>

See Accompanying Notes to Basic Financial Statements.

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**CITY OF COMPTON, CALIFORNIA**  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2014

Fund balances of governmental funds \$ 58,581,760

Amounts reported for governmental activities in the statement of net position are different because:

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Capital assets, not being depreciated	17,474,087
Capital assets, being depreciated, net	275,334,544
Accumulated depreciation	(184,009,462)

Long-term liabilities transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position.

Other postemployment benefits obligation	(39,167,003)
Compensated absences	(4,438,366)
Bonds payable, net	(45,602,475)
Mortgage and notes payable	(5,759,555)
Capital lease obligations	(23,382)
Pension liability	(5,319,660)
Liabilities resulting from redevelopment agency dissolution	(5,872,173)

Accrued interest

Accrued interest payable in the statement of net position differs from the amount reported in governmental funds due to accrued interest on outstanding long-term debt, which is not due and payable at year-end.

(813,775)

Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position because they primarily service governmental activities of the City.

(20,072,709)

Deferred outflows of resources

Under the modified accrual basis of accounting, loss on refunding of debt is recognized when incurred. Under accrual accounting, the loss is deferred and amortized in the statement of activities.

354,618

Deferred inflows of resources

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period. Under accrual accounting, revenue must be recognized when earned. This revenue is recorded as deferred inflows of resources on the governmental fund statements.

186,678

Net position of governmental activities

\$ 40,853,127

**CITY OF COMPTON, CALIFORNIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

		Special Revenue		Capital Projects
		Federal		Public
	General	Grants	Retirement	Finance Authority
Revenues:				
Taxes and special assessments	\$ 27,792,344	\$ -	\$ 20,305,984	\$ -
Licenses and permits	5,224,033	-	-	-
Intergovernmental revenues	10,105,960	13,459,275	271,894	104,767
Fines, forfeitures, and penalties	1,484,983	-	-	-
Use of money and property	883,202	33,104	53,182	4,195
Charges for services	6,641,973	-	-	260,000
Other	550,384	772,057	123,355	85,200
Total revenues	<u>52,682,879</u>	<u>14,264,436</u>	<u>20,754,415</u>	<u>454,162</u>
Expenditures:				
Current:				
General government	6,350,371	5,334	896,849	-
Public safety	35,055,017	155,028	5,376,326	-
Public works	8,418	-	14,276	-
Management services	6,392,811	-	8,636,124	73,200
Environmental and human services	4,054,819	13,711,800	1,122,691	-
Debt service:				
Principal	306,018	300,000	-	-
Interest	356,089	51,525	-	2,319,888
Capital outlay	-	-	-	551,216
Total expenditures	<u>52,523,543</u>	<u>14,223,687</u>	<u>16,046,266</u>	<u>2,944,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>159,336</u>	<u>40,749</u>	<u>4,708,149</u>	<u>(2,490,142)</u>
Other financing sources (uses):				
Transfers in	-	266,319	-	-
Transfers out	(266,319)	-	-	-
Total other financing sources (uses)	<u>(266,319)</u>	<u>266,319</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(106,983)</u>	<u>307,068</u>	<u>4,708,149</u>	<u>(2,490,142)</u>
Fund balances (deficits), at beginning of year as restated	<u>(36,381,141)</u>	<u>4,021,174</u>	<u>18,009,243</u>	<u>21,486,802</u>
Fund balances (deficits) at end of year	<u>\$ (36,488,124)</u>	<u>\$ 4,328,242</u>	<u>\$ 22,717,392</u>	<u>\$ 18,996,660</u>

See Accompanying Notes to Basic Financial Statements.



**CITY OF COMPTON, CALIFORNIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

Capital Projects		
Compton	Nonmajor	Total
Housing	Governmental	Governmental
Successor	Funds	Funds
\$ -	\$ 4,371,402	\$ 52,469,730
-	-	5,224,033
-	8,691,804	32,633,700
-	-	1,484,983
26,942	121,854	1,122,479
-	542	6,902,515
31,990	-	1,562,986
58,932	13,185,602	101,400,426
-	77,200	7,329,754
-	490,863	41,077,234
-	9,283,474	9,306,168
-	17,959	15,120,094
287,556	373,545	19,550,411
-	-	606,018
-	-	2,727,502
-	394,961	946,177
287,556	10,638,002	96,663,358
(228,624)	2,547,600	4,737,068
-	200,000	466,319
-	-	(266,319)
-	200,000	200,000
(228,624)	2,747,600	4,937,068
40,785,509	5,723,105	53,644,692
\$ 40,556,885	\$ 8,470,705	\$ 58,581,760

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 4,937,068

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

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay, net	946,177
Depreciation expense	(7,688,478)
Adjustment to capital assets	3,023,719

Long-term liabilities transactions

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities. Unamortized bond discount on issue and deferred charges on refundings are included in the statement of net position and are amortized as a component of expense in the statement of activities.

Principal payments	606,018
Increase accrued interest	(40,479)
Increase in compensated absences	126,641
Decrease in pension liability	3,796,461
Increase in other postemployment benefits obligation	(4,339,731)

Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.

(2,057,347)

Change in net position of governmental activities	<u><u>\$ (689,951)</u></u>
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# CITY OF COMPTON, CALIFORNIA

## Statement of Net Position

### Proprietary Funds

June 30, 2014

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 9,717,013	\$ 1,095,079	\$ 1,597,424	\$ 78,701	\$ 12,488,217	\$ 1,479,859
Restricted cash and investments	14,328,464	112,600	14,317,453	-	28,758,517	-
Special assessments receivable	2,121	33,821	24,786	-	60,728	-
Accounts receivable, net	2,360,980	1,192,975	291,856	1,236	3,847,047	-
Due from other funds	161,549	-	-	-	161,549	-
Inventories	274,827	-	-	-	274,827	14,801
Deposit	-	1,278	-	-	1,278	-
Total current assets	<u>26,844,954</u>	<u>2,435,753</u>	<u>16,231,519</u>	<u>79,937</u>	<u>45,592,163</u>	<u>1,494,660</u>
Noncurrent assets:						
Advances to other funds	13,696,656	-	7,809,885	171,678	21,678,219	-
Capital assets:						
Nondepreciable	2,613,652	-	2,467,772	-	5,081,424	44,109
Depreciable, net	30,646,664	94,198	4,498,508	-	35,239,370	801,979
Total noncurrent assets	<u>46,956,972</u>	<u>94,198</u>	<u>14,776,165</u>	<u>171,678</u>	<u>61,999,013</u>	<u>846,088</u>
Total assets	<u>73,801,926</u>	<u>2,529,951</u>	<u>31,007,684</u>	<u>251,615</u>	<u>107,591,176</u>	<u>2,340,748</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	1,063,876	1,649,018	7,306	3,520	2,723,720	111,948
Due to other funds	-	-	-	-	-	161,549
Accrued liabilities	446,196	6,892	17,423	-	470,511	39,778
Accrued interest payable	1,020,762	15,400	429,719	-	1,465,881	-
Deposits	1,329,903	-	-	76,168	1,406,071	-
Self-insurance claims	-	-	-	-	-	2,315,025
Bonds payable	820,000	95,000	710,000	-	1,625,000	-
Compensated absences	158,359	8,279	46,511	-	213,149	-
Total current liabilities	<u>4,839,096</u>	<u>1,774,589</u>	<u>1,210,959</u>	<u>79,688</u>	<u>7,904,332</u>	<u>2,628,300</u>
Noncurrent liabilities:						
Advances from fiduciary funds	-	-	-	-	-	5,516,641
Other postemployment benefits obligations	1,597,531	128,434	98,865	2,176	1,827,006	-
Self-insurance claims	-	-	-	-	-	14,101,137
Bonds payable	41,583,729	675,000	21,933,979	-	64,192,708	-
Compensated absences	411,600	16,138	46,246	-	473,984	167,379
Total noncurrent liabilities	<u>43,592,860</u>	<u>819,572</u>	<u>22,079,090</u>	<u>2,176</u>	<u>66,493,698</u>	<u>19,785,157</u>
Total liabilities	<u>48,431,956</u>	<u>2,594,161</u>	<u>23,290,049</u>	<u>81,864</u>	<u>74,398,030</u>	<u>22,413,457</u>
Net Position (Deficit)						
Net investment in capital assets	5,185,051	(563,202)	(1,360,246)	-	3,261,603	846,088
Unrestricted (deficit)	20,184,919	498,992	9,077,881	169,751	29,931,543	(20,918,797)
Total net position (deficit)	<u>\$ 25,369,970</u>	<u>\$ (64,210)</u>	<u>\$ 7,717,635</u>	<u>\$ 169,751</u>	<u>\$ 33,193,146</u>	<u>\$ (20,072,709)</u>

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 19,648,564	\$ 10,953,355	\$ -	\$ 71,220	\$ 30,673,139	\$ -
Charges to other funds	-	-	-	-	-	6,623,286
Sewer capital improvement charges	-	-	1,923,108	-	1,923,108	-
Other	731,201	-	-	-	731,201	-
Total operating revenues	<u>20,379,765</u>	<u>10,953,355</u>	<u>1,923,108</u>	<u>71,220</u>	<u>33,327,448</u>	<u>6,623,286</u>
Operating expenses:						
Public works	-	-	405,154	45,500	450,654	-
Administration and personnel services	-	280,085	338	-	280,423	2,984,570
Environmental and personnel services	12,252,961	10,445,904	-	-	22,698,865	-
Basic maintenance and services	-	-	35,688	-	35,688	-
Self-insurance services	-	-	-	-	-	5,489,933
Depreciation	1,422,133	16,890	202,763	-	1,641,786	200,496
Total operating expenses	<u>13,675,094</u>	<u>10,742,879</u>	<u>643,943</u>	<u>45,500</u>	<u>25,107,416</u>	<u>8,674,999</u>
Operating income (loss)	<u>6,704,671</u>	<u>210,476</u>	<u>1,279,165</u>	<u>25,720</u>	<u>8,220,032</u>	<u>(2,051,713)</u>
Nonoperating revenues (expenses):						
Investment income	67,610	1	39,702	846	108,159	-
Interest expense	(145)	(37,320)	(266,764)	-	(304,229)	(5,634)
Taxes and special assessments	10,662	-	953,234	-	963,896	-
Total nonoperating revenues (expenses)	<u>78,127</u>	<u>(37,319)</u>	<u>726,172</u>	<u>846</u>	<u>767,826</u>	<u>(5,634)</u>
Income (loss) before transfers	<u>6,782,798</u>	<u>173,157</u>	<u>2,005,337</u>	<u>26,566</u>	<u>8,987,858</u>	<u>(2,057,347)</u>
Transfers out	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Change in net position	<u>6,582,798</u>	<u>173,157</u>	<u>2,005,337</u>	<u>26,566</u>	<u>8,787,858</u>	<u>(2,057,347)</u>
Net position (deficit) at beginning of year, as restated	<u>18,787,172</u>	<u>(237,367)</u>	<u>5,712,298</u>	<u>143,185</u>	<u>24,405,288</u>	<u>(18,015,362)</u>
Net position (deficit) at end of year	<u>\$ 25,369,970</u>	<u>\$ (64,210)</u>	<u>\$ 7,717,635</u>	<u>\$ 169,751</u>	<u>\$ 33,193,146</u>	<u>\$ (20,072,709)</u>

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 21,001,967	\$ 10,989,659	\$ 1,918,367	\$ 78,587	\$ 33,988,580	\$ -
Cash received from interfund services, net	-	-	-	-	-	6,011,357
Cash payments to suppliers for goods and services	(9,826,136)	(9,536,207)	(105,973)	(42,000)	(19,510,316)	(2,349,760)
Cash payments to employees for services	(2,886,079)	(256,473)	(328,572)	-	(3,471,124)	(2,377,735)
Net cash provided by operating activities	8,289,752	1,196,979	1,483,822	36,587	11,007,140	1,283,862
Cash flows from non-capital financing activities:						
Short-term loans to other funds	(161,549)	-	-	-	(161,549)	-
Long-term loans to other funds	(67,464)	-	(38,468)	(846)	(106,778)	(4,932)
Repayments of short-term loans to fiduciary funds	-	-	-	-	-	13,661
Transfers to other funds	(200,000)	-	-	-	(200,000)	-
Taxes and special assessments	10,464	-	953,234	-	963,698	-
Net cash provided by (used for) non-capital financing activities	(418,549)	-	914,766	(846)	495,371	8,729
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(326,354)	-	-	-	(326,354)	(942,000)
Capital lease payment	-	-	-	-	-	(80,754)
Principal paid on bonds payable	(765,000)	(90,000)	(680,000)	-	(1,535,000)	-
Interest paid on long-term debt	(2,427,752)	(39,121)	(1,303,022)	-	(3,769,895)	(9,984)
Net cash used for capital and related financing activities	(3,519,106)	(129,121)	(1,983,022)	-	(5,631,249)	(1,032,738)
Cash flows from investing activities:						
Interest received on investments	67,610	1	39,702	846	108,159	-
Net cash provided by investing activities	67,610	1	39,702	846	108,159	-
Net increase in cash and cash equivalents	4,419,707	1,067,859	455,268	36,587	5,979,421	259,853
Cash and cash equivalents, beginning of year	19,625,770	139,820	15,459,609	42,114	35,267,313	1,220,006
Cash and cash equivalents, end of year	\$ 24,045,477	\$ 1,207,679	\$ 15,914,877	\$ 78,701	\$ 41,246,734	\$ 1,479,859
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 6,704,671	\$ 210,476	\$ 1,279,165	\$ 25,720	\$ 8,220,032	\$ (2,051,713)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	1,422,133	16,890	202,763	-	1,641,786	200,496
Changes in assets and liabilities:						
Decrease (increase) in special assessments receivable	-	(3,835)	1,929	-	(1,906)	-
Decrease (increase) in accounts receivable	624,351	40,139	(6,670)	13	657,833	-
Decrease in inventories	196,576	-	-	-	196,576	19,983
Increase (decrease) in accounts payable	(596,228)	1,148,401	(30,495)	3,520	525,198	(75,319)
Increase (decrease) in accrued liabilities	(345,677)	(238,704)	(7,812)	-	(592,193)	(2,648)
Increase (decrease) in compensated absences	(1,425)	(661)	11,225	-	9,139	3,352
Increase in other postemployment benefits obligations	287,500	24,273	33,717	-	345,490	-
Increase (decrease) in deposits payable	(2,149)	-	-	7,334	5,185	-
Increase in self-insurance claims	-	-	-	-	-	3,189,711
Net cash provided by operating activities	\$ 8,289,752	\$ 1,196,979	\$ 1,483,822	\$ 36,587	\$ 11,007,140	\$ 1,283,862

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**

## Statement of Fiduciary Net Position

June 30, 2014

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 2,602,837	\$ 587,474
Restricted cash and investments	28,625,733	-
Accounts receivable	-	17,968
Loans receivable	8,331,714	-
Advances to other funds	5,516,641	-
Land held for resale	17,843,557	-
Capital assets :		
Nondepreciable	13,088,953	-
Depreciable, net	29,192,254	-
Total assets	105,201,689	\$ 605,442
Liabilities		
Accounts payable	771,885	\$ 6,996
Accrued liabilities	213,388	2,000
Due to the City	-	32,744
Accrued interest payable	2,412,595	-
Deposits	371,670	563,702
Long-term liabilities:		
Due within one year	3,584,906	-
Due in more than one year	143,486,750	-
Total liabilities	150,841,194	\$ 605,442
Net Position (Deficit)		
Unrestricted (Deficit)	\$ (45,639,505)	

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
Statement of Changes in Fiduciary Net Position  
Successor Agency Private-Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2014

Additions:

Taxes and special assesments	\$ 9,872,066
Land sale proceeds	1,099,546
Use of money and property	464,831
Other revenues	<u>126</u>
Total additions	<u>11,436,569</u>

Deductions:

Redevelopment	2,137,315
Debt service - interest	9,122,491
Depreciation	<u>497,739</u>
Total deductions	<u>11,757,545</u>

Change in net position (320,976)

Net position (deficit) - beginning as restated (45,318,529)

Net position (deficit) - ending \$ (45,639,505)

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## **CITY OF COMPTON, CALIFORNIA**

Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Description of the Reporting Entity**

The City of Compton (City) was incorporated on May 1, 1888, under the laws of the State of California and enjoys all the rights and privileges applicable to a charter city. It is governed by an elected Mayor and City Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units.

#### **Blended Component Units**

Blended component units, although legally separate entities are, in substance, part of the primary government's operations and so data from these units is combined with data of the primary government. Component units should be included in the reporting entity financial statements using the blended method in any of the following circumstances:

- i. The component unit's governing body is substantially the same as the governing body of the primary government (the City) and (1) the existence of a financial benefit or burden relationship between them or (2) management of the City has operational responsibility for the component unit.
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to the City.
- iii. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with City resources.

The component units discussed below are included in the reporting entity because the City Council serves as the governing board and the City's management has operational responsibility over them.

The Public Finance Authority (PFA) was organized in 1987 under a joint exercise of powers agreement to provide financing for public capital improvements for the City and the Community Redevelopment Agency (Agency). The PFA's financial activity is reported in a separate capital projects fund.

The Housing Authority of the City of Compton (Housing Authority) was established in 1969 pursuant to State legislation. On December 1, 1976, the Housing Authority entered into an Annual Contributions Contract with the Department of Housing and Urban Development (HUD) and received allocation of Section 8 Certificate units. The Housing Authority operates two programs: the Housing Choice Voucher Program, which provides monthly rental assistance to participants who want to rent from private landlords, but cannot afford the full monthly payment; and the Family Self-Sufficiency (FSS) Program, which assists families in creating plans that will lead to economic independence.

The following organization is considered a fiduciary type component unit of the City.

The Successor Agency to the Community Redevelopment Agency (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency is a separate public entity from the City, subject to the direction of an oversight board. The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

annual installment payments on enforceable obligations of the former Community Redevelopment Agency (Agency) until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicable function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and intergovernmental revenues are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax and all other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred, except for debt service expenditures as well as expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Property taxes, franchise taxes, other taxes, special assessments, licenses, grants, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent measurable and available. All other revenue items are considered measurable and available only when cash is received by the City.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

**Description of Funds**

The City reports the following major governmental funds:

- *General Fund* – This fund is used to account for resources traditionally associated with governments, which are not required to be accounted for in another fund.
- *Federal Grants Special Revenue Fund* – This fund is used to account for various grants received from the agencies of the Federal government.
- *Retirement Special Revenue Fund* – This fund accounts for the contributions made by the City to its public employees' retirement system. The activity is financed from a special tax levy.
- *Public Finance Authority Capital Projects Fund* – This fund was set up to finance various capital improvements and equipment within the City and account for the payment of interest and principal on the outstanding long-term indebtedness issued by the PFA as well as to lease from and leaseback to the City, certain property under the lease agreement dated September 1, 1997. The principal source of resources of this fund is the Base Rental Payments made by the City to the PFA, which are reported as interfund transfers.
- *Compton Housing Successor Capital Projects Fund* – This fund is used to account for the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Agency. This fund was identified as the Compton Housing Authority Capital Projects Fund in prior year's financial statements.

The City reports the following major enterprise funds:

- *Water Fund* – This fund is used to account for the provision of water to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing, collection, and upgrading portions of the City's water system.
- *Rubbish Fund* – This fund is used to account for the provision of rubbish collection services to residents and businesses within the City.
- *Sewer Fund* – This fund is used to account for the costs of replacing and upgrading portions of the City's sewer system and its operations.

Additionally, the City reports the following fund types:

- *Internal Service Funds* – Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. These services include equipment rental, duplicating services, and self-insurance.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

- *Agency Funds* – Agency Funds are used to account for funds in which the City is acting as an agent for another agency.
- *Private-Purpose Trust Fund* - This fund is to account for custodial responsibilities that are assigned to the Successor Agency with the passage of Assembly Bill 1X 26 (AB 1X 26) and was established on February 1, 2012. The fund accounts for the receipt of property tax revenues subsequent to the dissolution of the Agency and expenses incurred pursuant to the recognized obligation payment schedule (ROPS) approved by the State Department of Finance. This fund follows the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal service fund charges to business-type activities and other charges to business-type activities and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connecting with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise and internal service funds included cost of sales and services, operations, upgrading and maintenance of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred with unrestricted resources, the City's policy is to first use committed fund balance, then assigned fund balance, and lastly unassigned fund balance amounts.

**Assets, Deferred Outflows of Resources, Liabilities, and Net Position**

1. Cash and investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Investments are stated at fair value. The City's investment in the Local Agency Investment Fund (LAIF) is part of the State Treasurer's Investment Pool operated in accordance with the California Government Code Section 16429. The reported value of the pool is the same as the fair value of the pool shares. Investments in money market mutual funds are stated at fair value, which as of the year-end equals to the cost of the investments in the money market mutual funds.

2. Inventories

Enterprise fund inventories include various accessories used for water service repair and maintenance. Inventories in the governmental and internal service funds consist principally of

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

office supplies, recreational activity supplies, and other miscellaneous materials and supplies. Inventories are valued at the lower of average cost or market.

**3. Land held for resale**

Land acquired by the former Agency and held for resale by the Successor Agency and the Housing Successor is accounted for as an investment and recorded at the lower of cost or estimated realizable value. Estimated realizable value is determined upon the execution of a disposition and development agreement. Land held for resale, which is not available for current expenditure, is reported in the governmental funds balance sheet as restricted fund balance when proceeds from the sale must be used for restricted purposes or as nonspendable fund balance when such proceeds are not restricted.

**4. Capital assets**

Capital assets, which include land, land improvements, buildings, structures, equipment (including furniture), and infrastructure assets are reported in the applicable activity columns in the accompanying government-wide statement of net position and the proprietary funds statement of net position. Capital assets are defined using guidelines established by the City. Such guidelines assert that assets with an initial individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of one year are to be considered capital assets. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on capital assets within the City is computed on a straight-line method using the following estimated useful lives.

Buildings and structures	5 - 50 years
Land improvements	5 - 20 years
Equipment	3 – 10 years
Infrastructure	25 – 80 years

The City's convention for depreciation in the year of asset acquisition is for 12 months, regardless when the asset is placed into service during the year.

**5. Deferred outflows of resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for City reporting in this category are: the deferred charges on refunding reported in the government-wide Statement of Net Position. The deferred charges on refunding reporting results

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

6. Compensated absences

All compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. Compensated absences are recorded as a liability and expenditure in the governmental funds when due and payable, as it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources.

7. Claims and judgments

Material claims and judgments are recorded as a liability when it is probable that a claim has been incurred and the amount of the loss can be reasonably estimated. The City records the estimated loss including those incurred but not reported, net of any insurance coverage, in an internal service fund under its self-insurance program.

8. Property tax revenues

The County of Los Angeles is responsible for assessing, collecting, and distributing property taxes to the City. The following property tax calendar is used:

Lien date	January 1
Levy date	4th Monday of September
Due dates	November 1 and February 1
Delinquency date	December 11 and April 11

The City considers property taxes as available and records revenues if they are collected within 60 days after year-end. Property tax receivables are adjusted to their net realizable values by deducting any estimated uncollectible amounts reported to the City for any unsecured property taxes.

9. Net position

In the government-wide financial statements and proprietary funds financial statements net position is reported in three categories: net investment in capital assets; restricted net position and unrestricted net position.

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings, including any related debt premiums, and discounts, that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the unspent proceeds and the amount of related debt are included in the calculation of restricted net position.
- *Restricted net position* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At June 30, 2014,

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

the restricted net position was \$78,934,165 of which, \$22,717,392 was restricted by enabling legislation. Restricted assets are reduced by liabilities related to those assets in determining restricted net position.

- *Unrestricted net position* – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

10. Fund balances

As prescribed by Governmental Accounting Standards Board (GASB) Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2014, fund balances for governmental funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, land held for resale, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of a resolution or an ordinance by the City Council, the highest level of decision making authority of the City. The City has determined that both a resolution and an ordinance are equally binding. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined. During fiscal year 2014, the City adopted a resolution to commit \$2.5 million of the general fund balance for the Compton Creek Regional Garden Park.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.
- *Unassigned Fund Balance* – includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification of fund balance in the nonspendable, restricted or committed categories.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been classified for specific purposes for which resources already have been allocated.

**11. Use of Estimates**

The preparation of the accompanying basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, as well as disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**12. New GASB Pronouncements**

Implementation of the following GASB statements is effective in fiscal year 2014.

*GASB Statement No. 65*

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The City recognized \$186,678 in deferred inflows of resources and \$354,618 in deferred outflows of resources. The City did not do an analysis of all of their grant programs to determine if any additional deferred inflows should be recorded. In addition, bond issuance costs should now be expensed in the current period rather than amortized over the bond life. The City had to expense \$829,206 and \$1,174,347 in bond issuance costs from prior years for Governmental Activities and Business-type Activities, respectively. Please see Note 2 Restatement of Financial Statements for further details.

*GASB Statement No. 66*

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement had no material impact on the City's financial statements.

*GASB Statement No. 70*

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. This statement had no material impact on the City's financial statements.

The following standards are not yet effective and the City is currently analyzing its accounting practices to determine their potential impact on the financial statements.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

*GASB Statement No. 68*

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This will result in a net pension liability and pension-related deferred outflows of resources and deferred inflows of resources being recorded. Application of this statement is effective for the City's fiscal year ended June 30, 2015.

*GASB Statement No. 69*

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. Application of this statement is effective for the City's fiscal year ended June 30, 2015.

*GASB Statement No. 71*

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which provides guidance to state and local governments clarifying the transition provisions for GASB No. 68 regarding pension contributions made after the measurement date. Application of this statement is effective for the City's fiscal year ended June 30, 2015.

*GASB Statement No. 72*

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for the City's fiscal year ended June 30, 2016.

*GASB Statement No. 73*

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City's fiscal year ended June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

*GASB Statement No. 74*

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

*GASB Statement No. 75*

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provides OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

*GASB Statement No. 76*

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City's fiscal year ended June 30, 2016.

*GASB Statement No. 77*

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about reporting a government's own tax abatement agreement and those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement is effective for the City's fiscal year ending June 30, 2017.

*GASB Statement No. 78*

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017. The City does not currently participate in a pension plan covered by this statement.

*GASB Statement No. 79*

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized cost for financial reporting purposes. Pool participants should also measure their investments at amortized cost if the external pool meets these criteria. If an external investment pool does not meet the criteria, then the pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Pool participants should measure their investments in that pool at fair value in accordance with paragraph 11 of Statement No. 31. This statement establishes additional note disclosure requirements for qualifying external investment

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

pools that measure all of their investments at amortized cost and for governments that participate in those pools. This statement is effective for the City's fiscal year ended June 30, 2016, except for the provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective beginning fiscal year 2017.

*GASB Statement No. 80*

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement is effective for the City's fiscal year ending June 30, 2017.

*GASB Statement No. 81*

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. It requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. It also requires a government to recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. And finally, it requires that a government recognize revenue when the resources become applicable to the reporting period. This statement is effective for the City's fiscal year ending June 30, 2018. The City is not currently a beneficiary of an irrevocable split-interest agreement.

*GASB Statement No. 82*

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement amends Statement 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The statement clarifies that a *deviation*, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. It clarifies that payments made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. And finally, the statement requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions. This statement is effective for the City's fiscal year ending June 30, 2017. If the employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end date, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 2 – RESTATEMENT OF FINANCIAL STATEMENTS**

During fiscal year 2014, the City implemented GASB Statement No. 65. In the financial statements the City has written off \$829,026 for governmental activities and \$1,174,347 for business-type activities and enterprise funds in prior year unamortized bond issuance costs, as these costs are now required to be recognized as an expense in the period incurred. In addition, the deferred charge on refunding of debt of \$354,618 has been reclassified from a reduction of debt to a deferred outflow of resources on the statement of net position.

The City also corrected the net position of the governmental activities for an increase to recognize a loan receivable of \$755,106, an increase of \$337,324 for unearned revenue earned in previous years, for a decrease of \$499,449 for construction in progress transferred to the Successor Agency Trust Fund for assets that were not transferred previously as part of the dissolution of the Compton Redevelopment Agency, a decrease of \$12,757,573 for capitalized land recorded twice, an increase of \$4,759,508 for land held for resale previously recorded on the Successor Agency Trust Fund and a decrease of \$23,918,733 for loan receivables deemed uncollectible in prior years for which the allowance for doubtful accounts had not been recorded.

Please see the table below for the governmental activities net position as of July 1, 2013:

Net Position as originally stated, beginning of year	\$ 73,695,921
<i>Correction of errors</i>	
Decrease - assets not transferred to Successor Agency Trust Fund in previous years	(499,449)
Increase - record loan receivable previously not recognized	755,106
Increase - unearned revenues earned but not previously recognized	337,324
Decrease - removal of land incorrectly recorded as capital assets	(12,757,573)
Increase - land held for resale on Successor Agency belonging to the City	4,759,508
Decrease - allowance for doubtful accounts for loan receivables incorrectly recorded	(23,918,733)
<i>Change in Accounting Principles</i>	
Decrease - GASB #65 write off of bond issuance costs	(829,026)
Net Position as restated, beginning of year	<u>\$ 41,543,078</u>

Please see the table below for the business-type activities net position as of July 1, 2013:

	Water Fund	Rubbish Fund	Sewer Fund	NonMajor Funds	Business-Type Activities
Net position as originally stated, beginning of year	\$ 19,366,012	\$ (237,367)	\$ 6,307,805	\$ 143,185	\$ 25,579,635
<i>Change in Accounting Principles</i>					
GASB #65 write off as bond issuance costs	(578,840)	-	(595,507)	-	(1,174,347)
Net position (deficit) as restated, beginning of year	<u>\$ 18,787,172</u>	<u>\$ (237,367)</u>	<u>\$ 5,712,298</u>	<u>\$ 143,185</u>	<u>\$ 24,405,288</u>

The City restated beginning fund balance of the Federal Grants Special Revenue Fund for a loan receivable of \$755,106 which was previously recorded as deferred revenue instead of recognized as revenue in previous years and unearned revenue of \$337,324 that was earned in prior fiscal years.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 2 – RESTATEMENT OF FINANCIAL STATEMENTS (Continued)**

The City restated beginning fund balance of the Compton Housing Successor Capital Projects Fund for \$5,254,807 for land held for resale incorrectly recorded on the Successor Agency Trust Fund and \$495,299 for land held for resale sold but not removed from the City's books. Please see the table below:

	Federal Grants Fund	Compton Housing Successor Fund
Fund Balances as originally stated, beginning of year	\$ 2,928,744	\$ 36,026,001
<i>Correction of errors:</i>		
Increase - loan receivable revenue not recognized previously	755,106	-
Increase - unearned revenue earned in previous years	337,324	-
Increase - land held for resale from the Successor Agency	-	5,254,807
Decrease - land held for resale sold but not removed from the City's books	-	(495,299)
Fund Balances as restated, beginning of year	<u>\$ 4,021,174</u>	<u>\$ 40,785,509</u>

The Successor Agency Private Purpose Trust Fund of the former Redevelopment Agency (See Note 14) restated their beginning net position as follows:

Net deficit as originally stated, beginning of year	\$ (39,411,445)
<i>Corrections of errors:</i>	
Increase - fair value of land donated in previous years	2,204,449
Increase - cost basis for land held for resale not on the Agency's books	2,527,233
Decrease - land sold but not removed from Agency's books	(4,067,096)
Decrease - reduction for land actually owned by the City	(5,254,807)
Increase - construction in progress assets for the Senior Center	499,449
<i>Change in Accounting Principles</i>	
GASB 65 write off of bond issuance costs	(1,816,312)
Net deficit as restated, beginning of year	<u>\$ (45,318,529)</u>

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position.**

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation states that, “When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

assets of the City as a whole.” The capital assets reported in the statement of net position for governmental activities (excluding internal service funds) are as follows:

Land	\$ 14,861,103
Construction in progress	2,612,984
Depreciable building and structures, net	14,874,671
Depreciable land improvement, net	100,330
Depreciable equipment, net	1,935,361
Depreciable infrastructure, net	74,414,720
	<u>\$ 108,799,169</u>

One element of that reconciliation explains that “Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.” The details of this \$106,182,614 adjustment are as follows:

Bonds payable	\$ (45,602,475)
Mortgage loan payable	(2,559,555)
Notes payable	(3,200,000)
Capital lease obligation	(23,382)
Compensated absences	(4,438,366)
Other postemployment benefits obligation	(39,167,003)
Pension liability	(5,319,660)
Liabilities resulting from redevelopment agency dissolution	(5,872,173)
	<u>\$ (106,182,614)</u>

**Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.**

The governmental funds statement of revenues, expenditures and changes in fund balances includes reconciliation between net change in fund balances – total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that “Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.” The details of this adjustment are as follows:

Principal payments:	
Mortgage loan payable	\$ 189,303
Notes payable	300,000
Capital lease obligation	116,715
	<u>\$ 606,018</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Individual Department and Fund Disclosures**

For the fiscal year ended June 30, 2014, the following departments of the City had expenditures in the General Fund that exceeded the budget appropriations by the indicated amounts:

City Council	\$ 194,393
City Manager	138,107
Management Services:	
Non-departmental	1,884,876
Fire	214,714
Parks and recreation	74,009
Transfers out	1,077,857

At June 30, 2014, the following funds had accumulated deficits:

General Fund	\$ 36,488,124
Nonmajor governmental funds:	
Department of Health Service Grant	97,399
Special Assessments	2,342,130
California Department of Parks and Recreation	499,064
Rubbish Enterprise Fund	64,210
Internal Service Funds:	
Central Duplication	272,054
Self-Insurance	21,374,275

The nonmajor governmental funds and the Rubbish fund deficits are anticipated to be funded from future management spending control policies to ensure appropriated expenditures are less than revenues, which will result in yearly surplus to reduce and eliminate the deficits. The Central Duplication fund deficit will be funded by the General Fund paying additional monies in future years to fund the deficit. The Self-Insurance fund is funded by the General Fund as these liabilities become due and payable.

**NOTE 5 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2014 are classified in the accompanying financial statements as follows:

<b>Statement of net position:</b>	
Cash and investments	\$ 52,674,870
Restricted cash and investments	62,679,724
<b>Statement of fiduciary net position:</b>	
Cash and investments	3,190,311
Restricted cash and investments	28,625,733
	<hr/>
Total cash and investments	<u><u>\$ 147,170,638</u></u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

Cash and investments at June 30, 2014 are classified as follows:

Cash on hand	\$ 16,180
Deposits with financial institutions	27,120,165
Investments	<u>120,034,293</u>
Total cash and investments	<u><u>\$ 147,170,638</u></u>

**Investments Authorized by the City's Investment Policy**

The City's Statement of Investment Policy is reviewed and adopted by the City Council each year. The investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53601 of the California Government Code (CGC). Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures. The table below identifies the investment types that are authorized for the investments by the CGC and the City's investment policy. The table also addresses policies regarding interest rate risk and concentration of credit risk.

Investments are limited to:

	Maximum Maturity		Maximum Percentage of Portfolio*		Maximum Investment in One Issuer	
	CGC	City	CGC	City	CGC	City
Mutual funds	N/A	5 years	20%	20%	10%	10% *
Bankers' acceptances	180 days	180 days	40%	40%	30%	30% *
Commercial paper	270 days	270 days	25%	15%	10%	10%
U.S. treasury bills	5 years	5 years	None**	None**	None**	None**
U.S. treasury notes	5 years	5 years	None**	None**	None**	None**
Federal agency securities	5 years	5 years	None**	None**	None**	15%
Negotiable certificates of deposit	5 years	5 years	30%	30%	None**	None**
Repurchase agreements	1 year	90 days	None**	None**	None**	None**
Reverse repurchase agreements	92 days	90 days	20%	20%	None**	None**
Time deposits	5 years	5 years	30%	25%	10%	10% *
Medium term corporate notes	5 years	5 years	30%	30%	None**	15%
Money market funds	N/A	90 days	20%	20%	10%	10% *
Local agency investment fund (LAIF)	N/A	N/A	None**	None**	None**	None**

\* Excluding amounts held by bond trustee that are not subject to CGC restrictions.

\*\* Represents no limitation imposed by the CGC or the City's policy.

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the CGC or the City's investment policy. The table below identifies the



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these agreements that address interest rate risk and concentration of credit risk. Investments are limited to:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	None*	None*	None*
Federal agencies obligations	None*	None*	None*
Time deposits	360 days	None*	None*
Bankers' acceptances	360 days	None*	None*
Commercial paper	270 days	None*	None*
Money market funds	None*	None*	None*
Pre-refunded municipal obligation	None*	None*	None*
Municipal obligations	None*	None*	None*
Investment agreements	None*	None*	None*
LAIF	N/A	None*	None*
Repurchase agreements	None*	None*	None*

\* Represents no limitation imposed by the provisions of the debt agreements.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rate 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. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows maturities so that a portion of the portfolio is maturing or close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

Investment Type	Amounts	Remaining Maturity (in Months) <u>12 Months or Less</u>
Held by fiscal agent:		
Money market funds	\$ 91,305,457	\$ 91,305,457
State Investment Pool (LAIF)	28,728,836	28,728,836
	<u>\$ 120,034,293</u>	<u>\$ 120,034,293</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

**Disclosures Relating to Credit Risk**

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City investment policy, or debt agreements and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amounts</u>	<u>Minimum Legal Rating</u>	<u>Actual Rating AAA</u>	<u>Not Rated</u>
Held by fiscal agent:				
Money market funds	\$ 91,305,457	AAA	\$ 91,305,457	\$ -
State Investment Pool (LAIF)	<u>28,728,836</u>	N/A	<u>-</u>	<u>28,728,836</u>
	<u>\$ 120,034,293</u>		<u>\$ 91,305,457</u>	<u>\$ 28,728,836</u>

**Concentration of Credit Risk**

There were no investments in any one issuer (other than mutual funds and external investment pools), which represent 5% or more of the total City investments as of June 30, 2014.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2014, the City's deposits with financial institutions totaled \$26,271,958 of which \$500,000 was covered by FDIC coverage and the remaining portion was uninsured and collateral was held in accordance with the California Government Code by the pledging financial institution in the City's name.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2014, is \$21.1 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2014, had a balance of \$64.8 billion. Of that amount, 98% was invested in non-derivative financial products and 2% in structured notes and asset-backed securities. The weighted average maturity of LAIF was 232 days as of June 30, 2014.

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2014 are as follows:

Governmental Activities:

	<b>General Fund</b>	<b>Federal Grants Special Revenue Fund</b>	<b>Retirement Special Revenue Fund</b>	<b>Compton Housing Successor Capital Projects Fund</b>	<b>Nonmajor governmental funds</b>	<b>Total</b>
Taxes and Special Assessments	\$ 2,639,875	\$ -	\$ 778,556	\$ -	\$ 135,347	\$ 3,553,778
Accounts	362,622	160,249	2,061	-	646,043	1,170,975
Grants	-	251,106	-	-	246,619	497,725
Loans	-	5,517,259	-	20,733,454	-	26,250,713
Allowance for doubtful accounts	-	(4,762,153)	-	(20,733,454)	-	(25,495,607)
Total	<u>\$ 3,002,497</u>	<u>\$ 1,166,461</u>	<u>\$ 780,617</u>	<u>\$ -</u>	<u>\$ 1,028,009</u>	<u>\$ 31,473,191</u>

Business-Type Activities:

	<b>Water Enterprise Fund</b>	<b>Rubbish Enterprise Fund</b>	<b>Sewer Enterprise Fund</b>	<b>Nonmajor enterprise funds</b>	<b>Total</b>
Special Assessments	\$ 2,121	\$ 33,821	\$ 24,786	\$ -	\$ 60,728
Accounts	3,130,619	1,533,958	380,159	1,236	5,045,972
Allowance four doubtful accounts	(769,639)	(340,983)	(88,303)	-	(1,198,925)
Total	<u>\$ 2,363,101</u>	<u>\$ 1,226,796</u>	<u>\$ 316,642</u>	<u>\$ 1,236</u>	<u>\$ 3,907,775</u>

Total receivables, grants receivable, and loans receivable, net \$ 35,380,966

**Loans receivable**

The City provides assistance to residents and home owners of the community. This assistance is in the form of first time home buyers (FTHB) assistance and residential rehabilitation assistance programs. In addition, the former Agency also provided assistance to qualified community housing development organization (CHDO) for low and moderate housing developments. These programs are funded through the Compton Housing Successor Capital Projects Fund and Federal Grants Special Revenue Fund – Home Investment Partnerships Program (HOME) and Community Development Block Grants Section 108 Loan Guarantees programs. As of June 30, 2014, the Federal Grants Special Revenue fund had loans receivable of \$5,517,259 netted against an allowance for doubtful accounts of \$4,762,153 for a net loans receivable balance of \$755,106 and the Compton Housing Successor Capital Projects fund had loans receivable of \$20,733,454 netted against an allowance for doubtful accounts of \$20,733,454 for a net loans receivable balance of \$0.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 6 – RECEIVABLES (Continued)**

**First Time Home Buyers Assistance Program**

The FTHB program consists of a second mortgage or mortgage subsidy, which reduces the price of a home to an affordable level, thus enabling a first time home buyer to qualify for the purchase of a home. The second mortgage is in the form of a silent second trust deed loan. The maximum loan amount is \$100,000 for moderate income borrowers and \$150,000 for low income borrowers. The loan is interest-free and does not require monthly repayment. After five years, the loan is reduced 10% annually. Ultimately, if the borrower lives in the property for 15 years consecutively, the loan is forgiven and treated as a grant to the borrower. Both the property and the applicant must meet certain criteria in order to be eligible to participate in the program. It is the City's policy to record an allowance for the full amount of the loan receivable as such loans are usually forgiven in accordance with the terms of loan. Any payments made on these loans will be recorded as revenue in the year received. As of June 30, 2014, the Federal Grants Special Revenue fund had loan receivables of \$2,472,153 netted against an allowance for doubtful accounts of \$2,472,153 for a net loan receivable balance of \$0 and the Compton Housing Successor Capital Projects fund had loan receivables of \$14,308,454 netted against an allowance for doubtful accounts of \$14,308,454 for a net loan receivable balance of \$0.

**Loans to Community Housing Development Organization (CHDO)**

The City provides funds to the Community Housing Development Organization (CHDO) to boost construction of new homes in the City. These loans are non-interest bearing loans with repayment terms of 15 to 20 years based upon the loan amount. It is the City's policy to record an allowance for the full amount of the loan receivable given the long time frame and uncertainty of collection of these loans. The loans receivable balance was \$2,289,403 netted against an allowance for doubtful accounts of \$2,289,403 for a net loan receivable of \$0 for the Federal Grants Special Revenue Fund as of June 30, 2014.

**Loans to Alameda Court, LLC**

To facilitate the sale of the Alameda Court Town Homes (Subject Property) to low and moderate income homebuyers, the City provided a non-interest bearing loan of \$2,300,000 to a property redeveloper, Alameda Court, LLC (Redeveloper). The loan was secured by a subordinate deed of trust in the name of the former Agency encumbering 19 units of the Subject Property. Repayment of the loans shall be made to the Federal Grants Special Revenue Fund and Compton Housing Successor Capital Projects Fund by the Redeveloper on a pro-rata basis following the sale of each unit to a qualified low/moderate income buyer. A lump sum payment was due from the developer on February 1, 2014 which was never paid by the developer. The City has recorded an allowance for the full amount of the \$2,300,000 as of June 30, 2014.

**Residential Rehabilitation Assistance Program**

This program comprises the Fix-it Repair Grant, Emergency Assistance Grant and Deferred Equity Loan. The Fix-it Repair Grant provides up to \$7,000 to assist low to moderate income, owner occupied households with minor repairs in their homes. No repayment or lien is required for this program as it is strictly a grant. The Emergency Assistance Grant is designed to assist low income, owner occupied households of single family homes within the City limits with extreme emergency repairs subject to a maximum of \$10,000. The beneficiary is required to repay the grant to the City only upon the sale, refinance, transfer, and foreclosure of the property or the death or relocation of the home owner from the property. The Deferred Equity Loan is provided to low/moderate-income home owners who meet the eligibility criteria subject to a maximum

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 6 – RECEIVABLES (Continued)**

of \$25,000. The beneficiary is required to repay the loan only upon the sale, refinance, transfer or foreclosure of the property within 10 years of the loan. After 10 years, the loan is forgiven and treated as a grant. The total amount of the residential rehabilitation assistance granted during the year was \$0.

**Community Development Block Grants Section 108 Loan Guarantees Loan**

The City provided a loan of \$250,000 to a local business owner to assist with the preconstruction and interior improvements to a facility to be used for a restaurant. This loan bears interest rate of 5% per annum and shall be amortized over a period of 15 years. The City granted a loan of \$550,000 during fiscal year 2013 to a local business owner to assist with tenant improvements to develop a new medical facility. This loan bears interest rate of 4.5% per annum and shall be amortized over a period of 15 years. As of June 30, 2014, the loans receivable balance was \$755,106.

**Compton Senior Apartments Loan**

The City entered into an agreement with a developer in a prior fiscal year to develop affordable housing in the City. The Compton Housing Successor Capital Projects Fund provided land worth \$3,000,000 and cash of \$1,125,000 for construction costs and received a promissory note for \$4,125,000 with an interest rate of 3%. The repayments do not begin until 55 years after the issuance of the Certificate of Completion for the apartment construction. Given the length of the note and the uncertainty of the collection of this amount, the City has recorded an allowance for the full value of the promissory note.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 7 – CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2014 is as follows:

**Governmental activities:**

	<b>Restated Balance at July 1, 2013</b>	<b>Additions</b>	<b>Transfer/ Adjustments</b>	<b>Deletions</b>	<b>Balance at June 30, 2014</b>
Capital assets, not being depreciated:					
Land	\$ 14,905,212	\$ -	\$ -	\$ -	\$ 14,905,212
Construction in progress	4,487,006	2,169,060	(4,043,082)	-	2,612,984
Total capital assets, not being depreciated	<u>19,392,218</u>	<u>2,169,060</u>	<u>(4,043,082)</u>	<u>-</u>	<u>17,518,196</u>
Capital assets, being depreciated:					
Building and structures	33,592,308	302,911	-	-	33,895,219
Land improvements	5,896,322	-	-	-	5,896,322
Equipment	47,554,124	2,456,491	-	-	50,010,615
Infrastructure	182,914,817	3,607,945	-	-	186,522,762
Total capital assets, being depreciated	<u>269,957,571</u>	<u>6,367,347</u>	<u>-</u>	<u>-</u>	<u>276,324,918</u>
Less accumulated depreciation for:					
Building and structures	(18,102,476)	(918,072)	-	-	(19,020,548)
Land improvements	(5,746,862)	(49,130)	-	-	(5,795,992)
Equipment	(45,990,482)	(1,282,794)	-	-	(47,273,276)
Infrastructure	(106,469,068)	(5,638,978)	-	-	(112,108,046)
Total accumulated depreciation	<u>(176,308,888)</u>	<u>(7,888,974)</u>	<u>-</u>	<u>-</u>	<u>(184,197,862)</u>
Total capital assets, being depreciated, net	<u>93,648,683</u>	<u>(1,521,622)</u>	<u>-</u>	<u>-</u>	<u>92,127,061</u>
Total capital assets, net	<u>\$ 113,040,901</u>	<u>\$ 647,433</u>	<u>\$ (4,043,077)</u>	<u>\$ -</u>	<u>\$ 109,645,257</u>

Depreciation expense was charged to the following categories:

General government	\$ 2,456,126
Public safety	450,690
Public works	4,982,158
	<u>\$ 7,888,974</u>

Upon dissolution of the former Agency, capital assets in the net amount of \$20,457,836 previously recorded in the former Agency's records were transferred to the Successor Agency on February 1, 2012. The legality of these transfers is pending approval from the Department of Finance and oversight board upon submission of the Successor Agency's long-range property management plan that will address the disposition and use of real properties of the former Agency. Certain capital assets that were previously funded using the former Agency's monies continue to be reported in the City's financial statements as they are either titled in the City's name or maintained by the City. See Note 14 for further information.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 7 – CAPITAL ASSETS (Continued)**

**Business-type Activities:**

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 162,097	\$ -	\$ -	\$ 162,097
Construction in progress	<u>5,103,080</u>	<u>3,643,599</u>	<u>(3,827,352)</u>	<u>4,919,327</u>
Total capital assets, not being depreciated	<u>5,265,177</u>	<u>3,643,599</u>	<u>(3,827,352)</u>	<u>5,081,424</u>
Capital assets, being depreciated:				
Building and structures	1,254,962	-	-	1,254,962
Land improvements	157,045	-	-	157,045
Equipment	20,846,043	175,592	-	21,021,635
Infrastructure	<u>34,783,740</u>	<u>3,827,352</u>	<u>-</u>	<u>38,611,092</u>
Total capital assets, being depreciated	<u>57,041,790</u>	<u>4,002,944</u>	<u>-</u>	<u>61,044,734</u>
Less accumulated depreciation:				
Building and structures	(1,045,290)	(31,374)	-	(1,076,664)
Land improvements	(149,845)	(800)	-	(150,645)
Equipment	(20,580,874)	(66,700)	-	(20,647,574)
Infrastructure	<u>(2,387,571)</u>	<u>(1,542,911)</u>	<u>-</u>	<u>(3,930,482)</u>
Total accumulated depreciation	<u>(24,163,580)</u>	<u>(1,641,785)</u>	<u>-</u>	<u>(25,805,365)</u>
Total capital assets, being depreciated, net	<u>32,878,211</u>	<u>2,361,159</u>	<u>-</u>	<u>35,239,370</u>
Total capital assets, net	<u>\$ 38,143,388</u>	<u>\$ 6,004,758</u>	<u>\$ (3,827,352)</u>	<u>\$ 40,320,794</u>

The City capitalized interest costs of bond proceeds used during construction (net of interest earnings on the investment of tax-exempt bond proceeds). Net interest capitalized by the City during fiscal year 2014 was \$3.5 million.

Depreciation expense was charged to the following categories:

Water	\$ 1,422,133
Rubbish	16,890
Sewer	<u>202,763</u>
Total Depreciation	<u>\$ 1,641,786</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 8 – INTERFUND TRANSACTIONS**

The following table summarizes interfund receivables and payables at June 30, 2014:

<b>Due to other funds</b>	<b>Due from other funds</b>				<b>Total</b>
	<b>General Fund</b>	<b>Public Finance Authority Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Water Enterprise Fund</b>	
<b>Governmental Funds</b>					
Federal Grants Special Revenue Fund	\$ 710,720	\$ -	\$ 68,564	\$ -	\$ 779,284
Nonmajor Governmental Funds	1,949,435	268,131	2,380,048		4,597,614
Internal Service Funds	-	-	-	161,549	161,549
Total Interfund Balance - June 30, 2014	<u>\$ 2,660,155</u>	<u>\$ 268,131</u>	<u>\$ 2,448,612</u>	<u>\$ 161,549</u>	<u>\$ 5,538,447</u>

Interfund balances result from a time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; and 2) allocated revenues between funds are recorded.

Long-term interfund receivables and payables at June 30, 2014 are as follows:

	<b>Advances From Other Funds</b>	<b>Advances To Other Funds</b>
<b>Governmental Funds:</b>		
General Fund	\$ 37,011,379	\$ -
Federal Grants Special Revenue Fund	-	1,149,527
Retirement Special Revenue Fund	-	6,277,260
Public Finance Authority Capital Projects Fund	-	811,045
Compton Housing Successor Capital Projects Fund	-	5,380,878
Nonmajor governmental funds	-	1,714,450
<b>Total Governmental Funds</b>	<u>37,011,379</u>	<u>15,333,160</u>
<b>Enterprise Funds:</b>		
Water Enterprise Fund	-	13,696,656
Sewer Enterprise Fund	-	7,809,885
Nonmajor enterprise funds	-	171,678
<b>Total Enterprise Funds</b>	<u>-</u>	<u>21,678,219</u>
<b>Total</b>	<u>\$ 37,011,379</u>	<u>\$ 37,011,379</u>

These advances are a result of cash shortfalls in the General Fund in previous years. The City borrowed approximately \$10.3 million in pension funds in violation of a 1947 ballot initiative, which authorized the City to levy an ad valorem property tax to be utilized for the purposes of funding a pension program. The City repaid approximately \$4.0 million of this during fiscal year 2014. In addition, the City borrowed approximately \$1.1 million in federal grant funds in violation of grant agreements. The City has adopted a repayment plan in order to repay the receivable funds over a fifteen-year period. See repayment plan at Note 13.

In addition, the City recorded advances of \$5,516,641 from the Successor Agency Private-Purpose Trust Fund, which is related to a long-term liability due as a result of the State Controller's Office's review and a due diligence review on the former Agency as further described in Note 14.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 8 – INTERFUND TRANSACTIONS (Continued)**

**Transfers**

<b>Transfers Out</b>	<b>Transfers In</b>		
	Federal Grants Special Revenue Fund	Nonmajor Governmental Funds	Total
<b>Governmental Activities:</b>			
General Fund	\$ 266,319	\$ -	\$ 266,319
<b>Business-Type Activities:</b>			
Water Enterprise Fund	-	200,000	200,000
<b>Total</b>	<b>\$ 266,319</b>	<b>\$ 200,000</b>	<b>\$ 466,319</b>

Interfund transfers were primarily used to fund operating expenditures and capital improvements.

**NOTE 9 – LONG-TERM LIABILITIES**

**Long-Term Liabilities – Governmental Activities**

The following is a summary of changes in long-term liabilities transactions for the fiscal year ended June 30, 2014:

<b>Governmental Activities</b>	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2014</b>	<b>Amount Due Within One Year</b>
<b>Debt long-term liabilities:</b>					
<b>Bonds payable:</b>					
2008 series Compton Public Finance Authority refunding and various capital projects	\$ 45,730,000	\$ -	\$ -	\$ 45,730,000	\$ -
Less: Discount on issue	(134,237)	-	6,712	(127,525)	-
<b>Total bonds payable</b>	<b>45,595,763</b>	<b>-</b>	<b>6,712</b>	<b>45,602,475</b>	<b>-</b>
<b>Mortgage loan payable:</b>					
Energy retrofit/revenue enhancement	2,748,858	-	(189,303)	2,559,555	211,334
<b>Capital lease obligations:</b>					
Tree trimming and other equipments	194,904	-	(171,522)	23,382	23,382
<b>Notes payable:</b>					
Housing Section 108 notes	3,500,000	-	(300,000)	3,200,000	300,000
<b>Other long-term liabilities:</b>					
Claims liability	13,226,451	5,489,933	(2,300,222)	16,416,162	2,315,025
Compensated absences	4,729,034	1,530,205	(1,653,494)	4,605,745	1,804,068
Other postemployment benefits obligation	34,827,272	8,075,132	(3,735,401)	39,167,003	-
Pension liability	9,116,121	-	(3,796,461)	5,319,660	1,917,668
Due to Los Angeles County	6,159,729	-	(287,556)	5,872,173	544,173
<b>Total other long-term liabilities</b>	<b>68,058,607</b>	<b>15,095,270</b>	<b>(11,773,134)</b>	<b>71,380,743</b>	<b>6,580,934</b>
<b>Total governmental activities long-term liabilities</b>	<b>\$ 120,098,132</b>	<b>\$ 15,095,270</b>	<b>\$ (12,427,247)</b>	<b>\$ 122,766,155</b>	<b>\$ 7,115,650</b>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

**Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Projects) Series 2008**

On May 1, 2008, the City issued \$46,860,000 of Lease Revenue Bonds with an interest rate of 4.00% - 5.25% to advance refund \$14,700,000 of outstanding 1997 “A” Certificates of Participation with an interest rate of 7.50% and to finance various capital projects amounting to \$29,201,947. The City defeased the old bonds by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account’s assets and liabilities for the defeased bonds are not included in the City’s financial statements. As of June 30, 2014, \$4.3 million of the bonds outstanding are considered defeased.

The 2008 Lease Revenue Bonds are secured by the Authority’s pledge of certain base rental payments made by the City to the Authority pursuant to a facility lease, dated May 1, 2008 between the Authority and the during the year ended June 30, 2014 as it did not make the required rental payments to the Authority to pay principal and interest due during the current year. Due to the shortfall in the rental revenue, the interest payment was made with monies from the unspent bond proceeds.

The annual requirements to amortize the bonds are as follows:

<u>Year Ending June 30,</u>	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 2,319,888
2016	1,625,000	2,279,263
2017	1,710,000	2,195,888
2018	1,795,000	2,108,263
2019	1,885,000	2,016,263
2020-2024	10,930,000	8,529,683
2025-2029	14,055,000	5,317,626
2030-2033	13,730,000	1,391,500
Total	<u>\$ 45,730,000</u>	<u>\$ 26,158,374</u>

**Energy Retrofit / Revenue Enhancement Mortgage Loan**

On July 31, 2006, the City entered into a mortgage loan agreement of \$4,012,184 with Citi Mortgage Inc. to finance the development and installation of the Citywide Energy Retrofit/Revenue Enhancement program. The mortgage has an interest rate of 4.52%. The proceeds of the mortgage arrangement was invested in a money market fund and deposited in an irrevocable trust with an escrow agent to provide for the payment of the vendor of the Energy Retrofit/Revenue Enhancement program.

The total principal and interest remaining on the mortgage loan is \$3,112,820, payable through July 2022. Principal and interest paid during the year was \$310,398.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

The annual requirements to amortize the mortgage loan are as follows:

<u>Year Ending June 30,</u>	<u>Mortgage Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2015	211,334	112,173
2016	234,933	102,229
2017	260,192	91,191
2018	287,213	78,982
2019	316,102	65,521
2020-2023	1,249,781	103,169
Total	<u>\$ 2,559,555</u>	<u>\$ 553,265</u>

**Housing Section 108 Note**

Housing Section 108 note in the amount of \$5,000,000 is a note payable to HUD, which was issued in August 2001. Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides the City with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. This note payable is guaranteed by the City's current and future CDBG allocations. In November 2011, the City opted to participate in a Section 108 public offering to refinance the note which resulted in interest payment savings of \$1,010,975 over the life of the note. The amount of principal outstanding at June 30, 2014 was \$3,200,000.

The total principal and interest remaining on the note is \$3,424,610, payable through August 2020. Total principal and interest paid during the year was \$351,525.

The annual requirements to amortize the housing section 108 note are as follows:

<u>Year Ending June 30,</u>	<u>Housing Section 108 Note</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 300,000	\$ 49,875
2016	400,000	47,010
2017	500,000	42,100
2018	500,000	35,200
2019	500,000	26,925
2020-2021	1,000,000	23,500
Total	<u>\$ 3,200,000</u>	<u>\$ 224,610</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

**Capital Lease**

The City has entered into capital lease agreements for a tree trimming truck, film processor/speedsetter equipment, and a printing press machine. The future minimum lease obligations are:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 23,382	\$ 528
Total	<u>\$ 23,382</u>	<u>\$ 528</u>

The net book value of the leased equipment as of June 30, 2014 was \$0.

**Pension Liabilities**

See Note 10 Defined Benefit Pension Plans for further details.

**Due to Los Angeles County**

The results of due diligence review procedures performed on assets transfers from the former Agency to the Housing Successor identified a long-term liability to Los Angeles County in the amount of \$5,872,173. See Note 14 for further information.

**Long-Term Liabilities – Business-type Activities**

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2014:

<u>Business-type Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
<b>Debt long-term liabilities</b>					
<b>Bonds payable:</b>					
1998 Sewer revenue refunding bonds	\$ 4,985,000	\$ -	\$ (345,000)	\$ 4,640,000	\$ 365,000
2006 Solid waste revenue bonds	860,000	-	(90,000)	770,000	95,000
Water revenue bonds, series 2009	44,040,000	-	(765,000)	43,275,000	820,000
Less: Discount on issue of water revenue bonds, series 2009	(904,782)	-	33,511	(871,271)	-
Sewer revenue bonds, series 2009	18,710,000	-	(335,000)	18,375,000	345,000
Less: Discount on issue of sewer revenue bonds, series 2009	(385,291)	-	14,270	(371,021)	-
	<u>67,304,927</u>	<u>-</u>	<u>(1,487,219)</u>	<u>65,817,708</u>	<u>1,625,000</u>
<b>Other long-term liabilities:</b>					
Other postemployment benefits obligation	1,481,516	642,869	(297,379)	1,827,006	-
Compensated absences	677,994	266,369	(257,230)	687,133	213,149
	<u>2,159,510</u>	<u>909,238</u>	<u>(554,609)</u>	<u>2,514,139</u>	<u>213,149</u>
<b>Total business-type activities long-term liabilities</b>	<u>\$ 69,464,437</u>	<u>\$ 909,238</u>	<u>\$ (2,041,828)</u>	<u>\$ 68,331,847</u>	<u>\$ 1,838,149</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

**1998 Sewer Refunding Bonds**

In June 1998, the City issued \$8.3 million in Sewer Revenue Refunding Bonds with an average interest rate of 5.20% to advance refund \$7.29 million of outstanding Series 1993 Sewer Revenue Bonds. The old bonds were defeased by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2014, \$3.9 million of the bonds outstanding are considered defeased.

The Sewer Refunding bonds are secured by the City's pledge of certain revenues, which consist of sewer service charges imposed by the City upon its property owners for the use of the sewer system for each year less certain operation and maintenance expenses incurred by the City in connection with the operation of the sewer system. The total principal and interest remaining to be paid on the bonds is \$5,993,426. Principal and interest paid for the current year were \$603,241.

Interest on the bonds is payable semiannually on March 1 and September 1. Principal maturity occurs on September 1 of each year starting in 1999 through 2023. As of June 30, 2014, the outstanding bond balance is \$4,640,000. The annual requirements to amortize the 1998 Sewer Refunding Bonds, including interest payments, are listed below.

<u>Principal</u>	<u>Interest</u>
\$ 365,000	\$ 239,591
380,000	219,569
405,000	198,472
425,000	176,166
445,000	152,784
<u>2,620,000</u>	<u>366,844</u>
<u>\$ 4,640,000</u>	<u>\$ 1,353,426</u>

**Solid Waste Management Facilities Bonds**

In March 2006, the City converted \$3,775,000 in Solid Waste Management Facilities Variable Rate Revenue Bonds, Series 2000, from a variable rate (the Bonds) to a fixed rate (the Convertible Bonds) maturing in August 2020. The Bonds were issued in June 2000 to finance the acquisition of land, vehicles, and other equipment for the City's Solid Waste Management Program. The Convertible Bonds bear a fixed rate of 4.80%.

The Convertible Bonds are secured by a pledge of the net revenues received by the City for the Solid Waste Management Program. The net revenues consist of charges for the services less certain operation and maintenance expenses incurred by the City in connection with the operation of the Solid Waste Management Program. Total principal and interest remaining to be paid on the bonds is \$906,080. Principal and interest paid for the current year and the net revenue were \$129,120 and \$227,366, respectively.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

Interest on the bonds is payable on February 1 and August 1 of each year until maturity, redemption, or purchase thereof. As of June 30, 2014 the outstanding bond balance is \$770,000. The annual requirements to amortize the Convertible Bonds, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 95,000	\$ 34,680
2016	100,000	30,000
2017	105,000	25,080
2018	110,000	19,920
2019	115,000	14,520
2020-2012	245,000	11,880
Total	<u>\$ 770,000</u>	<u>\$ 136,080</u>

**Water Revenue Bonds, Series 2009**

On May 20, 2009, the City issued \$44,040,000 of Water Revenue Bonds with an interest rate of 3.00% - 6.00% to finance part of the cost of overhauling the City's water system.

The 2009 Water Revenue Bonds are secured by the net revenues of the City's Water operations, which consist of charges for the services and facilities furnished by the water system minus certain operation and maintenance expenses incurred by the City in connection with the operation of the water system. The ratio of net revenues to annual debt service during the bond year must equal to at least 110%. As of June 30, 2014 the pledged revenues equaled 310% of debt service payments due and payable. Total principal and interest remaining on the bonds are \$84,347,789. Repayment of the bond principal will commence in 2014. Principal and interest paid and total net revenues of the Water operations for the current year were \$2,461,263 and \$7,630,795, respectively.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 820,000	\$ 2,435,438
2016	845,000	2,405,244
2017	890,000	2,371,600
2018	810,000	2,336,588
2019	950,000	2,298,000
2020-2024	5,515,000	10,716,828
2025-2029	7,295,000	8,944,491
2030-2034	9,785,000	6,447,750
2035-2039	13,215,000	3,022,350
2040	3,150,000	94,500
Total	<u>\$ 43,275,000</u>	<u>\$ 41,072,789</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

**Sewer Revenue Bonds, Series 2009**

On May 20, 2009, the City issued \$18,710,000 of Sewer Revenue Bonds with an interest rate of 5.63% - 6.00% to finance part of the cost of overhauling the antiquated sewer system of the City.

The 2009 Sewer Revenue Bonds are secured by all of the sewer service charges excluding operation and maintenance expenses payable from the sewer service charges. Total principal and interest remaining on the bond is \$35,788,115. Repayment of the principal commenced in 2014. Total principal and interest paid for the current year and sewer service charges, net of the operating and maintenance expenses, were \$1,379,781 and \$1,481,928, respectively.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 345,000	\$ 1,033,719
2016	360,000	1,020,931
2017	370,000	1,006,781
2018	385,000	991,200
2019	405,000	973,906
2020-2024	2,335,000	4,542,047
2025-2029	3,090,000	3,791,081
2030-2034	4,150,000	2,732,400
2035-2039	5,600,000	1,281,000
2040	1,335,000	40,050
Total	<u>\$ 18,375,000</u>	<u>\$ 17,413,115</u>

**Noncompliance with Debt Covenants and Securities and Exchange Commission (SEC) Continuing Disclosure Requirements**

The City, PFA, and former Agency are required to submit audited financial statements to the bond trustees within 180 to 240 days of year-end for all bonds and certificates of participation as required by the continuing disclosure requirements under SEC Rule 15c2-12. For the fiscal years ended June 30, 2014 and June 30, 2015, the City, PFA and the former Agency were not in compliance with the reporting provisions of the indentures as audited financial statements were not issued within the time frame allowed. The City filed a financial operating filing for the fiscal years 2014 and 2015 on April 29, 2015 and February 29, 2016, respectively, and will submit the required continuing disclosure information upon completion of the audits. The City, PFA and former Agency covenanted to prescribe and collect sewer service charges at least 110% of actual debt service on the outstanding bonds in each fiscal year; however, the actual amounts collected in fiscal year 2014 were only at 107% of debt service for the year.

**Risk Management – Claims and Judgments**

The City is self-insured for workers' compensation and general liability claims, which includes all other risk of loss. Excess insurance coverage is maintained for workers' compensation losses in excess of \$1,000,000 and general liability claims in excess of \$1,000,000. No settlements exceeded insurance coverage during the last three years.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

The City records an estimated liability at the time of an incident based on the internal estimates performed by the City Attorney's Office of probable loss. A summary of the City's estimated liability calculation since July 1, 2012 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Claims liabilities, July 1, 2012	\$ 6,680,989	\$ 4,666,049	\$ 11,347,038
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes in the provision for the events of prior fiscal years	1,763,549	2,007,012	3,770,561
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,439,166)</u>	<u>(451,982)</u>	<u>(1,891,148)</u>
Claims liabilities, June 30, 2013	<u>\$ 7,005,372</u>	<u>\$ 6,221,079</u>	<u>\$ 13,226,451</u>
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes in the provision for the events of prior fiscal years	\$ 4,180,208	\$ 1,309,725	\$ 5,489,933
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,769,288)</u>	<u>(530,934)</u>	<u>(2,300,222)</u>
Claims liabilities, June 30, 2014	<u>\$ 9,416,292</u>	<u>\$ 6,999,870</u>	<u>\$ 16,416,162</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

The City contributes to the California Public Employees' Retirement System (CalPERS). The miscellaneous employees of the City are part of an agent multiple-employer public employee defined benefit pension plan and the safety employees are part of a cost-sharing multiple-employer public employee defined benefit pension plan. The safety employees are further divided into two different rate tiers: safety – fire and safety – police. CalPERS provides retirement and disability benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through a City Council resolution. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 Q Street, Sacramento, California 95811.

Funding policy: Miscellaneous and safety – fire participants are required to contribute 8% and 9%, respectively, of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. There are no employee contributions for safety – police



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

because the City dissolved the Police department in July 2000. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups. The City is required to contribute at an actuarially determined rate: the current rate is 22.599% for miscellaneous employees and 55.711% for safety - fire employees of annual covered payroll.

The funded status of the miscellaneous plan based on the June 30, 2014, actuarial valuation is as follows:

<b>Valuation Date</b>	<b>Entry Age Normal Cost Actuarial Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
	<b>(A)</b>	<b>(B)</b>	<b>(A-B)</b>	<b>(B/A)</b>	<b>(C)</b>	<b>[(A-B)/C]</b>
6/30/2015	\$ 190,405,643	\$ 128,280,743	\$ 62,124,900	67.37%	\$ 13,981,127	444.35%

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

**Annual pension cost:** For fiscal year 2013-2014, the City's annual pension cost of \$3,064,604 for miscellaneous, \$1,216,562 for safety – fire and \$614,378 for safety - police for CalPERS was equal to the City's required and actual contributions. The principal assumptions and methods used to determine the annual required contribution, is based on the June 30, 2011 valuation, and the funded status, was based on the June 30, 2014 valuation.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

The assumptions for the Miscellaneous Plan are as follows:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll.
Average remaining period	30 years for the valuation date as of June 30, 2015 and 26 years for the valuation date as of June 30, 2011
Asset valuation method	Market value for June 30, 2015 and 15 years smoothed market for June 30, 2011
Discount rate	7.50% (net of administrative expenses) for both June 30, 2015 and June 30, 2011.
Projected salary increases	3.20% to 12.20% depending on age, service and type of employment for June 30, 2015 3.30% to 14.20% depending on age, service and type of employment for June 30, 2011
Inflation	2.75% for both June 30, 2015 and June 30, 2011.
Payroll growth	3.00% for both June 30, 2015 and June 30, 2011
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25% for June 30, 2011.
Payroll growth	3.00% for both June 30, 2015 and June 30, 2011

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

The following is a schedule of employer contributions, which provides the annual pension cost (APC), percentage of APC contributed and the net pension obligation for the last three fiscal years:

<b>Annual Pension Cost (Employer Contribution)</b>					
<b>Fiscal Year</b>	<b>Safety - Fire</b>	<b>Safety - Police</b>	<b>Miscellaneous</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2012	\$ 1,348,108	\$ 519,774	\$ 2,882,205	100%	-
6/30/2013	1,157,042	532,116	2,452,557	100%	-
6/30/2014	1,216,562	614,378	3,064,604	100%	-

As required by State law, effective July 1, 2005, the City's Safety Fire and Safety Police Plans (agent-employer) were terminated and the employees in these Plans were required by CalPERS to join new State-wide cost-sharing pools. One of the conditions of entry to these pools was that the City true-up any unfunded actuarial liabilities of the former plans, either by paying cash or by increasing its future contribution rates through Side Funds offered by CalPERS. The City will satisfy its former agent Plans' unfunded actuarial liabilities by contributing to the Side Funds, which are pension-related liabilities, funded through additions to its normal contribution rates. At June 30, 2014, the Safety Fire and Safety Police Side Funds' balances were \$5,319,660 and \$0, respectively. The Safety Fire Side Funds will be amortized over the next 3 years.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS**

The City provides retiree medical benefits under the CalPERS health plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with agreements with various bargaining units and groups under a single employer benefit plan. Copies of the CalPERS' annual financial report may be obtained from its executive office at 400 Q Street, Sacramento, CA 95811.

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and have put in 5 years of CalPERS service (unless disabled). The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2014:

	<b>Police</b>	<b>Fire</b>	<b>Miscellaneous</b>	<b>Total</b>
Eligible Active Employees	-	63	226	289
Enrolled Eligible Retirees	265	141	466	872

The above table does not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

The contribution requirements of health plan members and the City are established and may be amended by the CalPERS Board. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirement.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Effective July 1, 2013, the City's contribution rate was \$1,408 per month for each retiree. For the year ended June 30, 2014, the City contributed \$4,032,780 to the health plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (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 liabilities (or funding excess) not to exceed thirty years.

The City's estimated OPEB obligation as of June 30, 2014, based on the 2013 actuarial valuation (the most recent actuarial valuation), was \$40,994,008. The following table shows the components of the City's annual OPEB cost for the year; the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution (ARC)	\$ 8,974,000
Interest costs	1,452,000
ARC adjustment	<u>(1,708,999)</u>
Annual OPEB cost	8,717,001
Contribution made	<u>(4,032,780)</u>
Increase in net OPEB obligation	4,684,221
Net OPEB obligation - beginning	<u>36,308,788</u>
Net OPEB obligation - ending	<u><u>\$ 40,993,009</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2014	\$ 8,718,001	46%	\$ 40,994,009
6/30/2013	9,692,000	42%	36,308,788
6/30/2012	9,205,000	41%	30,692,139

The City's annual OPEB contribution paid is significantly lower than the actuarially determined required contribution as the City operates a pay-as-you-go plan. The City makes payments for actual health expenses incurred by the covered retired employees during the year. As the plan is not prefunded, there are no plan assets. The City does not intend to prefund the OPEB plan.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The funded status based on the June 30, 2013 actuarial valuation is as follows:

<b>Entry Age Normal Cost Actuarial Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
<b>(A)</b>	<b>(B)</b>	<b>(A-B)</b>	<b>(A/B)</b>	<b>(C)</b>	<b>(A-B)/C</b>
\$ 120,921,000	\$ -	\$ 120,921,000	0.00%	\$ 19,920,000	607.03%

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required 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 basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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 the benefit costs between 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 assets, consistent with the long-term perspective of the calculations. The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions include a 4.00% discount rate, a 3% annual inflation rate, and 5% to 7.2% medical trend rates. The UAAL is being amortized as a level percent of payroll over 24 years fixed (closed) period. It is assumed the City's payroll will increase 3.25% per year.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

Federally assisted grant programs

The City participates in a number of federally assisted grant programs, which are subject to program compliance audits by the grantors or their representative. The City's grant programs have also been audited in accordance with the provisions of the Single Audit Act Amendments of 1996, which have disclosed instances of noncompliance with certain federal program compliance requirements, and depending on the resolution of the identified findings and questioned costs, the City may be required to repay a portion of grants to the federal granting agency.

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) issued an Audit Report on August 18, 2011, Audit Report No. 2011-LA- 1016. The audit related to the City's administration of its federal HOME program. The report questioned HOME expenditures in the original OIG allegations totaling \$3,166,857 in what it claimed were unsupported or ineligible use of HOME funds. Responsibility for resolution of the audit was transferred to HUD's Los Angeles Departmental Enforcement

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

Center (DEC) in May 2013. This claimed amount was later refined by the DEC on May 1, 2014 after its staff review to \$2,591,350. The City has provided to the DEC the supporting documentation for \$1,758,602 of the questioned expenditures.

In September of 2016, the City agreed to a voluntary grant reduction in the amount of \$1,825,395 in lieu of repayment through non-federal funds for ineligible activities and unsupported projects, which HUD will accomplish by recapturing the City's Home Credit line to repay in September 2016. The final \$10,000 will be recaptured once HUD determines the grant awards for the fiscal year 2017.

Other contingent claims

The City is a defendant in several general damage and personal injury lawsuits and claims. These claims arise primarily from injuries sustained by the claimants while on property owned or maintained by the City. In the opinion of outside counsel and the City Attorney, the potential liability of the City for such claims will not have a material adverse effect upon the financial position of the various funds of the City. The related liability has been accrued under claims liabilities.

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities but, rather, as restricted governmental fund balances. As of June 30, 2014, total governmental fund encumbrance balances for the City are as follows:

**Governmental Funds:**

Federal Grants Special Revenue Fund	\$ 2,153,045
Public Finance Authority Capital Projects Fund	431,424
Nonmajor governmental funds	621,047
<b>Total Governmental Funds</b>	<b>\$ 3,205,516</b>

In addition, the General Fund also had an encumbrance balance of \$253,249 at June 30, 2014. However, the City has not restricted, committed, or assigned these encumbrances.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 13 – CITY’S FINANCIAL CONDITION AND MANAGEMENT PLANS**

The General Fund is typically the focal point in analyzing the financial health of the City because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. During the fiscal year ended June 30, 2014, the City’s General Fund had a decrease in fund balance of \$106,983 with an ending fund deficit of \$36,488,124. Additionally, the General Fund has a net due from other funds of \$2,660,155 and an obligation from advances from other funds of \$37,011,379. The General Fund’s cash balance was \$1,170,483 at June 30, 2014. Furthermore, the General Fund has accounts payable of \$776,096 and accrued liabilities of \$5,601,373 indicating significant liquidity problems at June 30, 2014.

City’s Strategy for Financial Stability

The City’s FY 17 adopted budget totals \$185.6 million, including all funds and departments. However, the General Fund provides for most traditional City services such as law enforcement, fire protection, parks, recreations and general administration. Public works is also a typical City function, however, in the City, that is a separate fund that is supported primarily by grants and other state and local subventions. Therefore, it is the \$56.5 million General Fund budget that is the focus of management’s strategy to achieve a greater level of fiscal stability.

FY 17 Adopted Budget

Management proposed and the City Council adopted essentially a flat budget. With few exceptions, the FY 17 budget reflects FY 16 budgeted expenditure levels. This will help in allowing revenues to grow, while keeping costs flat.

Lease Revenue Bonds

In July, 2016, the City issued bonds to refund and restructure its 2008 Lease Revenue Bonds. The annual bond payments on the 2008 bonds were scheduled to increase to \$3.9 million in FY 17. The refunding took advantage of near historic low municipal bond rates. Further, the payments on the 2016 refunding bonds were structured to push off principal payments for three years. The resultant payments on the new bonds are approximately \$1.7 million annually for the next three years, after which the payments increase to \$2.7 million then gradually increase to levels roughly equivalent to the prior 2008 bonds.

Fees

State law allows local government agencies to recoup the full cost of providing special services. During FY 16, the City contracted with Willdan Financial Services to review all City fees and calculate the cost of each service for which a fee is charged. Many City fees have not been adjusted since the 1980’s and 1990’s. Willdan determined that many City fees were set at rates that were not sufficient to cover the cost of the related service. Management has prepared an updated Master Fee Schedule and will present proposed fees to the City Council during November, 2016, for adoption. New adjusted fees are expected to generate up to \$3 million in additional revenue, dependent on the level of increase that the City Council authorizes.

Sales Tax Revenue

On June 7, 2016, as part of the General Election, City voters approved an additional 1% sales tax. The ballot was labeled Measure “P”. The California State Board of Equalization considers the tax a district tax;

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 13 – CITY’S FINANCIAL CONDITION AND MANAGEMENT PLANS (Continued)**

however, it operates exactly as the historical 1% sales tax imposed by all California cities. The new 1% district tax became effective October 1, 2016. In recent years the original 1% “local share” sales tax generated between \$7 million to \$7.5 million in tax revenue annually. Management anticipates that the new district tax should also generate between \$7 million to \$7.5 million in new, additional tax revenue.

Management has prepared, at the City Council’s direction, a draft Measure “P” strategic plan (plan) for the optimum use of the new tax revenue. The City’s needs are many and, therefore, the draft plan includes options for leveraging the annual revenue, such as leasing fire apparatus and issuing bonds to pay for much needed street and other infrastructure improvements. Only a portion of the annual revenue would be pledged, leaving a significant amount of the tax revenue for other programs and needs. The plan was reviewed by the City Council at a public workshop on October 18, 2016. The City Council directed management to provide a more specific report and recommendations with regard to leveraging options. The plan will be finalized within 2 to 3 months of the initial review by the City Council.

In addition, City Council took action on June 17, 2014 and adopted Resolution 23970 approving a repayment schedule of the General Fund internal borrowings. The Resolution calls for the internal borrowings to be repaid over a fifteen-year period with accrued interest at a rate of 0.495% annually. The following is the amortization schedule for repayment by the General Fund approved by City Council on June 17, 2014:

<b>No.</b>	<b>Fiscal Year</b>	<b>Beginning Loan Balance</b>	<b>Interest 0.495%</b>	<b>Repayment</b>	<b>Ending Loan Balance</b>
1	2012/2013	\$ 41,901,757	\$ 207,414	\$ 100,000	\$ 42,009,171
2	2013/2014	42,009,171	207,945	200,000	42,017,116
3	2014/2015	42,017,116	207,985	1,300,000	40,925,101
4	2015/2016	40,925,101	202,579	2,500,000	38,627,680
5	2016/2017	38,627,680	191,207	3,000,000	35,818,887
6	2017/2018	35,818,887	177,303	3,000,000	32,996,190
7	2018/2019	32,996,190	163,331	3,300,000	29,859,521
8	2019/2020	29,859,521	147,805	3,300,000	26,707,326
9	2020/2021	26,707,326	132,201	3,500,000	23,339,527
10	2021/2022	23,339,527	115,531	4,000,000	19,455,058
11	2022/2023	19,455,058	96,303	4,000,000	15,551,361
12	2023/2024	15,551,361	76,979	4,000,000	11,628,340
13	2024/2025	11,628,340	57,560	4,000,000	7,685,900
14	2025/2026	7,685,900	38,045	4,000,000	3,723,945
15	2026/2027	3,723,945	18,434	3,742,379	-

During fiscal year 2014, the City repaid \$4,654,274 rather than the scheduled \$200,000. As a result, the ending loan balance at June 30, 2014 was \$37,011,379.

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld AB X1 26 which dissolved all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported the Agency within the reporting entity of the City as a blended component unit.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY  
(Continued)**

AB X1 26 provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies are to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

AB X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller's Office (SCO) is required to order the available assets to be transferred to the public body designated as the successor agency by AB X1 26. The SCO reviewed the assets transferred by the former Agency after January 1, 2011 through January 31, 2012 and issued the report on January 16, 2014. The result of the SCO's review identified that the former Agency transferred \$209,744,165 in assets after January 1, 2011, including unallowable transfers totaling \$4,105,700 to the City that must be turned over to the Successor Agency. This receivable is included in the \$5,516,641 advances to other funds on the Statement of Fiduciary Net Position of the Successor Agency Private-Purpose Trust Fund. Transfers of \$4,105,700 were partial payments of \$7,753,406 due to the City's Internal Service Fund for the former Agency's portion of the general liability. The City's response to the SCO on October 18, 2013 (which was prior to the issuance of the final SCO report on January 16, 2014) indicated that the City would transfer \$4,105,700 to the Successor Agency and request the Successor Agency to pay the City, via the Retirement Obligation Repayment Schedule (ROPS), the former Agency's portion of general liability in the amount of \$7,753,406. The City transferred \$4,105,700 to the Successor Agency, which in turn paid the County of Los Angeles on February 12, 2015. As of the issuance date of the financial statements, the City is still in the process of requesting the Successor Agency to pay former Agency's portion of general liability via the ROPS.

In addition, AB 1484 requires successor agencies to determine the unencumbered cash available for distribution to taxing entities through an agreed-upon procedures report and a Due Diligence Review (DDR). An agreed-upon procedures report of the Successor Agency, commissioned by the County of Los Angeles was issued on August 17, 2012. This agreed-upon procedures report is in addition to the housing fund and non-housing DDRs. The DDRs were conducted in two phases. The first DDR determined the amount available for distribution from the assets transferred from the former Agency's Low and Moderate Income Housing Fund (LMIHF) that are held by the Housing Successor. The second DDR determined the amount of cash available for distribution from the assets transferred from all other funds of the former Agency, excluding the LMIHF assets that are held by the Housing Authority (OFA DDR). The DDRs resulted in \$6,159,729 and \$5,516,641 available for distribution to taxing entities from the LMIHF DDR and OFA DDR, respectively.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY  
(Continued)**

Of the \$6,159,729 available for distribution under the LMIHF DDR, the Successor Agency remitted \$287,556 during fiscal year 2014, \$544,173 during fiscal year 2015 and \$700,000 during fiscal year 2016 to the County of Los Angeles. Of the \$5,516,641 available for distribution under the OFA DDR, a payment of \$4,105,700 to Los Angeles County was made on February 12, 2015. On December 22, 2015, the Successor Agency entered into a written installment plan with DOF for payment of the remaining amount of \$6,038,941 unencumbered cash available for distribution to taxing entities to the County of Los Angeles Auditor-Controller as follows:

- \$1,000,000 on August 1, 2016
- \$1,000,000 on August 1, 2017
- \$1,000,000 on August 1, 2018
- \$1,000,000 on August 1, 2019
- \$1,000,000 on August 1, 2020
- \$1,000,000 on August 1, 2021
- \$38,941 on August 1, 2022

Accordingly, the DOF issued a Finding of Completion (FOC) on December 28, 2015. A FOC entitles the Successor Agency to certain benefits, such as:

1. City/Successor Agency Loans: Upon issuance of a FOC, loans made by the City to the Successor Agency may be repaid if the Oversight Board finds that the loan was for a legitimate redevelopment purpose. Repayment is subject to certain restrictions, including a reduction of the interest rate to the Local Agency Investment Fund (LAIF) rate, restrictions on the timing and amount of annual repayments, and a requirement that 20% of the repayment be deposited into a restricted housing set-aside fund. Management has recalculated existing loans at the historical LAIF rates and the difference is negligible.
2. Use of Bond Proceeds: Upon issuance of a FOC, bond proceeds issued prior to December 31, 2010 may be used for purposes consistent with the bond covenants. Obligations to be paid with bond proceeds are subject to review by the Oversight Board and the DOF.
3. Long-Range Property Management Plan (LRPMP): Upon receiving a FOC, the Successor Agency shall prepare a Long-Range Property Management Plan that addresses the disposition and use of real property assets. The plan must be submitted to the Oversight Board and DOF within six months after issuance of the FOC. The plan must address the use or disposition of all properties, which may include (i) retention of property for governmental use, (ii) retention of property for future development, (iii) sale of the property, or (iv) use of property to fulfill an enforceable obligation. The City submitted their LRPMP on December 23, 2015 and the State of California Department of Finance approved the use or disposition of all properties in the plan as of December 30, 2015.

**Land Held for Resale – Successor Agency**

Land held for resale of the former Agency in the amount of \$34,643,683 was transferred to the Successor Agency. The assets were carried at cost in the former Agency and continue to be carried at cost in the Successor Agency Private-Purpose Trust Fund. Land held for resale at June 30, 2014 was \$17,843,557.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY  
(Continued)**

**Notes Receivable - Successor Agency**

Details of the Successor Agency's notes receivable as of June 30, 2014 are as follows:

<b>Borrower</b>	<b>Balance</b>	<b>Allowance</b>	<b>Net Balance</b>
Bakewell and Bankley Investment Company	\$ 3,500,000	(3,500,000)	-

In May 2006, outstanding notes receivable from Bakewell and Bankley Investment Company, Compton Commercial Development Company, and Compton Commercial Plaza Company were relieved by a Mutual Release of Claims and Settlement Agreement. The Agreement relieved all parties from all existing debt obligation, however, it created a new debt obligation of \$3,500,000. The Successor Agency is currently negotiating a payment plan and has reserved the entire balance of the obligation as of June 30, 2014.

**Loans Receivable - Successor Agency**

The loans receivable at June 30, 2014 are as follows:

<b>Borrower</b>	<b>Balance at June 30, 2013</b>	<b>Repayments</b>	<b>Balance at June 30, 2014</b>
Gateway Opportunity Fund (Prism Realty Corporation)	\$5,903,685	\$ (73,514)	\$ 5,830,171
Compton Commercial Development Renaissance Plaza, LLC	2,645,732	(144,189)	2,501,543
Total loans receivable	<u>\$8,549,417</u>	<u>\$ (217,703)</u>	<u>\$ 8,331,714</u>

**Loan to a Developer** - In line with its objective of promoting economic and physical development within the City, the former Agency provided a loan of \$6,000,000 to a property developer - Gateway Opportunity Fund, LLC (with Prism Realty Corporation acting as the borrower's manager in California). The developer acquired undeveloped land for the development of phase two (II) of a shopping center in the City. The phase one (I) section of the shopping center has been completed while Prism Realty Corporation was in the preparation stage to commence development work on the phase two (II) project. Repayment of the loan principal is spread over a 5-year period commencing on February 1, 2012 to end on April 15, 2017. The loan has an interest rate of 6.5% from the date of commencement of the loan to January 24, 2012. Thereafter the interest rate will increase to 7% until the principal of the loan is fully repaid.

**Loan to Compton Commercial Development Renaissance Plaza, LLC** – In 2011, the former Agency provided a loan for \$2,850,000 in connection with the major renovation of the Compton Renaissance Plaza Shopping Center, to a property developer – Compton Commercial Development Renaissance Plaza, LLC – in connection with the renovation of the Compton Renaissance Plaza Shopping Center. The balance of this loan as of June 30, 2016 was \$2,501,544. The loan has an interest rate of 3% per annum and shall be for a period of 10 years with a maturity date of January 15, 2021.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY  
(Continued)**

**Capital Assets - Successor Agency**

The following is a summary of the changes in capital assets of the Successor Agency for the fiscal year ended June 30, 2014.

	<b>Balance at July 1, 2013 as Restated</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance June, 30, 2014</b>
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 7,400,350	\$ -	\$ -	\$ -	\$ 7,400,350
Construction in Progress	7,049,062	7,241,899	(193,590)	(8,408,768)	5,688,603
<b>Total Capital Assets, Not Being Depreciated:</b>	<u>14,449,412</u>	<u>7,241,899</u>	<u>(193,590)</u>	<u>(8,408,768)</u>	<u>13,088,953</u>
<b>Capital Assets Being Depreciated:</b>					
Building and Structures	23,351,955	8,408,768	-	-	31,760,723
Land Improvements	1,331,980	-	-	-	1,331,980
Equipment	133,816	-	-	-	133,816
<b>Total Capital Assets Being Depreciated:</b>	<u>24,817,751</u>	<u>8,408,768</u>	<u>-</u>	<u>-</u>	<u>33,226,519</u>
<b>Less Accumulated Depreciation:</b>					
Building and Structures	(2,113,327)	(467,039)	-	-	(2,580,366)
Land Improvements	(1,311,156)	(20,824)	-	-	(1,331,980)
Equipment	(112,043)	(9,876)	-	-	(121,919)
<b>Total Accumulated Depreciation:</b>	<u>(3,536,526)</u>	<u>(497,739)</u>	<u>-</u>	<u>-</u>	<u>(4,034,265)</u>
<b>Total Capital Assets Being Depreciated, Net:</b>	<u>21,281,225</u>	<u>7,911,029</u>	<u>-</u>	<u>-</u>	<u>29,192,254</u>
<b>Total Capital Assets, Net</b>	<u><u>\$ 35,730,637</u></u>	<u><u>\$ 15,152,928</u></u>	<u><u>\$ (193,590)</u></u>	<u><u>\$ (8,408,768)</u></u>	<u><u>\$ 42,281,207</u></u>

Depreciation expense for the year ended June 30, 2014 was \$497,739.

As discussed in Note 7, the transfers of capital assets from the former Agency to the Successor Agency were approved by the Department of Finance and oversight board in December 2015. Certain capital assets that were previously funded using the former Agency's monies continue to be reported in the City's financial statements because they are either titled in the City's name or maintained by the City. As discussed in Note 2 the Successor Agency restated the opening balance of Land for an increase of \$6,209,491 for land being incorrectly recorded as land held for resale. The Successor Agency also increased construction in progress for \$499,449 for assets not recorded on the Successor Agency's books. Please see Note 2.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY  
(Continued)**

**Long-term debt – Successor Agency**

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2014.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
<b>Debt long-term liabilities</b>					
<b>Bonds payable:</b>					
1995 series "C" refunding tax allocation capital appreciation bonds - taxable	\$ 10,137,530	\$ -	\$ -	\$ 10,137,530	\$ 1,319,906
Add: Interest accretion	30,548,314	3,294,624	-	33,842,938	-
2006 series "A" refunding tax allocation bonds - tax exempt	8,520,000	-	(8,520,000)	-	-
2010 series "A", "B" and "C" Community Redevelopment Agency second lien tax allocation bonds	99,090,000	-	(855,000)	98,235,000	2,265,000
Less: Discount on issue	(684,041)	-	23,588	(660,453)	-
<b>Total bonds payable</b>	<u>147,611,803</u>	<u>3,294,624</u>	<u>(9,351,412)</u>	<u>141,555,015</u>	<u>3,584,906</u>
<b>Other long-term liabilities</b>					
Due to Los Angeles County	5,516,641	-	-	5,516,641	-
<b>Total other long-term liabilities</b>	<u>5,516,641</u>	<u>-</u>	<u>-</u>	<u>5,516,641</u>	<u>-</u>
<b>Total Successor Agency</b>					
<b>long-term liabilities</b>	<u>\$ 153,128,444</u>	<u>\$ 3,294,624</u>	<u>\$ (9,351,412)</u>	<u>\$ 147,071,656</u>	<u>\$ 3,584,906</u>

**1995 Series "C" Refunding Tax Allocation Capital Appreciation Bonds**

The 1995 Series "C" Refunding Tax Allocation Capital Appreciation bonds were issued in 1995 but repayment of the liability will commence on August 1, 2014 and with the final payment due on August 1, 2024. During the grace period before the bond payment commences, the interest on the bonds is added as an accretion to the bond balance. The amount of the bond was \$10,137,530 while total accretion as of June 30, 2014 was \$33,842,938.

The 1995 Series "C" Refunding Tax Allocation Capital Appreciation bonds are special obligations of the former Agency, which are secured by an irrevocable pledge of the tax revenues payable to the former Agency. Total principal and interest remaining on the bonds is \$63,800,000, payable through August 2024. There were no principal and interest payments made during the year.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY  
(Continued)**

The following schedule summarizes the debt to maturity payments for the tax allocation capital appreciation bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest*</u>
2015	\$ 1,319,906	\$ 4,480,094
2016	1,221,016	4,578,984
2017	1,129,550	4,670,450
2018	1,044,928	4,755,072
2019	966,628	4,833,372
2020-2024	3,849,634	25,150,366
2025	605,868	5,194,132
Total	<u>\$ 10,137,530</u>	<u>\$ 53,662,470</u>

\* Accretion in the amount of \$33,842,938 is included as interest for debt service payment schedule.

**Community Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A**

On July 6, 2006, the former Agency issued \$51.2 million in Tax Allocation Bonds with an average interest rate of 5.0 percent to advance refund \$32 million of outstanding 1995A Series Bonds, \$14.7 million of 1995B Series Bonds and \$19.3 million of outstanding 1995-1 Series bonds. The former Agency defeased the old bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the financial statements. On June 30, 2014, \$10.1 million of the bonds outstanding are considered defeased.

The Series 2006 A Tax Allocation Bonds are special obligations of the former Agency, which are secured by an irrevocable pledge of the tax revenues payable to the former Agency. The bond was paid off in August 2013.

**Community Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010A (Housing), 2010B and 2010C (Taxable)**

On June 9, 2010, the former Agency issued \$118,985,000 of Second Lien Tax Allocation Bonds made up of Series "A" (\$31,130,000 for Housing projects), Series B (\$69,595,000 for general redevelopment projects) and Series C (\$18,260,000 Taxable - for other redevelopment projects). The bonds interest rates are between 3.00% and 5.00% for Series A, 5.00% and 5.75% for Series B and 7.29% and 7.74% for Series C. The amount of principal outstanding at June 30, 2014 for all of the 2010 Series was \$98,235,000.

The 2010 Second Lien Tax Allocation Bonds are special obligations of the former Agency, which are secured by an irrevocable pledge of the tax revenues payable to the former Agency. Total principal and interest remaining on the bonds is \$181,056,228. The bonds are payable as follows - Series A (August 2011 through 2042), Series B (August 2011 through 2042) and Series C (August 2011 through 2024).

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR FORMER REDEVELOPMENT AGENCY  
(Continued)**

The Successor Agency had debt service payments totaling \$8,035,454 during the fiscal year ended June 30, 2014.

The following schedule summarizes the debt to maturity payments for the tax allocation bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,265,000	\$ 5,770,454
2016	2,390,000	5,644,538
2017	2,520,000	5,507,900
2018	2,670,000	5,361,584
2019	2,820,000	5,202,691
2020-2024	16,955,000	23,128,263
2025-2029	28,425,000	16,194,740
2030-2034	19,735,000	9,524,158
2035-2039	10,040,000	4,941,000
2040-2043	10,415,000	1,545,900
Total	<u>\$ 98,235,000</u>	<u>\$ 82,821,228</u>

**Due to Los Angeles County**

The results of the State Controller Office’s review and due diligence review procedures performed on the dissolution of the former Agency identified a long-term liability to Los Angeles County in the amount of \$5,516,641. The City paid \$4,105,700 of this liability on February 12, 2015.

**NOTE 15 – SUBSEQUENT EVENTS**

Tax Revenue Anticipation Notes

In July 2014, 2015 and 2016, the City issued the 2014-15 Tax and Revenue Anticipation Notes, Series A, the 2015-2016 Tax and Revenue Anticipation Notes and the 2016-17 Tax and Revenue Anticipation Notes in the aggregate principal amounts of \$12,210,000, \$10,000,000 and \$15,595,000, respectively. The notes were issued for the purpose of financing expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City and have an interest rate of 2.75% for the 2014-15 Tax and Revenue Anticipation Notes, Series A, 2.20% for the 2015-16 Tax and Revenue Anticipation Notes and 2.00% for the 2016-17 Tax and Revenue Anticipation Notes. The 2014-15 Tax and Revenue Anticipation Notes, Series A have a maturity date of June 1, 2015 and were paid in full by the City by the maturity date. The 2015-16 Tax and Revenue Anticipation Notes have a maturity date of June 1, 2016 and were paid in full by the City by the maturity date. The 2016-17 Tax and Revenue Anticipation Notes have a maturity date of June 1, 2017. These notes are general obligations of the City and payable out of 1% property tax labeled account number “132.01- City-Compton TD #1” by the County of Los Angeles Auditor/Controller, vehicle licensing fee revenues, and sales and use tax revenues collected by the County on behalf of the City.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**NOTE 15 – SUBSEQUENT EVENTS (Continued)**

Compton Public Finance Authority Lease Revenue Refunding Bonds Series 2016

In July 2016, the Compton Public Finance Authority (Authority) issued the Lease Revenue Refunding Bonds Series 2016 (Bonds) to refund and defease a portion of the Compton Public Finance Authority Lease Revenue Bonds Series 2008 bonds and to pay certain costs associated with the issuance of the bonds in the amount of \$27,645,000. The Bonds are limited obligations of the Authority payable solely from certain revenues of the Authority, consisting primarily of base rental payments made by the City of Compton pursuant to a facility lease with the Authority. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2017. The principal is payable on September 1, 2022, September 1, 2027 and September 1, 2032 in the amount of \$6,440,000, \$9,620,000 and \$11,585,000, respectively.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF COMPTON, CALIFORNIA

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
Taxes and special assessments	\$ 24,999,740	\$ 24,999,740	\$ 27,715,423	\$ 2,715,683
Licenses and permits	3,134,390	3,864,579	5,224,033	1,359,454
Intergovernmental revenues	8,049,350	8,001,250	8,233,467	232,217
Fines, forfeitures, and penalties	1,412,429	1,412,429	1,485,166	72,737
Use of money and property	174,300	235,200	733,485	498,285
Charges for services	6,334,013	6,637,993	7,295,425	657,432
Other	426,212	1,207,134	1,875,198	668,064
Total revenues	44,530,434	46,358,325	52,562,197	6,203,872
Expenditures:				
General government:				
City attorney	1,533,149	1,732,014	1,235,682	496,332
City clerk	655,794	687,271	528,028	159,243
City controller	1,632,708	1,735,766	1,525,629	210,137
City council	797,523	394,572	588,965	(194,393)
City manager	2,393,529	2,223,840	2,361,947	(138,107)
City treasurer	557,619	504,819	476,622	28,197
Total general government	7,570,322	7,278,282	6,716,873	561,409
Management services:				
General services	3,693,231	3,996,603	3,716,637	279,966
Non-departmental	560,697	995,697	2,880,573	(1,884,876)
Human resources	572,046	671,089	497,236	173,853
Total management services	4,825,974	5,663,389	7,094,446	(1,431,057)
Public safety:				
Fire	10,492,988	11,941,169	12,155,883	(214,714)
Municipal Law	3,283,051	3,311,086	2,906,643	404,443
Los Angeles County Sheriff	18,434,351	18,434,351	18,400,955	33,396
Total public safety	32,210,390	33,686,606	33,463,481	223,125
Public works:				
Public works - street maintenance	-	102,400	(603)	103,003
Total public works	-	102,400	(603)	103,003

Continued

**CITY OF COMPTON, CALIFORNIA**

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
Environmental and human services:				
Building and safety	\$ 1,228,768	\$ 1,129,718	\$ 1,020,877	\$ 108,841
Careerlink	81,900	312,696	91,393	221,303
Planning and economic development	684,583	694,581	432,462	262,119
Parks and recreation	2,204,830	2,224,246	2,298,255	(74,009)
Total environmental and human services	4,200,081	4,361,241	3,842,987	518,254
Total expenditures	48,806,767	51,091,918	51,117,184	(25,266)
Excess (deficiency) of revenues over (under) expenditures	(4,276,333)	(4,733,593)	1,445,013	6,178,606
Other financing sources (uses):				
Transfers in	114,222	114,222	550,380	436,158
Transfers out	-	(275,000)	(1,352,857)	(1,077,857)
Total other financing sources (uses)	114,222	(160,778)	(802,477)	(641,699)
Net change in fund balance	(4,162,111)	(4,894,371)	642,536	5,536,907
Fund balance (deficit) at beginning of year	(48,751,872)	(43,610,404)	(36,520,301)	7,090,103
Fund balance (deficit) at end of year	<u>\$ (52,913,983)</u>	<u>\$ (48,504,775)</u>	<u>\$ (35,877,765)</u>	<u>\$ 12,627,010</u>

See Accompanying Notes to Required Supplementary Information.

**CITY OF COMPTON, CALIFORNIA**

Federal Grants Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental revenues	\$ 15,056,272	\$ 18,172,874	\$ 11,617,220	\$ (6,555,654)
Use of money and property	2,483,795	2,483,795	2,691,832	208,037
Charges for services	759,638	759,638	892,909	133,271
Other	5,406	417,916	665,500	247,584
Total revenues	18,305,111	21,834,223	15,867,461	(5,966,762)
Expenditures:				
Current:				
General government	1,311,137	1,548,039	687,162	860,877
Public works	2,749,534	2,996,908	1,256,280	1,740,628
Environmental and human services	17,160,671	19,986,863	11,726,443	8,260,420
Debt service:				
Principal	300,000	300,000	300,000	-
Interest	52,635	52,635	51,525	1,110
Capital outlay	1,456,872	2,856,432	565,637	2,290,795
Total expenditures	23,030,849	27,740,877	14,587,047	13,153,830
Excess (deficiency) of revenues over (under) expenditures	(4,725,738)	(5,906,654)	1,280,414	(7,187,068)
Net change in fund balance	(4,725,738)	(5,906,654)	1,280,414	(7,187,068)
Fund balance at beginning of year	4,385,664	3,959,513	2,928,744	(1,030,769)
Fund balance at end of year	\$ (340,074)	\$ (1,947,141)	\$ 4,209,158	\$ (8,217,837)

See Accompanying Notes to Required Supplementary Information.

**CITY OF COMPTON, CALIFORNIA**

Retirement Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amount	Positive (Negative)
Revenues:				
Taxes and special assessments	\$ 19,038,561	\$ 19,103,829	\$ 14,028,725	\$ (5,075,104)
Intergovernmental revenues	276,007	276,007	271,894	(4,113)
Use of money and property	207	207	53,182	52,975
Other	122,114	122,114	123,355	1,241
Total revenues	19,436,889	19,502,157	14,477,156	(5,025,001)
Expenditures:				
Current:				
General government	2,393,449	2,393,449	1,557,376	836,073
Public safety	5,548,898	5,548,898	5,376,326	172,572
Management services	8,685,861	8,685,861	8,003,514	682,347
Environmental and human services	2,105,521	2,170,789	1,109,050	1,061,739
Total expenditures	18,733,729	18,798,997	16,046,266	2,752,731
Excess (deficiency) of revenues over (under) expenditures	703,160	703,160	(1,569,110)	(2,272,270)
Fund balance at beginning of year	12,449,964	12,450,883	18,009,243	5,558,360
Fund balance at end of year	\$ 13,153,124	\$ 13,154,043	\$ 16,440,133	\$ 3,286,090

See Accompanying Notes to Required Supplementary Information.

**CITY OF COMPTON, CALIFORNIA**

Required Supplementary Information  
Schedules of Funding Progress  
For the Fiscal Year Ended June 30, 2014

**1. California Public Employees' Retirement System (CalPERS) - Miscellaneous Plan**

<b>Valuation Date</b>	<b>Entry Age Normal Cost Actuarial Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
	<b>(A)</b>	<b>(B)</b>	<b>(A-B)</b>	<b>(B/A)</b>	<b>(C)</b>	<b>[(A-B)/C]</b>
6/30/2012	\$ 170,305,337	\$ 131,823,644	\$ 38,481,693	77.40%	\$ 12,707,049	302.84%
6/30/2013	173,153,644	117,268,967	55,884,677	67.73%	12,933,325	432.10%
6/30/2014	186,893,003	130,923,833	55,969,170	70.05%	12,577,168	445.01%

**2. Other Postemployment Benefits Obligation (OPEB)**

<b>Valuation Date</b>	<b>Entry Age Normal Cost Actuarial Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
	<b>(A)</b>	<b>(B)</b>	<b>(A-B)</b>	<b>(B/A)</b>	<b>(C)</b>	<b>[(A-B)/C]</b>
6/30/2009	\$ 125,693,000	-	\$ 125,693,000	0.00%	\$ 23,920,000	525.47%
6/30/2011	116,939,000	-	116,939,000	0.00%	26,315,000	444.38%
6/30/2013	120,921,000	-	120,921,000	0.00%	19,920,000	607.03%

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**CITY OF COMPTON, CALIFORNIA**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2014

**Budgetary Information**

The annual budget adopted by the City Council provides for the City's general operations. The budget includes proposed expenditures and estimated revenues for all governmental funds.

The City Manager is authorized to make the necessary changes to the budget to assure adequate and proper standards of service. The legal level of control for the budget is actual expenditures may not exceed budgeted appropriations at the department level for the General Fund and at the fund level for all other budgeted funds.

A budget supplement (Supplement) is published, which reconciles revenues and expenditures at the legal level of control, as noted above, to the summarized amounts presented in the annual financial statements. This supplement can be obtained from the City Controller.

The budget is formally integrated into the accounting system and employed as a management control device during the year for all funds. The modified-accrual basis of accounting is employed in the preparation of the budget.

At fiscal year-end, budget appropriations may be carried over to the following fiscal year.

**Budgetary Controls**

Each department director is responsible for monitoring actual versus budget appropriations for each expenditure line item. The City's financial accounting system generates actual expenditures alongside the budgeted amounts for review by the City Manager and departmental directors. Also, on a monthly basis, the City Controller prepares and submits financial reports to the City Manager, the Honorable Mayor and the City Council members. The City's management utilizes the monthly financial report for decision making, expenditure control and cash flow management.

Budgets for governmental funds are sometimes adopted based upon accounting for certain transactions on a basis other than the accounting principles generally accepted accounting principles (GAAP). As a result, the General Fund's principal and interest expenditures in the amounts of \$306,018 and \$356,089, respectively, were included in the budgetary comparison schedule for the General Fund under general government expenditures.

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## **SUPPLEMENTARY INFORMATION**

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**CITY OF COMPTON, CALIFORNIA**  
Description of Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2014

**SPECIAL REVENUE FUNDS**

**County Transportation Fund**

The County Transportation Fund accounts for the operations of transit-related projects. Financing is provided by an additional voter-approved one-half cent tax levied within Los Angeles County.

**Gasoline Tax Fund**

The City's share of the State and County gas tax allocation is recorded in this fund. State law requires these gasoline taxes to be used to maintain streets.

**Department of Health Service Grant Fund**

The Department of Health Service grants receipts and expenditures are recorded in this fund for special services relating to narcotics and drugs programs.

**Special Assessments Fund**

The Special Assessments Fund is used to account for costs of improving and maintaining street lighting in certain areas of the City.

**Other Special Revenue Fund**

This fund accounts for receipts and expenditures from various grants. Comprised in this fund category are the funds for Law Enforcement programs, Used Oil grant, Department of Water Resources (DWR) Groundwater Storage grant, Air Quality Management grant and other smaller grants for various special programs.

**CAPITAL PROJECTS FUNDS**

**California Department of Transportation Grant Fund**

The California Department of Transportation Grant's receipts and expenditures are recorded in this fund primarily for the development and maintenance of a City-wide computerized traffic light system as well as providing rides for elderly and handicapped residents.

**California Department of Parks and Recreation Grant Fund**

The California Department of Parks and Recreation Grant's receipts and expenditures are recorded in this fund. The City applies annually to the State programs and identifies specific park grounds and / or facility improvements for which this fund will be expended.

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

	Special Revenue Funds		
	County Transportation	Gasoline Tax	Department of Health Service Grant
<b>Assets</b>			
Cash and investments	\$ 5,798,987	\$ 25,624	\$ -
Taxes and special assessments receivable	-	-	-
Accounts receivable	2,392	157,953	-
Grants receivable	-	-	-
Due from other funds	-	326,473	-
Advances to other funds	-	-	1,490
Total assets	<u>\$ 5,801,379</u>	<u>\$ 510,050</u>	<u>\$ 1,490</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 342,612	\$ 47,975	\$ -
Accrued liabilities	105,473	27,153	-
Unearned revenue	-	-	-
Due to other funds	319,948	-	98,889
Total liabilities	<u>768,033</u>	<u>75,128</u>	<u>98,889</u>
<b>Fund balances:</b>			
Restricted for:			
Road improvements	4,368,122	434,922	-
Transit systems	665,224	-	-
Police services	-	-	-
Recycling and clean air	-	-	-
Unassigned	-	-	(97,399)
Total fund balances (deficit)	<u>5,033,346</u>	<u>434,922</u>	<u>(97,399)</u>
Total liabilities and fund balances	<u>\$ 5,801,379</u>	<u>\$ 510,050</u>	<u>\$ 1,490</u>

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

Special Revenue Funds		Capital Projects Funds		
Special Assessments	Other	California	California	Total
		Department of Transportation Grant	Department of Parks and Recreation Grant	
\$ (64)	\$ 998,553	\$ 2,992,031	\$ 2,053	\$ 9,817,184
118,311	17,036	-	-	135,347
-	25,698	460,000	-	646,043
-	-	246,619	-	246,619
-	187,810	1,934,329	-	2,448,612
-	730,323	927,894	54,743	1,714,450
<u>\$ 118,247</u>	<u>\$ 1,959,420</u>	<u>\$ 6,560,873</u>	<u>\$ 56,796</u>	<u>\$ 15,008,255</u>
\$ 342,650	\$ 173,949	\$ 358,870	\$ 89,303	\$ 1,355,359
153,820	10,614	-	-	297,060
-	287,517	-	-	287,517
1,963,907	587,064	1,161,249	466,557	4,597,614
<u>2,460,377</u>	<u>1,059,144</u>	<u>1,520,119</u>	<u>555,860</u>	<u>6,537,550</u>
-	-	5,040,754	-	9,843,798
-	-	-	-	665,224
-	548,585	-	-	548,585
-	351,691	-	-	351,691
(2,342,130)	-	-	(499,064)	(2,938,593)
<u>(2,342,130)</u>	<u>900,276</u>	<u>5,040,754</u>	<u>(499,064)</u>	<u>8,470,705</u>
<u>\$ 118,247</u>	<u>\$ 1,959,420</u>	<u>\$ 6,560,873</u>	<u>\$ 56,796</u>	<u>\$ 15,008,255</u>

**CITY OF COMPTON, CALIFORNIA**  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds		
	County Transportation	Gasoline Tax	Department of Health Service Grant
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ -
Licenses and permits			
Intergovernmental revenues	3,087,413	1,711,357	-
Fines, forfeitures, and penalties			
Use of money and property	102,802	-	7
Charges for services	-	-	-
Total revenues	3,190,215	1,711,357	7
Expenditures:			
Current:			
General government	77,200	-	-
Public safety	-	-	-
Public works	1,777,622	1,714,593	-
Management services	-	-	-
Environmental and human services	254,716	-	-
Capital outlay	-	-	-
Total expenditures	2,109,538	1,714,593	-
Excess (deficiency) of revenues over (under) expenditures	1,080,677	(3,236)	7
Other financing sources:			
Transfers in	-	-	-
Net change in fund balances	1,080,677	(3,236)	7
Fund balances (deficit) at beginning of year	3,952,669	438,158	(97,406)
Fund balances (deficit) at end of year	\$ 5,033,346	\$ 434,922	\$ (97,399)



**CITY OF COMPTON, CALIFORNIA**  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2014

Special Revenue Funds		Capital Project Funds		Total
Special Assessments	Other	California Department of Transportation Grant	California Department of Parks and Recreation Grant	
\$ 4,371,402	\$ -	\$ -	\$ -	\$ 4,371,402
-	916,245	2,976,789	-	8,691,804
-	6,573	12,170	302	121,854
-	542	-	-	542
4,371,402	923,360	2,988,959	302	13,185,602
-	-	-	-	77,200
-	490,863	-	-	490,863
4,743,642	-	973,559	74,058	9,283,474
-	17,959	-	-	17,959
10,518	108,311	-	-	373,545
-	-	394,961	-	394,961
4,754,160	617,133	1,368,520	74,058	10,638,002
(382,758)	306,227	1,620,439	(73,756)	2,547,600
-	200,000	-	-	200,000
(382,758)	506,227	1,620,439	(73,756)	2,747,600
(1,959,372)	394,049	3,420,315	(425,308)	5,723,105
\$ (2,342,130)	\$ 900,276	\$ 5,040,754	\$ (499,064)	\$ 8,470,705

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**CITY OF COMPTON, CALIFORNIA**  
Description of Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2014

**ENTERPRISE FUNDS**

**Golf Course Fund**

The Golf Course Fund is used to account for all activities of the City-owned golf course.

**Recreation Fund**

The Recreation Fund is used to account for recreational activities financed by user fees.

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**CITY OF COMPTON, CALIFORNIA**

Nonmajor Enterprise Funds  
Combining Statement of Net Position  
June 30, 2014

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 66,955	\$ 11,746	\$ 78,701
Accounts receivable	<u>1,236</u>	<u>-</u>	<u>1,236</u>
Total current assets	68,191	11,746	79,937
Noncurrent assets:			
Advances to other funds	<u>49,719</u>	<u>121,959</u>	<u>171,678</u>
Total assets	<u>117,910</u>	<u>133,705</u>	<u>251,615</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,500	20	3,520
Deposits	<u>-</u>	<u>76,168</u>	<u>76,168</u>
Total current liabilities	<u>3,500</u>	<u>76,188</u>	<u>79,688</u>
Noncurrent liabilities:			
Other postemployment benefits obligation	<u>2,176</u>	<u>-</u>	<u>2,176</u>
Total liabilities	<u>5,676</u>	<u>76,188</u>	<u>81,864</u>
<b>Net Position</b>			
Net position:			
Unrestricted	<u>112,234</u>	<u>57,517</u>	<u>169,751</u>
Total net position	<u>\$ 112,234</u>	<u>\$ 57,517</u>	<u>\$ 169,751</u>

**CITY OF COMPTON, CALIFORNIA**

## Nonmajor Enterprise Funds

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Fiscal Year Ended June 30, 2014

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 70,415	\$ 805	\$ 71,220
Operating expenses:			
Public works	<u>45,500</u>	<u>-</u>	<u>45,500</u>
Operating income	<u>24,915</u>	<u>805</u>	<u>25,720</u>
Nonoperating revenues:			
Investment income	<u>245</u>	<u>601</u>	<u>846</u>
Change in net position	25,160	1,406	26,566
Net position at beginning of year	<u>87,074</u>	<u>56,111</u>	<u>143,185</u>
Net position at end of year	<u>\$ 112,234</u>	<u>\$ 57,517</u>	<u>\$ 169,751</u>

# CITY OF COMPTON, CALIFORNIA

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 70,428	\$ 8,159	\$ 78,587
Cash payments to suppliers for goods and services	(42,000)	-	(42,000)
	<u>28,428</u>	<u>8,159</u>	<u>36,587</u>
Net cash provided by operating activities			
Cash flows from non-capital financing activities:			
Long-term loans to other funds	(245)	(601)	(846)
Net cash used for non-capital financing activities	(245)	(601)	(846)
Cash flows from investing activities:			
Interest received on investments	245	601	846
	<u>28,428</u>	<u>8,159</u>	<u>36,587</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents, beginning of year	38,527	3,587	42,114
Cash and cash equivalents, end of year	<u>\$ 66,955</u>	<u>\$ 11,746</u>	<u>\$ 78,701</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 24,915	\$ 805	\$ 25,720
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	13	-	13
Increase in accounts payable	3,500	20	3,520
Increase in deposits payable	-	7,334	7,334
	<u>\$ 28,428</u>	<u>\$ 8,159</u>	<u>\$ 36,587</u>
Net cash provided by operating activities			

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**CITY OF COMPTON, CALIFORNIA**

Description of Internal Service Funds  
For the Fiscal Year Ended June 30, 2014

**INTERNAL SERVICE FUNDS**

**Equipment Rental Fund**

The Equipment Rental Fund was established to account for the rental costs of City equipment. Such costs are billed to the other departments at a rate which will provide for the future acquisition of equipment as well as operating cost.

**Central Duplication Fund**

The Central Duplication Fund was established to account for all duplicating costs. Such costs are billed to other departments to cover operating costs.

**Self-Insurance Fund**

The Self-Insurance Fund was established to account for the City's self-insurance activities.

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**CITY OF COMPTON, CALIFORNIA**

Internal Service Funds

Combining Statement of Net Position

June 30, 2014

	<u>Equipment Rental</u>	<u>Central Duplication</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 798,540	\$ -	\$ 681,319	\$ 1,479,859
Inventories	14,801	-	-	14,801
Total current assets	<u>813,341</u>	<u>-</u>	<u>681,319</u>	<u>1,494,660</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	44,109	-	-	44,109
Depreciable, net	801,979	-	-	801,979
Total noncurrent assets	<u>846,088</u>	<u>-</u>	<u>-</u>	<u>846,088</u>
Total assets	<u>1,659,429</u>	<u>-</u>	<u>681,319</u>	<u>2,340,748</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	65,308	2,117	44,523	111,948
Accrued liabilities	7,609	-	32,169	39,778
Due to other funds	-	161,549	-	161,549
Self-insurance claims	<u>-</u>	<u>-</u>	<u>2,315,025</u>	<u>2,315,025</u>
Total current liabilities	<u>72,917</u>	<u>163,666</u>	<u>2,391,717</u>	<u>2,628,300</u>
Noncurrent liabilities:				
Advances from fiduciary funds	-	-	5,516,641	5,516,641
Self-insurance claims	-	-	14,101,137	14,101,137
Compensated absences	<u>12,892</u>	<u>108,388</u>	<u>46,099</u>	<u>167,379</u>
Total noncurrent liabilities	<u>12,892</u>	<u>108,388</u>	<u>19,663,877</u>	<u>19,785,157</u>
Total liabilities	<u>85,809</u>	<u>272,054</u>	<u>22,055,594</u>	<u>22,413,457</u>
<b>Net Position</b>				
Net position:				
Net investment in capital assets	846,088	-	-	846,088
Unrestricted (deficit)	<u>727,532</u>	<u>(272,054)</u>	<u>(21,374,275)</u>	<u>(20,918,797)</u>
Total net position (deficit)	<u>\$ 1,573,620</u>	<u>\$ (272,054)</u>	<u>\$ (21,374,275)</u>	<u>\$ (20,072,709)</u>

**CITY OF COMPTON, CALIFORNIA**

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2014

	<u>Equipment Rental</u>	<u>Central Duplication</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating revenues:				
Charges to other funds	\$ 2,187,788	\$ 299,169	\$ 4,136,329	\$ 6,623,286
Total operating revenues	<u>2,187,788</u>	<u>299,169</u>	<u>4,136,329</u>	<u>6,623,286</u>
Operating expenses:				
Administration and personnel service	868,372	144,250	1,971,948	2,984,570
Self-insurance service	-	-	5,489,933	5,489,933
Depreciation	<u>200,496</u>	<u>-</u>	<u>-</u>	<u>200,496</u>
Total operating expenses	<u>1,068,868</u>	<u>144,250</u>	<u>7,461,881</u>	<u>8,674,999</u>
Operating income (loss)	<u>1,118,920</u>	<u>154,919</u>	<u>(3,325,552)</u>	<u>(2,051,713)</u>
Nonoperating expenses:				
Interest expense	<u>-</u>	<u>(5,634)</u>	<u>-</u>	<u>(5,634)</u>
Change in net position	1,118,920	149,285	(3,325,552)	(2,057,347)
Net position (deficit) at beginning of year	<u>454,700</u>	<u>(421,339)</u>	<u>(18,048,723)</u>	<u>(18,015,362)</u>
Net position (deficit) at end of year	<u>\$ 1,573,620</u>	<u>\$ (272,054)</u>	<u>\$ (21,374,275)</u>	<u>\$ (20,072,709)</u>

# CITY OF COMPTON, CALIFORNIA

## Internal Service Funds Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2014

	Equipment Rental	Central Duplication	Self- Insurance	Total
Cash flows from operating activities:				
Cash received from interfund services, net	\$ 1,550,355	\$ 299,169	\$ 4,161,833	\$ 6,011,357
Cash payments to suppliers for goods and services	-	(49,538)	(2,300,222)	(2,349,760)
Cash payments to employees for services	(248,572)	(153,961)	(1,975,202)	(2,377,735)
Net cash provided by (used for) operating activities	1,301,783	95,670	(113,591)	1,283,862
Cash flows from non-capital financing activities:				
Short-term loans from other funds	-	(4,932)	-	(4,932)
Repayments of short-term loans to fiduciary funds	-	-	13,661	13,661
Net cash provided by (used for) non-capital financing activities	-	(4,932)	13,661	8,729
Cash flows from capital and related financing activities:				
Capital lease payment	-	(80,754)	-	(80,754)
Acquisition of capital assets	(942,000)	-	-	(942,000)
Interest paid on long-term debt	-	(9,984)	-	(9,984)
Net cash used for capital and related financing activities	(942,000)	(90,738)	-	(1,032,738)
Net increase in cash and cash equivalents	359,783	-	(99,930)	259,853
Cash and cash equivalents, beginning of year	438,757	-	781,249	1,220,006
Cash and cash equivalents, end of year	<u>\$ 798,540</u>	<u>\$ -</u>	<u>\$ 681,319</u>	<u>\$ 1,479,859</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 1,118,920	\$ 154,919	\$ (3,325,552)	\$ (2,051,713)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	200,496	-	-	200,496
Changes in assets and liabilities:				
Decrease in inventories	19,983	-	-	19,983
Increase (decrease) in accounts payable	(36,369)	(49,538)	10,588	(75,319)
Increase (decrease) in accrued liabilities	(1,247)	(13,986)	12,585	(2,648)
Increase (decrease) in compensated absences	-	4,275	(923)	3,352
Increase in self-insurance claims	-	-	3,189,711	3,189,711
Net cash provided by (used for) operating activities	<u>\$ 1,301,783</u>	<u>\$ 95,670</u>	<u>\$ (113,591)</u>	<u>\$ 1,283,862</u>