

OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS

NEW ISSUE, BOOK-ENTRY ONLY

NO RATING

*In the opinion of Note Counsel, subject to the limitations and conditions described herein, interest on the Notes (defined below) allocable to a holder thereof is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion contains greater detail, and is subject to exceptions, as noted in "TAX MATTERS" herein.*

**\$15,595,000**  
**CITY OF COMPTON, CALIFORNIA**  
**2016-17 TAX AND REVENUE ANTICIPATION NOTES**

Interest Rate: 2.00%  
Dated Date: Day of Delivery

Yield: 2.00%

CUSIP: 204687 AE7  
Maturity Date: June 1, 2017

The City of Compton, California (the "City") is issuing its \$15,595,000 2016-17 Tax and Revenue Anticipation Notes (the "Notes") for the purpose of financing Fiscal Year 2016-17 expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City. In accordance with California law, the Notes are general obligations of the City payable from the taxes, income, revenue, cash receipts and other moneys that are received or accrued by (are allocable to) the City during Fiscal Year 2016-17 that are lawfully available for the payment of the Notes and interest thereon, but exclusive of any moneys that when received will be encumbered for a special purpose (as more particularly described herein, the "Unrestricted Revenues"). In accordance with a Direction Letter from the City to the County of Los Angeles (the "County"), the Auditor-Controller of the County will transfer County Collected Revenues (as defined herein), which comprise a portion of Unrestricted Revenues, to the Trustee (as defined below) for deposit in an account to be held in trust solely for the benefit of the holders of the Notes (the "Repayment Fund"). As provided in Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (Sections 53850 to 53858 of the Government Code of the California) (the "Law"), the Notes and the interest thereon will be a valid lien and charge against, and will be payable from, the first moneys received by the City comprising the Unrestricted Revenues. To the extent that any amounts so received are less than the total dollar amount designated for such deposit in the Repayment Fund, additional amounts will be deposited into the Repayment Fund from any other moneys of the City lawfully available therefor, as more particularly described herein. The Repayment Fund is to be held in trust by U.S. Bank National Association, Seattle, Washington, as trustee, paying agent and note registrar for the Notes (the "Trustee"). See "THE NOTES — Security and Sources of Payment for the Notes."

The Notes will be issued in fully registered form, without coupons, at the interest rate stated above. The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Purchase of the Notes will be made only through DTC participants under the book-entry system maintained by DTC. The Purchaser (as defined herein) will not receive a certificate representing its ownership interest in the Notes. Principal of and interest on the Notes are payable on the Maturity Date of the Notes. The Notes will not be subject to redemption prior to maturity. The Notes may not be transferred or exchanged except as provided herein to Qualified Institutional Buyers, as defined herein. See "THE NOTES" and "BOOK-ENTRY ONLY SYSTEM."

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY AND IS NOT A SUMMARY OF THE TRANSACTION. INVESTORS MUST READ THE ENTIRE LIMITED OFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**THE NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. SEE "THE NOTES — SECURITY AND SOURCES OF PAYMENT FOR THE NOTES," "RISK FACTORS," AND "CITY FISCAL CRISIS UPDATE" HEREIN.**

**THE NOTES WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THE NOTES ARE BEING OFFERED ONLY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUBSEQUENT TRANSFERS OF THE NOTES WILL BE LIMITED TO QUALIFIED INSTITUTIONAL BUYERS. SEE "RISK FACTORS – LIMITED TRANSFER AND EXCHANGE OF NOTES" AND APPENDIX F – "FORM OF INVESTMENT LETTER." HEREIN.**

This Limited Offering Memorandum relates only to the purchase of the Notes as of their date of delivery and should not be relied upon after such date.

*The Notes are offered when, as and if executed and delivered by the City and received by the Purchaser, subject to the approval as to their legality by Butler Snow LLP Atlanta, Georgia, Note Counsel to the City. Certain other legal matters will be passed upon for the City by the City Attorney, and by the City's Disclosure Counsel, Butler Snow LLP, Atlanta, Georgia and for the underwriter by its counsel Ballard Spahr LLP, Philadelphia, Pennsylvania. Comer Capital Group, LLC, Jackson, Mississippi, is serving as Financial Advisor for the City. It is expected that the Notes will be available through the facilities of DTC in New York, New York for delivery on or about July 7, 2016.*



Dated: June 24, 2016

Each Purchaser (as defined herein) reviewing this Limited Offering Memorandum acknowledges that (i) such person is a Qualified Institutional Buyer as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the Notes, (ii) such person has been afforded an opportunity to request from the City and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (iii) such person has not relied on the Underwriter or any person affiliated with the Underwriter in connection with its investigation of the accuracy of such information or its investment decision, and (iv) no person has been authorized to give any information or to make any representation concerning the City or the Notes (other than as contained herein and information given by duly authorized officers and employees of the City in connection with investors’ examination of the City and the terms of the offering, and, if given or made, any such other information or representation should not be relied upon as having been authorized by the City or the Underwriter). Each purchaser further acknowledges that the Notes are subject to resale restrictions. See “RISK FACTORS – Limited Transfer and Exchange of Notes” herein. Such restrictions include that no sale, pledge, transfer or exchange may be made of the Notes (1) except to investors that are reasonably believed to be a Qualified Institutional Buyer within the meaning of Rule 144A under the Securities Act that is acting for either its own account or accounts of other qualified institutional buyers, as the case may be, as to which it exercises sole investment decision discretion, and (2) in a denomination of less than the authorized denomination.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Limited Offering Memorandum does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Notes by a person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Limited Offering Memorandum is not to be construed as a contract with the purchaser of the Notes. Statements contained in this Limited Offering Memorandum that involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Limited Offering Memorandum has been obtained from official sources and other sources, which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City.

The information and expressions of opinions herein are subject to change without notice and neither delivery of this Limited Offering Memorandum nor any sale made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Limited Offering Memorandum is submitted with respect to the original issuance and sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE NOTES IS MADE ONLY BY MEANS OF THIS LIMITED OFFERING MEMORANDUM.

CUSIP data on the cover hereof are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Underwriter (as defined herein) assumes any responsibility for the selection or uses of, or for the accuracy or correctness of, such data.

Certain statements in this Limited Offering Memorandum, which may be identified by the use of such terms as "plan," "expect," "estimate," "project," "budget" or other similar words, constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, statements under the caption "RISK FACTORS" and in "APPENDIX B: CITY OF COMPTON CASH FLOW PROJECTIONS." Such forward-looking statements refer to the achievement of certain results or other expectations of performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement made in this Limited Offering Memorandum speaks only as of the date of such statement, and the City undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

This Limited Offering Memorandum speaks only as of the date printed on the cover page hereof. The information contained herein is subject to change. The Limited Offering Memorandum will be made available through the Electronic Municipal Market Access System (EMMA), a service of the Municipal Securities Rulemaking Board (MSRB), now the only nationally recognized municipal securities information depository.

EACH PURCHASER OF NOTES WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER IN THE FORM ATTACHED HERETO AS “APPENDIX F: INVESTMENT LETTER” (THE “INVESTMENT LETTER”) IN WHICH, AMONG OTHER MATTERS, SUCH PURCHASER WILL REPRESENT THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144a UNDER THE SECURITIES ACT. THE NOTES MAY BE TRANSFERRED ONLY TO QUALIFIED INSTITUTIONAL BUYERS.

**CITY OF COMPTON**

**County of Los Angeles, California**

**MAYOR and CITY COUNCIL**

Aja Brown, Mayor

Janna Zurita (District 1)

Isaac Galvan (District 2)

Yvonne Arceneaux (District 3)

Emma Sharif (District 4)

**CITY STAFF**

Roger L. Haley, City Manager

Craig J. Cornwell, City Attorney

Alita Godwin, CMC, City Clerk

Douglas Sanders, City Treasurer

Robert S. Torrez, Interim City Controller

**BOND AND DISCLOSURE COUNSEL**

BUTLER SNOW LLP

Atlanta, Georgia

**TRUSTEE**

U.S. BANK NATIONAL ASSOCIATION

Seattle, Washington

**FINANCIAL ADVISOR**

COMER CAPITAL GROUP, LLC

Jackson, Mississippi

**UNDERWRITER**

IFS SECURITIES, INC.

Atlanta, Georgia

**UNDERWRITERS COUNSEL**

BALLARD SPAHR LLP

Philadelphia, Pennsylvania

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## **LIMITED OFFERING MEMORANDUM**

**\$15,595,000**

### **CITY OF COMPTON, CALIFORNIA 2016-17 TAX AND REVENUE ANTICIPATION NOTES**

#### **INTRODUCTION**

*This introduction contains only a brief summary of certain of the terms of the Notes being offered, and a brief description of this Limited Offering Memorandum. All statements contained in this introduction are qualified in their entirety by reference to the entire Limited Offering Memorandum. References to, and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change.*

#### **General**

This Limited Offering Memorandum, which includes the cover and Appendices attached hereto, provides information concerning the sale and delivery of \$15,595,000 City of Compton, California 2016-17 Tax and Revenue Anticipation Notes (the “Notes”). The Notes are issued pursuant to the Charter of the City of Compton (as amended, the “City Charter”) and the Constitution and laws of the State of California (the “State”), including Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (Sections 53850 to 53858 of the Government Code of the State) (the “Law”). The Notes are authorized pursuant to a resolution of the City Council (the “City Council”) of the City of Compton, California (the “City”) adopted on June 14, 2016 (the “Resolution”) and the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton - Tax and Revenue Anticipation Notes, dated as of July 1, 2016 (the “Accompanying Document”). The Notes are being issued for the purpose of financing Fiscal Year 2016-17 (July 1, 2016 to June 30, 2017) expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City. The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed eighty-five percent (85%) of the estimated Unrestricted Revenues (as defined herein) legally available for the payment of the Notes. Capitalized terms used but not defined herein have the meanings assigned to them in the Resolution or the Accompanying Document, as applicable.

#### **The City**

The City is a municipal corporation and charter city organized and existing under the Constitution and laws of the State. The City Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal administration; and public utilities and franchises. The City Council governs the City and is composed of five members, four who are residents of their respective City Council districts, and one member who is nominated and elected from the City at large to hold the office of Mayor. The Mayor is the presiding officer of the City Council and is the official head of the City. The Mayor is required to live within the City limits. Other elected officers of the City are the City Clerk, the City Treasurer and the City Attorney. All City Council members and other elected officers serve for a term of four years, without term limits. The City Council appoints the City Manager, who is the chief executive officer and the head of the administrative branch of the City government.

The City is located in the geographical center of the County of Los Angeles (the “County”), between the greater Los Angeles and Long Beach metropolitan areas. The City had approximately 98,506 residents as of January 1, 2015 and encompasses an area of approximately 10.2 square miles.

#### **Security and Sources of Payment for the Notes**

Under the Law, the Notes are general obligations of the City payable only out of Unrestricted Revenues (as defined herein) received or accrued by (or allocable to) the City during Fiscal Year 2016-17 that are lawfully available for payment of the Notes and the interest thereon. In accordance with a Direction Letter from the City to be



dated on or about the date of delivery of the Notes (the “Direction Letter”) to the County, the Auditor-Controller of the County will transfer County Collected Revenues (as defined herein), which are a portion of Unrestricted Revenues, to the Trustee for deposit in the Repayment Fund. The City has further agreed to transfer to the Trustee, for deposit in the Repayment Fund, all Sales and Use Taxes, as defined herein, received from the State, which are a portion of Unrestricted Revenues, on the date that is no later than one (1) business day after the City receives such Sales and Use Tax funds, during the period beginning January 1, 2017 and ending on April 30, 2017. As provided in the Law, the Notes and the interest thereon will be a valid lien and charge against, and will be payable from, the first moneys received by the City comprising the Unrestricted Revenues. To the extent that any amounts so received are less than the total dollar amount designated for such deposit in the Repayment Fund, additional amounts will be deposited into the Repayment Fund from any other moneys of the City lawfully available therefor, as described below. The Repayment Fund is to be held in trust by U.S. Bank National Association, Seattle, Washington, as trustee, paying agent and note registrar for the Notes (the “Trustee”) pursuant to the Trust Agreement, dated as of July 1, 2016 (the “Trust Agreement”), by and between the City and the Trustee. The City expects that the aggregate amounts required to be deposited in the Repayment Fund will be sufficient to repay the Notes and accrued interest thereon when due. See “THE NOTES — Security and Sources of Payment for the Notes” herein.

### **General Description of the Notes**

The Notes will be delivered in fully registered form, without coupons. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, securities depository of the Notes. Purchase of the Notes will be made in book-entry form only. Any purchaser of the Notes (the “Purchaser”) will not receive a certificate representing its ownership interest in the Notes. See “BOOK-ENTRY ONLY SYSTEM” herein. The principal of and interest on the Notes will be paid on June 1, 2017 (the “Maturity Date”) by the Trustee to DTC, which will in turn remit such principal and interest to the Purchaser.

The Notes are not subject to redemption prior to maturity. See “THE NOTES” herein for more information.

### **Tax Exemption**

In the opinion of Note Counsel, subject to the limitations and conditions described herein, interest on the Notes is exempt from present State of California personal income taxes. In the opinion of Note Counsel, subject to the limitations and conditions described herein, interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion of Note Counsel contains greater detail, and is subject to exceptions, as noted in “TAX MATTERS” herein. See “APPENDIX D: FORM OF OPINION OF NOTE COUNSEL.”

### **Continuing Disclosure**

The City has covenanted in Continuing Disclosure Agreements to file notices of certain events (each, a “Listed Event”) with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system or as otherwise directed by the MSRB or the Securities and Exchange Commission (the “SEC”).

During the period 2012 to 2015, the City has failed to timely file certain annual reports, notices of failure to file annual reports, and notices of rating changes required to be filed pursuant to continuing disclosure agreements entered into by the City and the respective dissemination agents thereunder pursuant to Rule 15c2-12(b)(5) (the “Rule”) of the SEC within the past five years. The City has now adopted Post Issuance Compliance Procedures and is undertaking a process to implement those procedures in a manner that the City expects will support the timely filing of required annual reports and other filings required pursuant to a continuing disclosure agreement.

See “CONTINUING DISCLOSURE” below for more information.

## **Investment Considerations and Risk Factors**

THE NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. SEE “THE NOTES - SECURITY AND SOURCES OF PAYMENT FOR THE NOTES,” “RISK FACTORS” AND “NO RATING” HEREIN. THE DISCUSSION OF RISK FACTORS HEREIN IS NOT, AND IS NOT INTENDED TO BE, COMPREHENSIVE OR EXHAUSTIVE.

AUDITED FINANCIAL INFORMATION FOR THE FISCAL YEARS ENDING JUNE 30, 2014 AND JUNE 30, 2015 ARE NOT AVAILABLE AND THEREFORE THE FINANCIAL INFORMATION FOR SUCH PERIODS SET FORTH IN APPENDICES C-3 AND C-4 HAVE NOT BEEN AUDITED.

## **Miscellaneous**

The descriptions herein of the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents, and the descriptions herein of the Notes are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. Copies of the Resolution, the Accompanying Document, the Trust Agreement, the Direction Letter and the Continuing Disclosure Agreement are on file and available for inspection at the City and from the offices of the Trustee at U.S. Bank National Association, 1420 Fifth Avenue, 7<sup>th</sup> Floor, Seattle, Washington 98101, Attention: Global Corporate Trust Services.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Limited Offering Memorandum nor any sale made in connection therewith nor any future use of this Limited Offering Memorandum shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The Underwriter (as defined herein) has reviewed the information in this Limited Offering Memorandum, but the Underwriter does not guarantee the accuracy or completeness of such information.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. Portions of the information presented are based on unaudited financial reports. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. The Owner of the Notes may obtain a copy of any such report, as available, from the City. Such reports are not incorporated herein by this reference.

## **THE NOTES**

### **General**

The Notes will be issued in the aggregate principal amount of \$15,595,000, will be dated their date of issuance and delivery, and will mature on June 1, 2017. The Notes will bear interest at the rate set forth on the cover page hereof, computed on the basis of a 360-day year comprised of 12 months of 30 days each. Interest on the Notes will be payable at maturity. The Notes shall be initially issued in the form of a fully registered, single note without coupons, in denominations of \$100,000, and in increments of \$5,000.

The Notes are not subject to redemption prior to maturity.

THE NOTES ARE BEING OFFERED AND SOLD ONLY TO “QUALIFIED INSTITUTIONAL BUYERS,” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THEREFORE THE NOTES ARE SUBJECT TO RESALE RESTRICTIONS. SEE

“RISK FACTORS – LIMITED TRANSFER AND EXCHANGE OF NOTES” AND APPENDIX F – “FORM OF INVESTMENT LETTER.”

The Trustee will serve as trustee, paying agent and note registrar for the Notes. The Notes are to be delivered as fully registered Notes, without coupons, and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as initial securities depository of the Notes. Purchase will be made in book-entry form only in the principal amount of the Notes. See “BOOK-ENTRY ONLY SYSTEM” herein.

**Security and Sources of Payment for the Notes**

**General.** Under the Law, the Notes and the interest thereon are general obligations of the City payable from the taxes, income, revenues, cash receipts and other moneys of the City, including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the City, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the Notes is set aside for and used for such special purpose) received or accrued by (or allocable to) the City during Fiscal Year 2016-17 that are lawfully available for payment of the Notes and the interest thereon, including City Sales and Use Tax revenues (collectively, the “Unrestricted Revenues”). The Unrestricted Revenues include the City’s (i) 1% property tax labeled account number “132.01- City-Compton TD #1” by the County of Los Angeles Auditor/Controller, (ii) vehicle licensing fee revenues collected by the County on behalf of the City, ((i) and (ii) being collectively referred to as the “County Collected Revenues”) and (iii) Sales and Use Tax revenues.

Pursuant to the Resolution and the Accompanying Document, and in accordance with the Law and the City Charter, the City will pledge the Unrestricted Revenues as security for the Notes, and the City Manager will cause to be deposited into the 2016-17 TRAns Repayment Fund created pursuant to the Accompanying Document and held in trust by the Trustee (the “Repayment Fund”) (subject to the provisions of the Accompanying Document as described below), all County Collected Revenues allocated or attributable to the City until the amounts in the Repayment Fund equal the principal of and interest due on the Notes, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury. In accordance with the Direction Letter, the City will direct the Auditor-Controller of the County to transfer, and the Auditor-Controller of the County will transfer, the County Collected Revenues to the Trustee for deposit in the Repayment Fund. The terms of the Direction Letter are irrevocable and will not terminate until the amounts in the Repayment Fund equal the principal of and interest due on the Notes, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury.

The City has further agreed to transfer to the Trustee, for deposit in the Repayment Fund, all Sales and Use Taxes received from the State, which are a portion of Unrestricted Revenues, on the date that is no later than one (1) business day after the City receives such Sales and Use Tax funds, during the period beginning January 1, 2017 and ending on April 30, 2017.

To the extent that any amounts received in the Repayment Fund, as described in the preceding two paragraphs, are less than the total dollar amount designated for such deposit in the Repayment Fund, the City Manager will cause to be deposited and the Trustee will deposit into the Repayment Fund additional amounts from any other Unrestricted Revenues therefor, including City sales and use tax revenues, no later than the day immediately preceding the Maturity date. To the extent any Note is not paid from the County Collected Revenues, such Note will be paid from any other Unrestricted Revenues. To the extent that the amounts in the Repayment Fund equal the principal of and interest due on the Notes, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury the City may terminate the deposit of funds from any source into the Repayment Fund.

As provided in the Law, the Notes and the interest thereon are a valid lien and charge against, and are payable from, the first moneys received by the City comprising Unrestricted Revenues.

On the Maturity Date of the Notes, the Trustee will pay from the Unrestricted Revenues, including any funds held in the Repayment Fund, the principal and interest due on the Notes, and the County Collected Revenues and Sales and Use Taxes revenue received by the City during the period January 1, 2017 and April 1, 2017 may not be used for any other purpose, although earnings may be invested in Permitted Investments as described in the Accompanying Document so as to be available for disbursement and in no event for a term that exceeds the term of

the Notes, and earnings on amounts in the Repayment Fund will be deposited as and when received into the General Fund of the City. Any amounts remaining in the Repayment Fund after payment of principal of and interest on the Notes will be the sole and exclusive property of the City, will not be subject to any claims by or on behalf of any holder of Notes and will be transferred to the City for deposit into any account in the General Fund of the City as the City Manager may direct.

Please see “APPENDIX G: FORM OF ACCOMPANYING DOCUMENT” for more information and a complete description of the security and sources of payment for the Notes.

**County Collected Revenues.** The following Table 1 sets forth the County Collected Revenues received by the City during Fiscal Years 2010-11 through 2014-15.

<b>TABLE 1</b> <b>City of Compton</b> <b>County Collected Revenues <sup>(1)</sup></b> <b>Fiscal Years 2010-11 through 2014-15</b>				
<b>Fiscal Year</b>	<b>Property Tax <sup>(2)</sup></b>	<b>VLF</b>	<b>Sales Tax</b>	<b>Total</b>
2010-11	1,454,612	7,595,366	1,851,753	10,901,731
2011-12	2,999,362	7,682,171	1,439,626	12,121,159
2012-13	3,195,018	7,940,326	1,827,591	12,962,935
2013-14	4,078,593	8,233,467	2,164,822	14,476,882
2014-15	3,884,958	8,481,524	2,382,660	14,749,142

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Source: City of Compton

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> Property Tax Revenues reflect collections from the 1% ad valorem property tax levy. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS — Article XIII A” in the forepart of the Limited Offering Memorandum.

## **Repayment Fund**

In accordance with the provisions of the Resolution and the Accompanying Document, the City Manager will cause to be established by the Trustee the Repayment Fund, to be held in trust by the Trustee, and all County Collected Revenues, and Sales and Use Tax revenues received by the City during the period January 1, 2017 through April 30, 2017, are to be deposited by the County with the Trustee into the Repayment Fund as required by the terms of the Resolution and the Accompanying Document. Moneys in the Repayment Fund will be invested in Permitted Investments (as defined below) that provide sufficient liquidity so that moneys will be available no later than the Maturity Date of the Notes. Moneys in the Repayment Fund will be used to pay the Notes and the interest thereon when and as they become due and payable, and amounts necessary to pay any rebate requirement as provided in the Resolution and the Accompanying Document, and may not be used for any other purposes. Any amounts remaining in the Repayment Fund after payment of principal of and interest on the Notes will be the sole and exclusive property of the City, will not be subject to any claims by or on behalf of any holder of Notes and will be transferred to the City for deposit into any account in the General Fund of the City as the City Manager may direct.

“Permitted Investments” consist of any of the following securities, provided that in no event shall any Permitted Investment mature or otherwise be repayable such that moneys will be available later than the Maturity Date: (i) United States Treasury bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest; (ii) direct obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority; (iii) mortgage backed securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association; (iv) United States Treasury Obligations, State and Local Government Series; (v) issues guaranteed as to timely payment of principal and interest by the full faith and credit of the Federal Deposit Insurance Corporation (clauses

(i) through (v), “Federal Securities”); (vi) Commercial Paper having original maturities of not more than the Maturity Date of the Notes, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of \$500 million and having an “A” or better rating for the issuer’s long term debt as provided by Moody’s, S&P, or Fitch and “P-1”, “A-1”, “F1” or better rating for the issuer’s short term debt as provided by Moody’s, S&P, or Fitch, respectively; (vii) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which have short term obligations outstanding which are rated by two Rating Agencies in their respective highest short term rating categories, a long term debt rating of not less than “A” by a Rating Agency, and a maturity no later than the Maturity Date of the Notes; (viii) negotiable or non-negotiable certificates of deposit issued by a nationally or state chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the “A” category or better from S&P, Moody’s, or Fitch; (ix) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association, or a state licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars (\$100,000,000) and with short term debt rated by two Rating Agencies in their respective three highest short term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the Federal Securities and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment; (x) shares of beneficial interest issued by diversified management companies, known as money market funds which invest in securities described in clauses (i)—(ix) above, registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a 1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency; (xi) investment agreements and guaranteed investment contracts with issuers having a long term debt rating of at least “AA” or “Aa2” by S&P or Moody’s, respectively; (xii) the Los Angeles County Treasury Pool; or (xiii) the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State.

### **Available Sources of Repayment**

As described above in “—Security and Sources of Payment for the Notes,” the Notes, in accordance with the Law, are general obligations of the City payable from Unrestricted Revenues, which include the taxes, income, revenue, cash receipts and other moneys of the City received or accrued by (or allocable to) the City during Fiscal Year 2016-17 that are lawfully available for the payment of the Notes and interest thereon. The Constitution of the State substantially limits the City’s ability to levy ad valorem taxes and increase fees charged for services of the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS” herein.

### **Additional Borrowings**

The City currently expects that, other than the Notes, it will not issue any other notes or warrants for cash flow borrowing purposes with respect to Fiscal Year 2016-17. The City expects to refinance within the next twelve (12) months the Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects), Series 2008; City of Compton Sewer Revenue Refunding Bonds (Los Angeles County, California) Series 1998; the City of Compton Sewer Revenue Bonds (Los Angeles County, California) Series 2009; and the City of Compton Water Revenue Bonds (Los Angeles County, California) Series 2009 to take advantage of prevailing low interest rate and reduce debt service payments.

### **Use and Investment of Note Proceeds**

The net proceeds of sale of the Notes will be transferred to the Trustee and deposited in the 2016-17 TRANs Proceeds Fund established by the Trustee at the direction of the City Manager (the “Proceeds Fund”). The City Manager will cause the Trustee to make disbursements and the Trustee will make disbursements from the TRANs Proceeds Fund to pay Fiscal Year 2016-17 expenditures and discharge other obligations or indebtedness of the City in accordance with the Law and the instructions and agreements set forth in the Tax Certificate of the City. Amounts in the Proceeds Fund will be invested in Permitted Investments.

## BOOK-ENTRY ONLY SYSTEM

*The following information concerning The Depository Trust Company, New York, New York and its book-entry system has been obtained from sources the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information set forth on this website is not incorporated by reference herein.

Purchase of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of the Purchaser of the Notes (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. The Beneficial Owner will not receive written confirmation from DTC of its purchase. The Beneficial Owner is, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of its holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. The Beneficial Owner will not receive a certificate representing its ownership interest in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

The Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owner of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owner. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to the Beneficial Owner will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Beneficial Owner of the Notes may wish to take certain steps to augment the transmission to it of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Resolution and the Accompanying Document. For example, the Beneficial Owner of the Notes may wish to ascertain that the nominee

holding the Notes for its benefit has agreed to obtain and transmit notices to the Beneficial Owner. In the alternative, the Beneficial Owner may wish to provide its name and address to the Trustee and request that copies of notices be provided directly to it.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to the Beneficial Owner will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and premiums, if any, and purchase prices, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owner will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

In accordance with the Resolution and the Accompanying Document, in the event (a) DTC determines not to continue to act as securities depository for the Notes or (b) the City determines that DTC shall no longer so act, and delivers a written certificate to DTC to that effect, then the City will discontinue the book-entry system for the Notes with DTC. If the City determines to replace DTC with another qualified securities depository, the City will prepare or direct the preparation of and execute, and the Trustee will authenticate and deliver, subject to any limitation on maximum principal amount imposed by the successor securities depository, a new single, separate fully registered note for the aggregate outstanding principal amount of the Notes held by DTC, registered in the name of such successor or substitute qualified securities depository or its nominee, or make such other arrangement reasonably acceptable to the City and the successor securities depository. If the City fails to identify another qualified successor securities depository to replace DTC, then the Notes will no longer be restricted to being registered in the note register in the name of DTC or its nominee, but will be registered in whatever name or names the securities depository or its nominee designate. In such event the City will prepare or direct the preparation of and execute, and the Trustee will authenticate and deliver to the holders thereof, such Notes as are necessary or desirable in accordance with the Accompanying Document. Interested persons should contact the City or the Trustee for further information regarding such provisions of the Resolution and the Accompanying Document.

Each payment to DTC or its nominee will be valid and effective to satisfy and discharge fully the obligations of the City and the Trustee with respect to the principal of or interest on the Notes to the extent of the sum or sums so paid. The City may treat and consider the person in whose name the Note is registered in the note register as the absolute owner of such Note for purpose of payment of principal of and interest on such Note and for all other purposes whatsoever.

THE CITY, THE UNDERWRITER AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNER OF THE NOTES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE NOTES, (II) CONFIRMATIONS OF OWNERSHIP INTERESTS IN THE

NOTES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED HEREIN.

NONE OF THE CITY, THE UNDERWRITER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY, OBLIGATION OR LIABILITY TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY AMOUNT DUE TO THE BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE TO THE BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION OR THE ACCOMPANYING DOCUMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE NOTES.

### **CITY AUDIT HISTORY**

The City has experienced delays in the release of its audits. In fiscal year 2010-11 an Independent Auditors' Report, dated June 27, 2012, produced by the City's then auditors, Mayer Hoffman McCann, P.C., stated that the 2011 Financial Statements "have been prepared assuming that the City will continue as a going concern" and cited "substantial doubt about the City's ability to continue as a going concern." Following the issuance of its Independent Auditors' Report, Mayer Hoffman McCann, and P.C. resigned from its position as auditor. On November 6, 2012 the City hired Macias Gini & O'Connell LLP ("MGO") as the City's independent auditor.

The City received a completed, clean audit from MGO for fiscal year 2011-12. The fiscal year 2011-12 audit financial statement is attached hereto as Exhibit C-1. The City received the fiscal year 2012-13 audited financial statements on August 14, 2015 with a clean opinion of the Auditors, MGO. The audited Annual Financial Report for the Fiscal Year Ended June 30, 2013, is attached hereto as Appendix C-2. The City's unaudited, internally prepared, Financial Report for the Year Ended June 30, 2014 is attached hereto as Appendix C-3. The City's auditors began the fiscal year 2013-14 audit in February 2016 and are expected to complete the audit on or about June 30, 2016.

During the fiscal year 2014-15, the City met all its obligations including the part payment of \$4.5 million to the Los Angeles County regarding liability arising from the dissolution of the former Redevelopment Agency. The City's unaudited, internally prepared, Financial Report for the Month of June 30, 2015, is attached hereto as Appendix C-4. The City's auditors are expected to begin the City's fiscal year 2014-15 audit immediately upon the completion of the fiscal year 2013-14 audit.

The following Table 2 sets forth revenues and expenditures for Total Governmental Funds and the General Fund during Fiscal Years 2009-10 through 2014-15.



**TABLE 2**  
**Total Governmental Funds and General Fund**  
**Revenues And Expenditures <sup>(1)</sup>**  
**Fiscal Years 2009-10 Through 2014-15**  
**(\$ in millions)**

Total Governmental Funds						
			General Fund			
	Revenues	Expenditures	Surplus/(Deficit)	Revenues	Expenditures	Surplus/(Deficit)
2009-10	137.18	184.64	(47.46)	61.15	70.00	(8.85)
2010-11	125.63	170.80	(45.17)	44.19	69.18	(24.99)
2011-12	149.86	162.27	(12.41)	44.35	47.98	(3.63)
2012-13	138.55	121.97	16.58	49.54	48.01	1.53
2013-14	153.22	157.64	(4.42)	52.33	50.79	1.54
2014-15	152.45	155.67	(3.22)	59.45	58.79	0.66*

Source: City of Compton

<sup>(1)</sup> Excludes Transfers In and Transfers Out

(\*) The figures for fiscal year 2014-15 are estimates provided by the City of Compton

## CITY FISCAL POLICIES

### Background

Following several years of substantial general fund operating deficits, the City's General Fund revenue exceeded the General Fund expenditures in fiscal years 2012-13, 2013-14, 2014-15 and 2015-16. The fiscal year 2014-15 budget was the first City budget since fiscal year 2010-11 that did not necessitate reductions in services, programs, or employees to balance the City's general fund. In fiscal year 2015-16, the City restored all employee concessions and benefit reductions implemented as part of the budget reductions of fiscal year 2011-12. In fiscal year 2015-16 the City provided a 10% salary increase for sworn and unsworn fire department employees and a 3% salary increase for general fund employees.

### Reserve Policy

To reinforce the City's fiscal standing, on July 22, 2014 the City adopted a General Fund Contingency Reserve Policy (the "Reserve Policy"). Under the Reserve Policy, the City is required to include a contribution to its reserves as a line item in the annual General Fund budget. The Reserve Policy goal is to assure solvency by gradually building the rainy day reserve to be equal to 10% of the General Fund's total expenditures. In fiscal year 2015-16 the City deposited \$550,000 into its newly established rainy day reserve fund. This figure represents the budgeted deposit amount.

The fiscal year 2016-17 budget's rainy day reserve fund deposit line item is \$550,000.

### Interfund Borrowing Repayment Policy

During fiscal year 2010-11, the City temporarily borrowed from other City governmental funds and internal service funds and used these funds to fund General Fund expenditures. In fiscal year 2010-11 the negative General Fund balance of approximately \$41.2 million included, among other things, the net interfund liability of approximately \$28.3 million, the accounts payable in the amount of \$12.6 million, and accrued liabilities of approximately \$3.3 million. On December 20, 2011, the City Council approved a twenty year amortization schedule and authorized the repayment of approximately \$41.92 million from the City's General Fund owed to various internal funds of the City. A second resolution, resolution number 23,970, was later adopted on July 17, 2014 amending the amortization schedule by reducing the amortization schedule from a payment period of twenty years to fifteen years. This change was made pursuant to the advice of Macias Gini & O'Connell LLP ("MGO"), the

City's independent auditor, hired on November 6, 2012. All payments pursuant to the amortization payback schedules have been made when due.

### **Revenue Enhancement Policies**

In December 2001, the City modified the provisions of the Crystal Park Casino (the "Casino") gaming license ordinance to provide for a reduced fee in light of the economic impact of the events of September 11, 2001. The reduced fee amounted to \$240,000 in each fiscal year from 2002 through 2012. The reduced gaming license fee remained in effect until January 2012 when the City returned to the original provisions of the gaming license ordinance. In fiscal year 2013-14, the first full year of receiving gaming revenue following the discontinuance of the post September 11<sup>th</sup> modification, the City received approximately \$2 million in gaming license fee revenue. In fiscal year 2014-15, the City received \$2.1 million in gaming license fee revenue from the Casino.

The City has engaged Willdan Financial Services to conduct a Comprehensive User Fee Study. This fee study will be the foundation for a Master Fee Schedule to be presented to the Council for adoption during the 2016-17 fiscal year. The Council will be required to hold public hearings regarding the proposed increases in City fees. Following the public hearings, the Council will consider the proposed Master Fee Schedule. If adopted, based on the fee study, this fee increase initiative is expected to increase General Fund revenues by an amount between \$500,000 and \$1,000,000 annually.

The Council adopted a resolution establishing development impact fees to be paid by developers and used for the maintenance of City parks and other services. The development impact fees are expected to reduce the amount of General Fund revenues utilized to maintain City parks and services.

During fiscal year 2014-15 the City continued its fiscal recovery and revenue enhancement through the implementation of expenditure monitoring and control procedures. When adopted, the City budget anticipated a minimal fiscal year surplus of \$100,000. However, actual surplus as of June 30, 2015 was \$1,391,693.

No assurance can be made, however, that the foregoing efforts of the City will continue to be successful in improving the City's financial condition. See "RISK FACTORS" herein.

See APPENDIX C-1: "CITY OF COMPTON AUDITED ANNUAL FINANCIALS FOR THE FISCAL YEAR ENDED JUNE 2012," APPENDIX C-2: "CITY OF COMPTON AUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013," C-3 "CITY OF COMPTON UNAUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 2014" and C-4 "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE MONTH OF JUNE 2015 each attached hereto for more information related to the City's financial results for the fiscal year ended June 30, 2012, fiscal year ended June 30, 2013, fiscal year ended June 30, 2014 and for the fiscal year ended June 2015.

### **RISK FACTORS**

*The following information should be considered by the Purchaser in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of such factors.*

### **No Rating**

NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. THE NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. SEE "THE NOTES — SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" HEREIN.

## **Ratings Withdrawal**

In September 2012, Standard & Poor's Rating Services ("Standard & Poor's"), which has rated the City's outstanding lease revenue, water and sewer bonds, and the City's redevelopment agency tax allocation debt, announced that it had suspended its long-term and underlying ratings on such bonds because the City had yet to obtain an audit firm to provide an opinion on the fair presentation of and application of generally accepted accounting principles to the 2011 Financial Statements. In November 2012, Moody's Investors Service, Inc. ("Moody's"), which rated the City's Series 1998 sewer enterprise revenue refunding bonds, announced that it too had suspended its rating of such bonds due to a lack of or inadequate information to support the rating. No assurance can be given as to when or if Standard & Poor's or Moody's will reinstate their ratings on the City's bonds or if such a rating will reflect a change from the City's most recent rating.

## **Limited Transfer or Exchange of Notes**

Pursuant to the Resolution and the Accompanying Document, the Notes may not be transferred or exchanged except to "Qualified Institutional Buyers" as defined in Rule 144a under the Securities Act. The purchasers of the Notes will be required to execute an investment letter, the form of which is attached hereto as Appendix F. The Resolution and the Accompanying Document contain additional restrictions on transfer and exchange of the Notes. A signed copy of the Resolution and the form of the Accompanying Document are included as exhibits to this Limited Offering Memorandum and each should be reviewed carefully prior to making an investment in the Notes.

## **City Audit Delays**

As discussed above in "CITY AUDIT HISTORY," the City has had a history of delayed audits. In fiscal year 2010-11, the auditors, Mayer Hoffman, McCann P.C., resigned from the audit and issued an Independent Auditors' Report, but did not issue an opinion on the fiscal year 2010-11 financial statements of the City. The City received audited financial statements for the fiscal year ended June 30, 2012 in which MGO expressed a clean opinion on the fiscal year 2011-12 financial statements. MGO commenced the audit of the 2012-13 financial statements in February 2015 and completed and delivered the final fiscal year 2012-13 audit in August 2015. The fiscal year 2013-14 audit is expected to be completed on or about June 30, 2016. However, there is no guaranty that the fiscal year 2013-14 audit will be delivered by the projected delivery date. After completion of the 2013-14 audit, it is expected that the City will engage MGO to prepare the fiscal year 2014-15 audit. Following delivery of the fiscal year 2014-15 audit it is expected that MGO will be engaged to prepare the fiscal year 2015-16 audit. Contract dates and delivery dates for the fiscal year 2014-2015 audit and the fiscal year 2015-16 audit have not been established by the City and MGO.

AUDITED FINANCIAL INFORMATION FOR THE FISCAL YEARS ENDING JUNE 30, 2014 AND JUNE 30, 2015 ARE NOT AVAILABLE AND THEREFORE THE FINANCIAL INFORMATION FOR SUCH PERIODS SET FORTH IN APPENDICES C HEREIN HAVE NOT BEEN AUDITED.

## **City Unrestricted Revenue**

The Notes are general obligations of the City payable only out of Unrestricted Revenues received or accrued by (or allocable to) the City during Fiscal Year 2016-17 that are lawfully available for payment of the Notes and the interest thereon. However, liquidity constraints affecting the City and the General Fund could have a material adverse effect on the City's ability to pay principal of and interest on the Notes when due in the event Unrestricted Revenues received or accrued by (or allocable to) the City during Fiscal Year 2016-17 are insufficient to cover all of the City's budgeted and unbudgeted financial needs.

See "RISK FACTORS — Enforceability of Remedies" herein.

## **Proposed Fiscal Year 2016-17 Budget**

The City expects to adopt a balanced budget for fiscal year 2016-17 by the prudent use of approximately \$1,000,000 of the fiscal year 2015-16 surplus. The fiscal year 2016-17 budget includes three elements that positively impact the revenue and expense numbers for fiscal year 2016-17. Those three elements include the refunding of prior bonds to reduce debt service payments, increases in City fees and the maintenance of services and cost at fiscal year 2015-16 levels provided by the Los Angeles County Sheriff's Department to the City.

The City cannot offer any guaranty that each or any of these elements will be successful.

## **Current and Future Obligations**

The City is currently liable and may become liable on other obligations payable from General Fund revenues, such as employee salaries and benefits. To the extent that additional obligations are incurred by the City, the revenues available for the City to pay such obligations may be decreased subsequent to the payment of principal of and interest on the Notes when due. See "APPENDIX A: ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF COMPTON" attached hereto for a description of certain other obligations of the City, including its unfunded accrued actuarial liabilities with respect to post-employment benefits.

## **VCAP Proceedings /IRS Audit Exposure**

On August 14, 2015 the City submitted a request to the IRS to utilize the Tax-Exempt Bonds Voluntary Closing Agreement Program ("VCAP"), described in Notice 2008-31, 2008-11 I.R.B. 592, related to the Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects), Series 2008 (the "Lease Revenue Bonds"); City of Compton Water Revenue Bonds, Series 2009 (the "Series 2009 Water Bonds"); and City of Compton Sewer Revenue Bonds, Series 2009 (the "Series 2009 Sewer Bonds," collectively with the Lease Revenue Bonds and the Series 2009 Water Bonds, the "Prior Bonds"). This City submitted all required documents to initiate VCAP proceedings for the Prior Bonds. In January, 2016 the City submitted a proposed spending plan for the Prior Bonds' unspent bond proceeds. On February 2, 2016, the IRS issued a "Closing Agreement" covering Prior Bonds in which it stated the following:

"The Tax Exempt Bonds Compliance & Program Management function has concluded that, based upon our review of all of the information provided and pursuant to the actions taken by the City of Compton, a violation of the Code has not been articulated or identified as required by IRM 7.2.3 (09-30-2015) or Notice 2008-31 with respect to the specific matters identified in the requests. Accordingly, the requests are not eligible for TEB VCAP and we are closing our review of this matter.

Please note that a review under TEB VCAP does not constitute an examination of the Bonds. As such, we have not determined whether the Bonds satisfy all applicable federal tax law requirements."

The City expects to take actions necessary to comply with the representations made to the IRS regarding the use of the Prior Bonds' unspent bonds proceeds. Notwithstanding receipt of the Closing Letter, application to utilize VCAP proceedings for the Prior Bonds involves known and unknown risks, uncertainties and other factors which may impact the City's general fund and could have a material adverse effect on the City's ability to pay principal of and interest on the Notes when due in the event Unrestricted Revenues received or accrued by (or allocable to) the City during Fiscal Year 2016-17 are insufficient to cover all of the City's budgeted and unbudgeted financial needs.

## **No Liability of County**

No County funds are pledged to the payment of principal of and interest on the Notes. The County Collected Revenues are received by the County on behalf of the City and will be deposited as provided in the Direction Letter into the Repayment Fund held in trust by the Trustee under the Trust Agreement.

## **Enforceability of Remedies**

The rights of the Owner of the Notes are subject to the limitations on legal remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owner of the Notes, and the obligations incurred by the City, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities and counties in the State. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal, State or City government, could subject the Owner of the Notes to judicial discretion and interpretation of its rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of rights. The opinion of Note Counsel to the City, the proposed form of which is attached hereto as "APPENDIX D: FORM OF OPINIONS OF NOTE COUNSEL", is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. See "CITY FISCAL UPDATE" and "RISK FACTORS" herein.

## **Los Angeles County Treasury Pool**

The Los Angeles County Treasury Pool is among the Permitted Investments in which Note proceeds may be invested. See "THE NOTES — Repayment Fund" herein. On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The Trustee will be in possession of certain Unrestricted Revenues that are pledged and will be set aside to repay the Notes and, following payment of these funds to the Trustee, these funds may be invested in the name of the Trustee for a period of time in the Los Angeles County Treasury Pool, a Permitted Investment. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the Owner of the Notes does not have a valid and prior lien on such pledged amounts where such amounts are deposited in the Los Angeles County Treasury Pool and may not provide the Owner with a priority interest in such amounts. Such pledged amounts may not be available for payment of principal of and interest on the Notes unless the Owner could "trace" the funds from the Repayment Fund that have been deposited in the Los Angeles County Treasury Pool. There can be no assurance that the Owner of the Notes could successfully so "trace" the pledged amounts.

## **Economic and Other Factors Affecting the Financial Condition of the City**

Future economic and other factors may adversely affect the City's revenues and expenses and, consequently, the City's ability to meet its operating expenses. Among the factors that could have such adverse effects are: decreases in property tax collections; increases in unemployment in the City and State; the City's ability to gain concessions from its unionized workers and the consequent impact on wage scales and operating costs of the City; the City's ability to access capital markets; adverse changes to State budgets and appropriations affecting crucial revenue streams from the State or County to the City; changes in demographic trends; the City's ability to provide governmental service as and when obligated by residents; and closure or disinvestment of key industries located in the City. The City cannot assess or predict the ultimate effect of these factors on its operations or financial results of its operations or on its ability to make debt service payments on the Notes.

## **Uncertainty of Tax Revenues**

The ability of the City to generate sufficient revenue to meet its operating expenses, working capital needs and its obligations on the Notes and other indebtedness is subject to many factors including the availability of current revenues of the City to make required payments in full, when due, prior to the levy of additional taxes on the

City residents and real property. See Appendix A – “ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF COMPTON” hereto.

### **Taxation of Notes**

An opinion of Butler Snow LLP, Note Counsel, has been obtained to the effect that, subject to the limitations and conditions described herein, interest on the Notes is exempt from present State of California personal income taxes and interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions contain greater detail, and are subject to exceptions, as noted in “TAX MATTERS” herein. See “APPENDIX D: FORM OF OPINION OF NOTE COUNSEL.”

An application for a ruling from the Internal Revenue Service regarding the tax-exempt status of the interest on the Notes has not been made, and an opinion of counsel is not binding upon the Internal Revenue Service. The opinion of Butler Snow LLP, Note Counsel, is based upon certain representations and opinions made or given by officials of the City. If these representations or opinions are incorrect, interest on the Notes could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The opinion of Note Counsel is subject to the condition that the City comply with all requirements of the Code, compliance with which subsequent to the issuance of the Notes is necessary in order that the interest thereon be, and continue to be, excludable from the gross income of the owners thereof for federal income tax purposes. There can be no guarantee that the City will not violate such requirements and thereby cause interest on the Notes to become includable in gross income for federal income tax purposes, in some cases retroactive to the date of issuance of the Notes. In addition, there can be no guarantee that present, advantageous provisions of the Code or the rules and regulations thereunder will not be adversely amended or modified, thereby rendering the interest earned on the Notes includable in gross income for federal income tax purposes. Butler Snow LLP, Note Counsel has expressed no opinion regarding any other federal tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, the acquisition or disposition of, or otherwise arising with respect to, the Notes. For a description of collateral federal income tax consequences to certain taxpayers, see “TAX MATTERS” herein.

### **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS**

Described below are certain measures which have impacted or may impact the City’s General Fund Budget.

#### **Article XIII A of the California Constitution**

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, as amended, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real

property for school facilities, approved by 55% of the voters of the district or county, as appropriate, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% ad valorem property tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may only increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted and amended by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. The City is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit imposed by Article XIII A, except for taxes to support indebtedness approved by the voters as described above.

#### **Article XIII B of the California Constitution**

On October 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to another governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be

transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for a county in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the county's option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City's maximum appropriation limit for the Fiscal Year 2015-16 is approximately \$89 million. The limitation applies only to proceeds of taxes and therefore does not apply to regulatory licenses, user charges, user fees and service fees and charges that do not exceed the reasonable cost of services, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. City Council will consider a resolution regarding the appropriations limit for Fiscal Year 2015-16 that will project proceeds of taxes for Fiscal Year 2015-16 in an amount below the Article XIII B limit.

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act". Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the City, to impose and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges, which are among the sources of the County Collected Revenues pledged to the payment of principal of and interest on the Notes. However, other than any impact resulting from the exercise of this initiative power, the City does not presently believe that the potential impact on the financial condition of the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to pay principal of and interest on the Notes and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote of the electorate and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.



Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. The City does not believe that any existing taxes imposed by the City, the proceeds of which are deposited into the City's General Fund will be affected by the voter approval requirements of Proposition 218. The City believes that the voter approval requirement of Proposition 218 reduces the flexibility of the City to raise revenues for the General Fund. No assurances can be given that the City will impose, extend or increase such taxes in the future to meet increased expenditure needs.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the City's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The City is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City's General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the City, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts. In most instances, in the event that the City is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the City anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the City to pay the principal of and interest on the Notes, as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services to avoid new costs for the City General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also added several provisions affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by an agency (subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIII C) upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land

affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. The City does not expect to collect such fees or charges in Fiscal Year 2015-16. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, the revenues and proceeds of which comprise a significant part of the City's General Fund.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

## **Proposition 62**

Proposition 62 was adopted by the California voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, 11 Cal. 4th 220 (1995), upheld the constitutionality of Proposition 62. In Guardino, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively. Since the adoption of Proposition 62, the City has enacted increases in taxes in compliance with Proposition 62.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, Howard Jarvis Taxpayers Association v. City of La Habra, 25 Cal. 4th 809 (2011). In La Habra, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes that are subject to Proposition 62 is three years. Accordingly, a challenge to a tax that is subject to Proposition 62 may only be made for those taxes collected within three years of the date the action is brought. The City does not believe that any of its taxes are subject to Proposition 62.

## **Proposition 1A**

Proposition 1A, approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments

within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, except mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations - Proposition 22" below.

## **Proposition 22**

Proposition 22, which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A. See "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations - Proposition 1A" above. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The City does not believe that Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2015-16.

## **Proposition 26**

Proposition 26, which was approved by California voters on November 2, 2010, amends the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax which will require a two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption, is repealed as of November 2011, absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing

investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See “Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations - Article XIII C and Article XIII D of the California Constitution “above.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the City’s fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the City or the City’s ability to expend revenues. The nature and impact of these measures cannot be predicted by the City.

## **TAX MATTERS**

### **Federal Tax Matters**

In the opinion of Butler Snow LLP, Atlanta, Georgia, Note Counsel, under existing statutes, rulings and court decisions and under applicable regulations, interest on the Notes is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The opinion contains greater detail, and is subject to exceptions. See APPENDIX D attached hereto for the form of the opinion Note Counsel proposes to deliver in connection with the issuance of the Notes.

Ownership of the Notes may result in other collateral federal income tax consequences to certain taxpayers, including without limitation, corporations subject to the environmental tax, banks, thrift institutions and other financial institutions, foreign corporations which conduct a trade or business in the United States, property and casualty insurance corporations, S corporations, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Notes. Purchasers of the Notes should consult their tax advisors as to the applicability of any such collateral consequences.

In rendering its opinion that the interest on the Notes is excludable from gross income for federal income tax purposes, Note Counsel will (i) rely as to questions of fact material to its opinion upon certificates and certified proceedings of public officials including officials of the City and representations of the City, without undertaking to

verify the same by independent investigation and (ii) assume the continued compliance by the City with its covenants relating to the use of the proceeds of the Notes and compliance with the requirements of the Code, including, but not limited to, the arbitrage requirements contained in Section 148 of the Code. The inaccuracy of any such representations or noncompliance with such covenants may cause interest on the Notes to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

### **Changes in Federal Tax Law**

Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Notes subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Notes from gross income for federal income tax purposes. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Notes. In addition, regulatory actions from time to time are announced or proposal and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes or the market value thereof would be impacted thereby. Purchasers of the Notes should consult their own tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinion expressed by Note Counsel is based upon existing law, legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes and Note Counsel has expressed no opinion as of any date subsequent thereto or with any respect to any pending legislation, regulatory initiatives or litigation.

### **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, sale, execution and delivery by the City of the Notes are subject to the approval of Butler Snow LLP, Note Counsel. Note Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Limited Offering Memorandum. Certain other legal matters will be passed upon for the City by the City Attorney, by the City's Disclosure Counsel, Butler Snow, Atlanta, Georgia and for the underwriter by its counsel Ballard Spahr LLP, Philadelphia, Pennsylvania.

### **FINANCIAL ADVISOR**

The City has retained Comer Capital Group, LLC, of Jackson, Mississippi, as financial advisor (the "Financial Advisor") in connection with the issuance of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Limited Offering Memorandum.

Comer Capital Group, LLC is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities.

### **UNDERWRITING**

Under the Bond Purchase Agreement, IFS Securities, Inc., Atlanta, Georgia (the "Underwriter") will purchase the Notes at a price of \$15,446,379.65, which represents the par amount, \$15,595,000, less an Underwriter's discount of \$148,620.35. The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes. The Underwriter may offer and sell Notes to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers.

The City has agreed to indemnify the Underwriter against certain civil liabilities, including certain liabilities under federal securities laws. Under existing statutes, regulations, and court decisions, the enforceability of such an agreement to indemnify is uncertain.

## **LITIGATION**

No litigation is pending or, to the best of the knowledge of the City, threatened concerning the validity of the Notes, and an opinion of the City Attorney to that effect will be furnished to the Purchaser at the time of the original delivery of the Notes. The City is not aware of any litigation pending or threatened questioning its political existence or contesting its ability to levy and collect *ad valorem* taxes or to collect or receive the County Collected Revenues or contesting its ability to pay the principal of and interest on the Notes. However, the City is routinely involved in certain disputes relating to its day-to-day operations.

## **NO RATING**

NO RATING FOR THE NOTES HAS BEEN APPLIED FOR. THE NOTES ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE NOTES ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PERSONS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF TAX AND REVENUE ANTICIPATION NOTES. SEE “THE NOTES — SECURITY AND SOURCES OF PAYMENT FOR THE NOTES” AND “RISK FACTORS” HEREIN.

## **CONTINUING DISCLOSURE**

The City has entered into certain continuing disclosure undertakings (“Undertakings”) to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system or to another repository designated by the MSRB or the SEC in connection with several bond issues as described below. The Undertakings require the City to file annually its audited financial statements and annual reports, and certain listed material events. In connection with the 2016-17 TRANs the City has agreed in the Resolution and has covenanted in the Continuing Disclosure Agreement for the benefit of the Owner of the Notes to provide notices of the occurrence of certain Listed Events. The City’s obligations under the Continuing Disclosure Agreement will terminate upon payment in full of all of the Notes without any requirement to provide notice to the Owner of the Notes. If such termination occurs prior to the final maturity of the Notes, the City will give notice of such termination in the same manner as for a Listed Event. See APPENDIX E, “CONTINUING DISCLOSURE AGREEMENT” for additional information.

During the past five fiscal years, the City has failed to timely file certain annual reports, notices of failure to file annual reports, and notices of rating changes required to be filed pursuant to continuing disclosure agreements entered into by the City and the respective dissemination agents thereunder for the City’s Sewer Revenue Refunding Bonds, Series 1998 (the “Series 1998 Sewer Bonds”), Sewer Revenue Bonds, Series 2009 (the “Series 2009 Sewer Bonds”), and Water Revenue Bonds, Series 2009 (the “Series 2009 Water Bonds” and, together with the Series 2009 Sewer Bonds, the “Series 2009 Bonds”). Although they were filed past the due date, the City has filed its financial information required by the continuing disclosure agreements related to the Series 1998 Bonds and the Series 2009 Bonds for fiscal years 2011 through 2015. Although the City failed to file certain notices within the time required by the continuing disclosure agreements, the dissemination agent for the City has notified the MSRB of those failures, and the dissemination agent for the City has also filed the required notice related to a rating change (i.e. a Notice of Rating Change related to Standard & Poor’s and Moody’s rating withdrawals on the Series 1998 Sewer Bonds and the Series 2009 Bonds was posted on EMMA on December 11, 2012). As a result of the series of failures, the City is preparing for filing, an updated and comprehensive summary of failed or delayed disclosure filings. Set forth below is a summary of the City’s failed or delayed disclosure filings. To avoid continued failed or delayed filings, the City has adopted Post Compliance Procedures and is developing a process to support the proper implementation of those procedures.

The City has entered into certain continuing disclosure undertakings (the “Undertakings”) in connection with its Sewer Revenue Refunding Bonds, Series 1998 (the “Series 1998 Sewer Bonds”), its Solid Waste Management Facilities Bonds, Series 2000 (the “Series 2000 Bonds”), the Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects), Series 2008 (the “Series 2008 Bonds”), and its Sewer Revenue Bonds, Series 2009 (the “Series 2009 Sewer Bonds”), and its Water Revenue Bonds, Series 2009 (the “Series 2009 Water Bonds” and, together with the Series 2009 Sewer Bonds, the “Series 2009 Bonds”).

The Undertakings require the City to file annually its audited financial statements and annual reports, and certain listed material events. The Undertakings allow for the filing of unaudited financial reports, followed by the filing of audited financials, if the audited financial report is not available on the date of the filing deadline. The City filed its audited financial statements and annual reports with respect to the Undertakings in connection with the Series 1998 Sewer Bonds, Series 2000 Bonds, Series 2008 Bonds and Series 2009 Bonds on the dates set forth below:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual Report and Financial Statement Filing Deadline</u></b>	<b><u>Annual Audited Financial Statements Filing Date</u></b>	<b><u>Annual Report Filing Date</u></b>
<b>Issuer: City of Compton, CA, Sewer Revenue Bonds Series 1998 (CUSIP 204730)*</b>			
2010	February 28, 2011	May 20, 2011 (unaudited filed on March 2, 2011)	May 20, 2011 (unaudited filed on March 2, 2011)
2011	February 28, 2012	(unaudited filed on November 2, 2012)	February 29, 2016
2012	February 28, 2013	August 6, 2014 (unaudited filed on February 28, 2013)	February 29, 2016
2013	February 28, 2014	January 6, 2016 (unaudited filed on April 29, 2015)	February 29, 2016
2014	February 28, 2015	Audited Financials Not Filed (unaudited filed on April 29, 2015)	February 29, 2016
2015	February 29, 2016	Audited Financials Not Filed (unaudited filed on February 29, 2016)	February 29, 2016
<b>Issuer: City of Compton, CA, Sewer Revenue Bonds Series 2009*</b>			
2010	March 30, 2011	May 20, 2011 (unaudited filed on May 20, 2011)	Not Required
2011	March 30, 2012	Audited Financials Not Filed (unaudited filed on November 2, 2012)	Not Required
2012	March 30, 2013	August 6, 2014 (unaudited filed on March 4, 2013)	Not Required
2013	March 30, 2014	January 6, 2016 (unaudited filed on April 29, 2015)	Not Required
2014	March 30, 2015	Audited Financials Not Filed (unaudited filed on April 29, 2015)	Not Required
2015	March 30, 2016	Audited Financials Not Filed (unaudited filed on February 29, 2016)	Not Required

<b>Issuer: City of Compton, CA, Water Revenue Bonds Series 2009 (CUSIP 204744)*</b>			
2010	March 30, 2011	May 20, 2011 (unaudited filed on April 1, 2011)	Not Required
2011	March 30, 2012	Audited Financials Not Filed (unaudited filed on November 2, 2012)	Not Required
2012	March 30, 2013	August 6, 2014 (unaudited filed on March 4, 2013)	Not Required
2013	March 30, 2014	January 6, 2016 (unaudited filed on April 29, 2015)	Not Required
2014	March 30, 2015	Audited Financials Not Filed (unaudited filed on April 29, 2015)	Not Required
2015	March 30, 2016	Audited Financials Not Filed (unaudited filed on March 31, 2016)	Not Required
<b>Issuer: Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects), Series 2008</b>			
2010	March 30, 2011	April 1, 2011 (unaudited filed on May 20, 2011)	Not Required
2011	March 30, 2012	Audited Financials Not Filed (unaudited filed on November 2, 2012)	Not Required
2012	March 30, 2013	August 6, 2014 (unaudited filed on March 4, 2013)	Not Required
2013	March 30, 2014	January 6, 2016 (unaudited filed on April 29, 2015)	Not Required
2014	March 30, 2015	Audited Financials Not Filed (unaudited filed on April 29, 2015)	Not Required
2015	March 30, 2016	Audited Financials Not Filed (unaudited filed on March 31, 2016)	Not Required
<b>Issuer City of Compton, CA: Conversion of Solid Waste Management Facilities Variable Rate Revenue Bonds, Series 2008 (Remarketing Memorandum dated 3/28/2006) **</b>			
2010	March 27, 2011	Audited Financials Not Filed	Not Required
2011	March 27, 2012	Audited Financials Not Filed	Not Required
2012	March 27, 2013	Audited Financials Not Filed	Not Required
2013	March 27, 2014	Audited Financials Not Filed (unaudited filed on	Not Required



		April 29, 2015)	
2014	March 27, 2015	Audited Financials Not Filed	Not Required
2015	March 27, 2016	Audited Financials Not Filed	Not Required

\*In Fiscal Years 2011, 2013, 2014, and 2015 the City failed to file or timely file appropriate “Failure to File Notices” for the above referenced bonds.

\*\*In Fiscal Years 2010, 2011, 2012, 2013, 2014, and 2015 the City failed to file or timely file appropriate “Failure to File Notices” for the above referenced bonds.

See <http://emma.msrb.org> for a complete history of the City’s continuing disclosure filings.

## FINANCIAL STATEMENTS

APPENDIX C-1: “CITY OF COMPTON AUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 2012;” APPENDIX C-2: “CITY OF COMPTON AUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 2013;” C-3: “CITY OF COMPTON UNAUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 2014;” and C-4: “CITY OF COMPTON UNAUDITED ANNUAL FINANCIAL REPORT FOR THE MONTH OF JUNE 2015” are attached hereto.

The City’s Financial Report for the fiscal year ending June 30, 2014 and the City’s Financial Report for the fiscal year ending June 30, 2015 reflect unaudited financial data prepared by the City Controller that has not been reviewed by an independent auditor. No assurances can be given that the review of the City’s financial data by an independent auditor will yield the same or similar results.

MGO is the City’s current independent auditor. MGO was engaged to perform the City’s audit for the Fiscal Year ended June 30, 2012. MGO completed the fiscal year 2011-12 audit and issued a clean opinion on the City’s financial statements for the fiscal year ended June 30, 2012. MGO was also engaged to perform the fiscal year 2012-13 audit and the auditors issued a clean opinion on the audited Annual Financial Report in August 2015. The City of Compton Audited Annual Financial Report for the Fiscal Year Ended June 30, 2012 is attached as C-1. The City of Compton Audited Annual Financial Report for the Fiscal Year Ended June 30, 2013 is attached as C-2. The City of Compton Unaudited Annual Financial Report for the Fiscal Year Ended June 30, 2014 is attached as C-3. The City of Compton Unaudited Financial Report for the Month of June 2015 is attached as C-4. The City has not requested nor has the City obtained the consent of MGO to the inclusion of its reports attached hereto at Appendix C. Mayer Hoffman McCann, P.C. has not been requested to perform and neither has performed any procedures relating to this Limited Offering Memorandum.

## ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Limited Offering Memorandum is not to be construed as a contract or agreement between the City and the Purchaser of the Notes. Any statements made in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The execution and delivery of this Limited Offering Memorandum have been duly authorized and approved by the City Council of the City.

CITY OF COMPTON, CALIFORNIA

By: \_\_\_\_\_  
Roger L. Haley, City Manager

[Signature Page to Limited Offering Memorandum]

**APPENDIX A**  
**ECONOMIC AND DEMOGRAPHIC**  
**INFORMATION RELATING TO THE CITY OF COMPTON**

**APPENDIX A**

**ECONOMIC AND DEMOGRAPHIC INFORMATION  
RELATING TO THE CITY OF COMPTON**

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## GENERAL

### Overview

The City of Compton (the “City”) is located in the geographical center of the County of Los Angeles (the “County”) in the State of California (the “State”), between the greater Los Angeles and Long Beach metropolitan areas. The City has approximately 98,506 residents as of January 1, 2015 and encompasses an area of approximately 10.2 square miles. The City is a community consisting of commercial, residential and light industrial areas. Several freeways and highways cross through the City, making it accessible for industrial, manufacturing and commercial enterprises. In addition, the City is within a short distance of several major national and international airports.

### City Government

The City is a municipal corporation and charter city organized and existing under the Constitution and laws of the State. It was founded in 1887, was incorporated on May 11, 1888 and, subsequently, adopted a City Charter (as amended, the “City Charter”). The City Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council (the “City Council”); the powers and duties of the executive and administrative branches; fiscal administration; and public utilities and franchises. The City operates with a Council-Manager form of government. The City Council appoints the City Manager (the “City Manager”), who is the chief executive officer and the head of the administrative branch of the City government, implements City Council directives and policies, and is responsible to the City Council for the proper administration of all affairs of the City (except such matters for which elective officers are made responsible by the City Charter). The City Manager manages the administrative and operational functions through the various department heads. The City Council governs the City and is composed of five members who must be registered voters of the City, four who are residents of their respective City Council districts and nominated and elected only by the residents of their respective City Council districts, and one member who is nominated and elected from the City at large to hold the office of Mayor (the “Mayor”). The City Council also appoints the City Controller, who supervises current inventories of all property and the disbursement of all monies, among other responsibilities.

The Mayor is the presiding officer of the City Council and is the official head of the City. Pursuant to the City Charter, the Mayor has a voice and a vote in all proceedings of the City Council and is the official head of the City for all ceremonial purposes. Further, the Mayor is required to perform such other duties as may be prescribed by the City Charter or as may be imposed by the City Council consistent with her office. In addition to the Mayor and City Councilmembers, the elected officers of the City are the City Clerk, the City Treasurer and the City Attorney. All City Council members and other elected officers serve for a term of four years. The terms of office of (i) the members of the City Council residing in Districts 2 and 3, the Mayor, City Clerk, City Treasurer and City Attorney and (ii) the members of the City Council residing in Districts 1 and 4, are staggered at two-year intervals.

The members of the City Council, the Mayor, and the expirations of their respective terms are as follows:

#### CITY OF COMPTON CITY COUNCIL

Name	Title	Term Expires
Aja Brown	Mayor	June 30, 2017
Janna Zurita	Councilmember	June 30, 2019
Yvonne Arceneaux	Councilmember	June 30, 2017
Isaac Galvan	Councilmember	June 30, 2017
Emma Sharif	Councilmember	June 30, 2019

The terms of Craig J. Cornwell, the current City Attorney, Alita Godwin, the current City Clerk, and Douglas Sanders, the current City Treasurer, expire in June 2017. There are no term limits for the Mayor or the other elected officials. The current Mayor of the City, Aja Brown, is serving her first term.

## City Administration

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under State law. These services include public safety (police and fire), sanitation, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

Under the City Manager form of government the City manager is responsible for the day to day activities of the City. The City Manager is empowered and required by the City Charter to appoint and remove, subject to the civil service provisions of the City Charter, all department heads of the City (except elective officers and those the power of appointment of whom is vested in the City Council) and pass upon and approve all proposed appointments and removals of subordinate employees by department heads. The City Manager must also prepare the City budget annually and submit it to the City Council, and is responsible for its administration after adoption. The City Charter also requires the City Manager to prepare and submit to the City Council as of the end of each fiscal year a complete report on the finances and administrative actions of the City for the preceding year, and advise the City Council of the financial condition and future needs of the City and make recommendations thereon.

*Roger L. Haley, City Manager.* Mr. Haley was appointed City Manager in October, 2015. His experience includes serving as City Manager for Lynwood, California; various positions with the City of Long Beach, California including Manager, Business Development Division; Manager, Economic Development Bureau; Manager, Government Affairs; served as Corporate Representative for Southern California Edison; and, Public Affairs Representative for Southern California Edison. Early in his career Mr. Haley also served as Assistant City Manager, City of Lynwood; and held lead positions for the City of Long Beach in the Public Works, Community Development and Finance Departments; and, also served as Public Relations Officer with the Compton Police Department.

As City Manager, Mr. Haley is responsible for the daily operations of the City. He manages a staff of approximately 440 employees and a budget of approximately \$188,000,000.

Mr. Haley is active in several civic organizations and sports related activities.

Mr. Haley holds a Bachelor of Science degree from the University of Southern California, master's degree from California State University Long Beach and management and leadership certificates from the University of California Los Angeles and Harvard University.

*Alma Martinez, Assistant City Manager.* Ms. Martinez was appointed Assistant City Manager on November 23, 2015. Ms. Martinez provides executive direction to Administration and Neighborhood Services including Human Resources, Career Link, General Services, Local Housing Authority, Fire and the largest City Contract - the Los Angeles County Sheriff's Contract.

Ms. Martinez's prior experience includes V.P. of Development for Maya Cinema North America (MCNA). In that role, Ms. Martinez worked on New Market Tax Credit Financings. Ms. Martinez participated in financial transactions involving the financial deal structuring for various projects and the deployment of NMTCs. As a CDE (Community Development Entity) MCNA awarded \$8,000 of tax credits to Vallarta Supermarkets in Bakersfield California. The NMTC allocation allowed the project to fund a minority owned and operated Supermarket in a food desert. Prior to joining MCNA, Ms. Martinez worked as the Supervising Staff Mediator from October 2003-June 2014 in the office of the Los Angeles City Attorney.

Ms. Martinez holds a Bachelor of Science in Sociology and Political Science and Master of Arts in Urban Planning from the University of California, Los Angeles.

*Robert S. Torrez, Interim City Controller.* Mr. Torrez was hired in June, 2016 as Interim City Controller as allowed under the State's pension system (CalPERS) retirement rules. He has over 35 years of government finance and operations experience in both the public and private sectors. Mr. Torrez was previously the Assistant City Manager/Finance Director for the City of Lynwood; Finance Director for the City of Burbank; CFO/Finance Director for the City of Long Beach; and, also was a Senior Vice President with investment bank/bond underwriter Southwest Securities where he held a Series 7 registration. .

Mr. Torrez obtained a Bachelor of Science Degree from California State Polytechnic University, Pomona, California, where he also attended graduate school in the MBA program. He previously also served on committees for the California Society of Municipal Finance Officers, Government Finance Officers Association, League of California Cities and was appointed by then State Treasurer Phil Angelides to serve on the State's Local Area Investment Fund (LAIF) board.

*Craig J. Cornwell, City Attorney.* Mr. Cornwell was appointed to the position of City Attorney in 2008. Mr. Cornwell initially joined the City Attorney's office in 2000 as a Deputy City Attorney and was appointed Chief Deputy City Attorney in 2008. He was elected to serve as City Attorney on April 21, 2009 and re-elected in 2013. Mr. Cornwell manages an office of approximately 18 individuals that provide general legal, risk management, workers' compensation and code enforcement services. He oversees an office budget in excess of \$10,000,000. As chief legal advisor, the City Attorney's primary responsibilities are for prosecution of Compton Municipal Code violations, the defense of all civil lawsuits and claims filed against the City, drafting and reviewing all City related contracts, drafting City legislation for the Mayor and City Council and providing legal advice to the Mayor, City Council, Boards and Commissions, City management and City department heads.

Mr. Cornwell has a B.A. in History from University of California, Santa Barbara and a J.D. from Whittier Law School.

## **FINANCIAL AND ECONOMIC INFORMATION**

**THE MOST RECENT FINANCIAL INFORMATION OF THE CITY IS PRESENTED IN AN UNAUDITED FORMAT FOR THE FISCAL YEARS 2013-2014 AND 2014-2015 IN APPENDICES C-3 AND C-4 RESPECTIVELY. INVESTORS ARE DIRECTED TO SUCH APPENDICES TO SEE THE MOST RECENTLY AVAILABLE UNAUDITED FINANCIAL INFORMATION AS A SUPPLEMENT TO THE TABLES SET FORTH IN THIS APPENDIX A.**

### **City Budget**

General. The City has an annual budget cycle and utilizes the fund accounting method of financing reporting for its budgets. The City Charter requires that the City Council adopt a budget (the "City Budget") annually by the June 30 preceding the start of the fiscal year on July 1. Pursuant to the City Charter, the City Manager is responsible for preparing a balanced City Budget annually and submitting it to the City Council for approval.

The City Charter specifies that at such date as the City Manager shall determine, the City Manager, or an officer designated by him, must obtain from each department head estimates of revenue and expenditure for such department, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed City Budget, the City Manager must review the estimates and hold conferences thereon with the department heads, respectively, and may revise the estimates as he may deem advisable. Prior to the beginning of each fiscal year, the City Manager is required to submit to the City Council the proposed City Budget. After reviewing the proposed City Budget and making such revisions as the City Council may deem advisable, the City Council will hold a public hearing on the proposed City Budget. Upon final adoption, the City Budget will be in effect for the ensuing fiscal year. At any meeting after the adoption of the City Budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least four of the five voting members of the City Council.

Revenues for the City's General Fund (the "General Fund") are derived from such sources as taxes and special assessments, licenses and permits, intergovernmental revenues, fines, forfeitures and penalties, use of money and property, charges for services, and other revenue. General Fund expenditures and encumbrances are classified by the functions of general government, those being public safety, public works, environmental and human services, administration, elected offices and by debt service.

The City receives a portion of its revenues from the State. Accordingly, the City is partially dependent upon the State budget and payments made or appropriated by the State to the City for various programs. See "STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION" herein for a description of the adopted State budget for Fiscal Year 2015-16. There can be no assurances that future State budgets will not place additional burdens on local governments, including the City, or will not significantly reduce revenues to such local



governments, and the City cannot predict the ultimate impact of future State budgets on the City's financial situation.

Fiscal Year 2015-16 City Budget. The City Manager presented his Proposed Fiscal Year 2016-17 budget to the Mayor and City Council on June 14, 2016. One or two subsequent public budget hearings will be held leading up to the expected adoption of the budget by June 30, 2016. The adopted budget will be available upon request from the City.

The City's Proposed General Fund expenditure budget, which provides for those public services typically found in every city, such as Law Enforcement, Fire protection, Parks, Recreation, Public Works and administrative services, will reflect balanced revenue and expenditures utilizing approximately \$1 million of prior fiscal year surplus revenue. Departments were directed to submit essentially flat budgets, to reflect no material increase from the Fiscal Year 2015-16 budget; however, the budget does include funding for employee step increases as required by existing Memorandum of Understanding (MOU's) with the City's several bargaining units, in addition to inflationary related increases to vendor service contracts. The Proposed budget reflects the reduction of five employee positions.

The City contracts with the Los Angeles County Sheriff for law enforcement services. This has resulted, over time, in significant savings to the City. The Sheriff has notified the City that its cost increases will be shared amongst its contract cities, with Compton's costs increasing by approximately 3.5%. Combined with an increase in the Sheriff's liability costs, which are also shared by its contract cities, Compton Sheriff's costs are projected to increase by approximately \$1.7 million. This cost increase has not been included in the proposed budget. City staff will meet with Sheriff's department staff to review the nature of the increases and also to determine if any potential exists for restructuring the service agreements in order to lower costs while providing the same or a higher level of service.

The City also contracted with a consultant to review Citywide fees to determine if current City fees are set at rates sufficient to recoup the cost of providing special services (plan checks, inspections, recreation programs, paramedic ambulance transports, etc.). The consultant concluded that, with only a handful of exceptions, City fee rates are not sufficient to recoup the full cost of providing those services, as allowed by relevant State laws. In many cases, fee rates are recouping only one-third to one-half the cost. In the case of ambulance transport fees, for example, most cities in Los Angeles County tie their rates to the County rate. Compton's ambulance transport rates are currently \$535 per transport, or roughly a third of the LA County rate. Currently, annual revenue from fees for services totals approximately \$7.0 million. Proposed fee increases will be considered by the Mayor and Council as part of its budget adoption and review. Beyond that, all franchise type fees as well as business license fees will be reviewed during the Fiscal Year 2016-17.

Lastly, the City's Measure P was on the June 7 ballot. Measure P asked the City's voters to approve a ½ cent increase in the City's sales & use tax, and if approved, would generate \$3.9 million of additional revenue which could be used for any City program. The County of Los Angeles Registrar-Recorder/County Clerk Election Results website, as of June 29, 2016, 3:30 pm, announced the Measure P as passing with 6,769 yes votes and 6,577 no votes.

The City's fiscal year 2016-17 budget may be viewed in its entirety on the City's website, following adoption by the City Council: <http://www.comptoncny.org>.

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## Adopted General Fund Budgets

The following Table 1 sets forth the City's adopted budgets for the General Fund for Fiscal Years 2010-11 through 2015-16.

TABLE 1  
CITY OF COMPTON  
GENERAL FUND ANNUAL BUDGETS  
Fiscal Years Ended June 30, 2011 through June 30, 2016<sup>1</sup>

	As of June 30					
	2011	2012	2013	2014	2015	2016
<b>REVENUES:</b>						
Property Taxes	\$ 27,190,717	\$ 3,518,036	\$ 3,517,468	\$ 3,064,804	\$ 3,884,958	\$ 7,143,952
Other Taxes		20,312,036	20,602,505	22,835,907	22,658,385	22,638,260
Licenses, Permits & Franchises	3,904,859	2,732,912	2,872,221	3,134,390	4,606,615	5,547,653
Fines, Forfeitures & Penalties	2,167,143	1,656,128	1,656,165	1,412,429	1,427,806	1,263,957
Use of Money and Property	933,729	159,043	156,827	174,300	181,306	186,712
Intergovernmental Revenues	8,804,326	9,366,844	8,039,350	8,049,350	8,770,478	8,821,369
Charges for Services	10,308,582	6,821,034	5,421,920	8,784,003	8,628,921	8,635,276
Miscellaneous	4,528,700	443,943	351,781	1,249,873	2,851,272	3,721,875
<b>TOTAL REVENUES</b>	<b>\$ 57,838,056</b>	<b>\$ 45,009,976<sup>2</sup></b>	<b>\$ 42,618,237</b>	<b>\$ 48,705,056</b>	<b>\$ 53,009,741</b>	<b>\$ 57,959,054</b>
<b>EXPENDITURES:</b>						
General Government	\$ 20,427,629	\$ 6,526,581	\$ 7,898,119	\$ 7,551,065	\$ 10,505,280	\$ 12,836,968
Public Protection/Safety	32,426,124	30,954,291	31,377,445	31,603,478	29,393,023	30,784,412
Public Assistance						
Public Ways and Facilities/						
Public Works	927,049	1,068,734	1,045,851	--	--	--
Management Services	--	6,850,755	6,751,230	6,189,450	6,623,879	7,873,531
Health and Sanitation						
Environmental and Human Services	5,689,142	3,842,029	4,068,768	2,175,642	3,225,409	4,133,531
Education						
Recreation						
Debt Service	487,912	482,838	490,000	490,000	2,949,944	2,330,612
<b>TOTAL EXPENDITURES</b>	<b>\$ 59,957,856</b>	<b>\$ 49,725,228</b>	<b>\$ 51,631,413</b>	<b>\$ 48,009,635</b>	<b>\$ 52,897,535</b>	<b>\$ 57,959,054</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>\$ (2,119,800)</b>	<b>\$ (4,715,228)</b>	<b>\$ (9,013,176)</b>	<b>\$ 695,421</b>	<b>\$ 112,206</b>	<b>--</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	--	--	--	--	--	--
Transfers Out	--	--	(100,575)	---	(84,950)	--
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (2,119,800)</b>	<b>\$ (4,715,228)</b>	<b>\$ (9,113,751)</b>	<b>\$ 695,421</b>	<b>\$ 27,256</b>	<b>\$--</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>\$(14,607,702)</b>	<b>\$(41,222,801)</b>	<b>\$(45,938,053)</b>	<b>\$(55,051,804)</b>	<b>\$(54,356,383)</b>	<b>\$(54,329,127)</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$(16,727,502)</b>	<b>\$(45,938,053)</b>	<b>\$(55,051,804)</b>	<b>\$(54,356,383)</b>	<b>\$(54,329,127)</b>	<b>\$(54,329,127)</b>

<sup>1</sup> City of Compton Adopted Budget for Fiscal Year 2010/2011 (Original Budget), City of Compton Adopted Budget for Fiscal Year 2011/2012 (Original Budget), City of Compton Adopted Budget for Fiscal Year 2012/2013 (Original Budget), City of Compton Adopted Budget for Fiscal Year 2013/2014 (Original Budget), City of Compton Adopted Budget for Fiscal Year 2014/2015 (Original Budget), and City of Compton Adopted Budget for Fiscal Year 2015/2016 (Original Budget)

<sup>2</sup> The decline in projected revenues reflects, among other things, an assumption that the City would not receive approximately \$6 million in revenues from billboard advertisements

## Financial Statements

The City's Audited Annual Financial Report for the Fiscal Year ended June 30, 2012 is attached hereto as C-1. The City's Audited Annual Financial Report for the Fiscal Year ended June 30, 2013 is attached hereto as C-2. The City's internally prepared, Unaudited Annual Financial Report for the Fiscal Year ended 2014, is attached hereto as Appendix C-3. The City's internally prepared, Unaudited Annual Financial Report for the Month of June 2015, which includes financial information from July 1, 2014 through June 30, 2015, is attached hereto as Appendix

C-4. The information that follows is taken, in part, from unaudited financial information prepared by City officials, and will be designated as such by footnote.

The following Table 2 sets forth the City's Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2010-11 through 2014-15. The information below for the fiscal years 2012 and 2013 have been taken from audited financial statements. The information below for the fiscal year 2011, fiscal year 2014 and fiscal year 2015 have been taken from unaudited financial information.

TABLE 2  
CITY OF COMPTON  
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
Fiscal Years Ended June 30, 2011 through 2015

	As of June 30				
	2011 <sup>1</sup>	2012	2013	2014 <sup>1</sup>	2015 <sup>1</sup>
<b>REVENUES</b>					
Taxes and Special Assessments	\$ 24,241,363	\$ 23,992,677	\$ 27,173,000	\$ 26,233,488	\$ 35,410,171
Licenses and Permits	2,744,778	2,664,625	3,845,518	5,225,670	5,434,603
Intergovernmental Revenues	8,308,736	8,113,604	9,671,896	8,781,142	8,909,347
Fines, Forfeitures, and Penalties	1,969,371	1,809,798	1,606,039	1,533,343	1,503,563
Use of Money and Property	5,732,298	663,390	1,135,488	214,531	168,205
Charges for Services	1,137,827	6,818,951	5,991,239	7,412,451	6,890,061
Other	57,798	1,507,922	114,222	1,849,050	1,323,975
Total Revenues	\$ 44,192,171	\$ 45,570,967	\$ 49,537,402	\$ 51,249,675	\$ 59,639,925
<b>EXPENDITURES:</b>					
Current					
General Government	\$27,069,866	\$5,531,659	\$7,014,777	\$7,316,523	\$9,262,271
Public Safety	34,681,857	31,357,708	31,864,433	33,331,801	32,219,650
Public Works	990,269	640,261	490,146	8,418	-
Management Services		5,422,775	4,676,310	2,856,373	8,195,029
Environmental And Human Services	6,111,857	3,590,086	3,191,992	7,291,465	8,961,850
Debt Service					
Principal	325,374	331,453	298,748		
Interest and Fiscal Charges	2,380	182,579	350,143		
Capital Outlay			20,313		
Total Expenditures	\$ 69,181,603	\$ 47,056,521	\$ 47,906,862	\$ 50,804,580	\$ 58,638,800
Excess (Deficit) of Revenues					
Over/ (Under) Expenditures	(24,989,432)	(1,485,554)	1,630,540	445,095	1,001,125
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$88,909	\$7,559,019			
Transfers Out	(1,714,576)	(1,260,057)	(100,275)		
Total Other Financing Sources (Uses)	\$(1,625,667)	\$ 6,298,962	\$ (100,275)	-	-
Net Change in Fund Balances	\$(26,615,099)	4,813,408	1,530,265	445,095	1,001,125
Fund Balance — Beginning	\$(14,607,702)	\$(42,724,814)	\$(37,911,406)	\$(36,381,141)	\$(35,936,046)
Fund Balance — Ending	\$(41,222,801)	\$(37,911,406)	\$(36,381,141)	\$(35,936,046)	\$(34,934,921)

<sup>1</sup> Unaudited.

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited), City of Compton Annual Financial Report for the Fiscal Year ended June 30, 2012, City of Compton Annual Financial Report for Fiscal Year ended June 30, 2013, City of Compton Annual Financial Report for Fiscal Year ended June 30, 2014 (Unaudited) and City of Compton Annual Financial Report for Fiscal Year ended June 30, 2015 (Unaudited)

The following Table 3 sets forth certain summarized information related to the City's revenues and expenditures for Fiscal Years 2013-14 and 2014-15. The information below has been taken from the City's unaudited financial reports, attached hereto as APPENDIX C-3 and APPENDIX C-4.

TABLE 3  
CITY OF COMPTON  
SUMMARY OF GENERAL FUND  
REVENUES AND EXPENDITURES  
Fiscal Years 2013-14 and 2014-15

	June 30, 2014	June 30, 2015
Total Revenues	\$51,249,675	\$59,639,925
Total Expenditures	50,804,580	58,638,800
Transfers (Net)	-	-
Surplus (Deficit)	445,095	1,001,125
Ending Fund Balance	\$(35,936,046)	\$(34,934,921)

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Source: City of Compton Internal Financial Report for the Fiscal Year Ended June 30, 2014 (unaudited); City of Compton Annual Financial Report for the Fiscal Year Ended June 30, 2015 (unaudited)

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The following Table 4 sets forth the City's General Fund Balance Sheets for Fiscal Years 2008-09 through 2012-13. The information below for the fiscal years 2009, 2010, 2012 and 2013 was taken from audited financial statements. The information below for the fiscal year 2011 has been taken from unaudited financial information.

TABLE 4  
CITY OF COMPTON  
GENERAL FUND BALANCE SHEETS  
Fiscal Years Ended June 30, 2009 through June 30, 2013

	June 30, 2009	June 30, 2010	June 30, 2011 <sup>1</sup>	June 30, 2012	June 30, 2013 <sup>2</sup>
<b>ASSETS</b>					
Cash and Investments	\$ 405,576	\$--	\$--	\$ 7,994,100	\$ 2,011,622
Property Taxes Receivable:	2,111,512	2,245,747	660,152	-	2,368,448
Accounts Receivable	460,744	2,922,056	2,303,188	2,504,705	496,799
Due from Other Funds	25,722,431	--		8,862,722	5,051,640
Due from Fiduciary Funds				3,401,809	--
Prepaid Expenses	58,934	--	40,969	26,818	37,027
Inventories	244	244	244	244	244
Interest Receivable	--	--	5	-	--
Advances to Other Funds					--
Land Held for Resale				50,000	50,000
Total Assets	\$28,759,441	\$5,168,047	\$3,004,558	\$22,840,398	\$10,015,780
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 112,352	\$ 11,600,351	\$ 12,560,317	\$ 3,580,974	\$ 1,360,791
Accrued Liabilities	4,401,471	4,982,759	3,282,798	3,252,513	3,317,852
Due to Other Funds	26,777,522	3,107,517	28,253,324	5,638,782	--
Due to Fiduciary Funds				6,303,824	--
Due to Other Governmental Agencies		5,126			
Deposits	54,606	51,574	103,036	73,954	52,625
Advances from Other Funds				41,901,757	41,665,653
Other	--	28,422	27,884		--
Total Liabilities	\$31,345,951	\$19,755,749	\$44,227,359	\$60,751,804	\$46,396,921
Fund Balances: Nonspendable:					
Inventories and Prepaid Items	\$59,178	\$244	\$41,213	\$ 27,062	\$ 37,271
Land Held for Resale				50,000	50,000
Reserved					
Regional Park	2,500,000	2,500,000			2,500,000
Encumbrances	6,049,399	706,535			
Unreserved					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned			(41,264,014)	(37,988,468)	(38,968,412)
Unreserved: undesignated, reported in					
General Fund	(11,195,087)	(17,814,481)	--	--	--
Total Fund Balances	\$(2,586,510)	\$(14,607,702)	\$(41,222,801)	\$(37,911,406)	\$(36,381,141)
Total Liabilities and Fund Balances	\$ 28,759,441	\$ 5,168,047	\$ 3,004,558	\$ 22,840,398	\$ 10,015,780

<sup>1</sup> Unaudited

<sup>2</sup> For unaudited results for 2013-2014 and 2014-2015 see Appendices C-3 and C-4 respectively.

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2009; City of Compton Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2010, City of Compton Annual Financial Report for the Fiscal Year ended June 30, 2011 (Unaudited), City of Compton Annual Financial Report for the Fiscal Year ended June 30, 2012; and City of Compton Annual Financial Report for the Fiscal Year ended June 30, 2013.

The City's fund balances for the Fiscal Year ended June 30, 2011 follows Governmental Accounting Standards Board Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54"), which was developed in order for governments to classify amounts consistently regardless of the fund type or column in which they are presented. Pursuant to GASB 54, the fund balances will be designated as one of the following five categories: (i) nonspendable fund balance which includes amounts that are not in a spendable form or are required to be maintained intact, (ii) restricted fund balance which includes amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; (iii) committed fund balance which includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint; (iv) assigned fund balance which includes amounts a government intends to use for a specific purpose whereby the intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and (v) unassigned fund balance which includes amounts that are available for any purpose; these amounts are reported only in the general fund.

## Major Revenues

The City derives its revenues from a variety of sources, including ad valorem property taxes, sales and use taxes, licenses, permits and franchises issued by the City, use of City property and money, aid from other governmental agencies, charges for services provided by the City and other miscellaneous sources. The following Table 5 sets forth the revenue sources for the City's General Fund for the Fiscal Year ended June 30, 2015.

TABLE 5  
CITY OF COMPTON  
ALLOCATION OF COUNTY GENERAL FUND REVENUES  
Fiscal Year Ended June 30, 2015 <sup>1</sup>

Taxes and Special Assessments	59.37%
Licenses and Permits	9.11
Intergovernmental Revenues	14.94
Fines, Forfeitures and Penalties	2.52
Use of Money and Property	.28
Charges for Services	11.55
Other	2.22
Total <sup>1</sup>	100.00%

<sup>1</sup> Unaudited. Total may not equal sum of component parts due to rounding.

Source: City of Compton Internal Financial Report for Fiscal Year ended June 30, 2015 (Unaudited).

## Expenditures

The City's major General Fund expenditures during the Fiscal Year ended June 30, 2011 were public safety and general government. In Fiscal Years 2011-12, 2012-13 and 2013-14 the City's major General Fund Expenditures were also public safety and general government. See APPENDIX C-1: "CITY OF COMPTON AUDITED FINANCIALS FOR THE FISCAL YEAR ENDING JUNE 2012," APPENDIX C-2: "CITY OF COMPTON AUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013;" C-3 "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014" and C-4 "CITY OF COMPTON UNAUDITED FINANCIAL REPORT FOR THE MONTH OF JUNE 2015," each attached hereto, for more information related to the City's financial results for the fiscal year ended June 30, 2012, fiscal year ended June 30, 2013, fiscal year ended June 30, 2014, and for the fiscal year ended June 2015.

## Ad Valorem Property Taxes

The County levies ad valorem property taxes on behalf of taxing agencies in the County (including the City) for each fiscal year on taxable real and personal property located in the County (including taxable real and personal property located in the City) as of the preceding January 1st. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in

real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured”, and is listed accordingly on separate parts of the assessment roll. The “secured roll “ is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor-Recorder of the County of Los Angeles (the “County Assessor”), to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the City and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

The County is responsible for assessing, collecting, and distributing property taxes to the City and other taxing entities within the County. The ad valorem property tax rate is 1% of the full cash value of the taxable property. The assessor must reassess property upon a change in ownership or new construction. The assessor may increase the full cash value by no more than 2% each year to reflect inflation. The assessor may decrease the full cash value (a) to reflect reductions in the consumer price index or comparable local data for the area under taxing jurisdiction, (b) to reflect substantial damage, destruction or (c) other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS — Article XIII D” in the forepart of this Limited Offering Memorandum. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. In addition, any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer and Tax Collector of the County (the “County Treasurer”).

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Proposition 8, which was passed in November 1978, amended Proposition 13 to allow assessed values to reflect declines in value. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS” in the forepart of this Limited Offering Memorandum. As a result, the County Assessor is required to enroll a property’s fair market value, as of January 1, if that value is less than the base year value plus inflationary adjustment. The County Assessor may initiate the Proposition 8 reduction process without a request from a property owner. Property owners are notified at the beginning of the tax year and may file an assessment appeal to challenge the determined value. Although the values of many properties may suffer a significant decline during a recession, not all may qualify for a reduction under Proposition 8. The current fair market value of such property must fall below the base year value plus inflationary adjustment before it will affect the assessed value. If the fair market value of the property increases above its base year value plus inflationary adjustment, the County Assessor will re-enroll the property at the value of its base year value plus inflationary adjustment. The County Assessor did not enroll any taxable properties within the City at a reduced fair market value for Fiscal Year 2013-14.

Supplemental property taxes are assessed when there is an increase in the assessed valuation of property after the property tax bill for that year has been issued. As a result, when property values are increasing and sales activity is high, there will be an increase in supplemental property tax revenues. The City did not receive supplemental property tax revenues in Fiscal Year 2014-15 and has not budgeted any supplemental property tax revenues for Fiscal Year 2015-16. 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.

The following Table 6 sets forth certain information regarding property tax levies and collections by the County on behalf of the City from Fiscal Years 2007-08 through 2011-12.

TABLE 6  
CITY OF COMPTON  
SUMMARY OF TAX LEVIES AND COLLECTIONS  
Fiscal Years 2007-08 through 2011-2012 <sup>1</sup>

<b>Fiscal Year ended June 30</b>	<b>Secured Tax Charge</b>	<b>Total Tax Collection through June 30</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percentage of Delinquency to Secured Tax Charge</b>
2008	\$5,326,865	\$5,065,430	\$261,435	4.91%
2009	5,659,489	5,398,689	260,800	4.61
2010	5,562,561	5,374,786	187,775	3.38
2011	5,193,671	5,071,228	122,443	2.36
2012 <sup>2</sup>	5,288,425	5,180,223	108,202	2.05

<sup>1</sup> Unaudited.

<sup>2</sup> For 2013-2014 and 2014-2015 see Appendices C-3 and C-4 respectively.

Source: California Municipal Statistics.

The following Table 7 sets forth the assessed valuation of property located in the City for Fiscal Years 2004-05 through 2014-15.

TABLE 7  
CITY OF COMPTON  
ASSESSED VALUATION  
Fiscal Years 2004-05 through 2014-15

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Exemptions</b>	<b>Total Assessed Value</b>
2004-05	\$3,049,256,454	\$254,519,644	\$(106,246,398)	\$3,303,776,098
2005-06	3,409,869,939	245,928,980	(108,028,415)	3,655,798,919
2006-07	3,854,888,757	297,439,805	(114,934,801)	4,152,328,562
2007-08	4,463,417,598	261,228,601	(119,500,205)	4,724,646,199
2008-09	4,741,427,602	288,919,993	(120,065,358)	5,030,347,595
2009-10	4,592,547,319	308,173,021	(124,839,828)	4,900,720,340
2010-11	4,426,612,807	236,554,591	(130,524,640)	4,532,642,758
2011-12	4,486,686,545	228,026,510	(128,943,128)	4,585,769,927
2012-13	4,566,620,287	298,382,882	(61,179,919)	4,804,119,904
2013-14	4,678,657,505	302,810,024	(60,554,722)	4,920,912,807
2014-15	4,951,843,927	300,693,405	(60,113,248)	5,192,424,084

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2005 through June 2010; City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited); City of Compton Audited Financials for Fiscal Year ended June 30, 2012; City of Compton Audited Financials for Fiscal Year ended June 30, 2013; City of Compton Annual Financial Report for Fiscal Year ended June 30, 2014 (Unaudited); City of Compton Annual Financial Report for Fiscal Year ended June 30, 2015 (Unaudited); Los Angeles County Assessor for Fiscal Years 2011-12, 2013-14 and 2014-15.



## Largest Taxpayers

The following Table 8 is a list of the twenty-five principal property taxpayers in the City by percentage of total city taxable value for Fiscal Year 2013-14.

TABLE 8  
CITY OF COMPTON  
PRINCIPAL PROPERTY TAXPAYERS  
Fiscal Year 2013-14

<b>Taxpayer</b>	<b>Taxable Value</b>	<b>Type of Business</b>	<b>% of Total City Taxable Value<sup>(1)</sup></b>
Ralphs Grocery Co	\$152,780,913	Food Services	3.10%
Amb Property L P	144,598,066	Real Estate	2.94%
Pr I Dominguez Hills Industrial	123,413,403	Real Estate	2.51%
South Bay Industrials Co LLC	78,969,384	Control Systems, Computer Networks	1.60%
KTR South Bay I LLC	75,486,120	Commercial Real Estate Investment	1.53%
Comref So Ca Industrial Sub A	61,316,280	Manufacturing	1.25%
Prologis LP	57,142,469	Real Estate - Warehouses	1.16%
Los Angeles Industrial Park LLC	34,238,137	Real Estate	0.70%
Central Ave Industrial Park LLC	28,864,803	Real Estate	0.59%
Gateway Opportunity Fund LLC	26,964,996	Real Estate Investment & Development	0.55%
Ub Ii Santa Fe LLC Lessor	26,180,310	Real Estate	0.53%
Inland Empire Realty Holding C	25,604,561	Real Estate	0.52%
Compton Commercial Renaissance	23,455,585	Real Estate	0.48%
Owens Corning Roofing Asphalt	20,755,047	Manufacturing	0.42%
Prism LP Partners LLC	20,254,473	Retail Gifts/Novelties	0.41%
Target Corp	19,536,567	Retail / Merchandise	0.40%
Walnut Industrial Park LLC	19,000,000	Investment and Realty	0.39%
Apg Victoria LLC	17,057,000	Investment and Realty	0.35%
Compton Commercial Dev Co	15,888,216	Real Estate	0.32%
American Curvet Investment LLC	15,750,000	Real Estate Investments	0.32%
Pacab LLC	14,357,520	Real Estate Investments	0.29%
Dememno Kerdoon	13,758,458	Oil and Gas Exploration Services	0.28%
Lake Plaza LLC		Real Estate Ownership and Development	0.27%
	13,472,270		
Time Warner Cable	12,198,309	Telecom	0.25%
Rancho Way Properties LLC	11,641,577	Real Estate	0.24%
<b>Total</b>	<b>\$1,052,684,464</b>		<b>21.39%</b>

<sup>(1)</sup> Percentage based on a total taxable value of \$4,920,625,964, which does not include the State unitary value of \$296,654, for Fiscal Year 2013-14.

Source: City of Compton.

**Dissolution of Redevelopment Agencies.** In connection with Assembly Bill 26 of the 2010-11 First Extraordinary Session (“ABx1 26”), the State required redevelopment agencies to cease operations. Upon the dissolution of such redevelopment agencies, the State required any property taxes that would have been allocated to redevelopment agencies to be allocated to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agencies, with remaining balances to be allocated in accordance with applicable constitutional and statutory provisions. On December 29, 2011, the Supreme Court of the State, in a case entitled *California Redevelopment Association v. Matosantos*, held that the dissolution provisions set forth in ABx1 26 were constitutional. See “STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION - State Budget for Fiscal Year 2015-16” herein. Accordingly redevelopment agencies were required to cease operations as of February 1, 2012. The City elected to serve as the successor agency to its dissolving redevelopment

agency, the Community Redevelopment Agency of the City of Compton, and to retain the assets, obligations and functions previously performed by the Community Redevelopment Agency of the City of Compton and wind down its affairs.

### Utility Users Tax

The City collects a tax (the “Utility Users Tax”) from utility users within the City’s boundaries. Such users are charged at the following rates based on usage of utility services, including electricity (10%), telecommunications (8.5%), gas (10%), and water services (10%). The tax is not applicable to State, County, or City agencies, insurance companies or banks. In Fiscal Year 2014-15, Utility Users Taxes were collected by the City in the amount of approximately \$13 million, and accounted for approximately 22.5% of total General Fund revenues for the City. Table 9 below sets forth Utility Users Tax receipts and their respective percentage of General Fund revenues from Fiscal Year 2008-09 through Fiscal Year 2014-15.

TABLE 9  
CITY OF COMPTON  
UTILITY USERS TAX RECEIPTS  
Fiscal Years 2008-09 through 2014-15

<b>Fiscal Year</b>	<b>Amount</b>	<b>Percentage of General Fund Revenues</b>
2008-09	\$14,934,144	30.8%
2009-10	14,934,144	24.4
2010-11	12,522,154	28.3
2011-12	13,010,117	28.6
2012-13	13,201,608	28.3
2013-14	12,775,982	24.5
2014-15	12,867,418	22.5

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2009; City of Compton Annual Financial Report for Fiscal Year ended June 30, 2010; City of Compton Internal Financial Report for Fiscal Year ended June 30, 2011 (Unaudited); City of Compton Internal Financial Report for Fiscal Year ended June 30, 2012 (Audited); City of Compton Internal Financial Report for Fiscal Year ended June 30, 2013 (Audited); City of Compton Internal Financial Report for Fiscal Year ended June 30, 2014 (Unaudited); and City of Compton Internal Financial Report for Fiscal Year ended June 30, 2015 (Unaudited).

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## Sales and Use Taxes

The sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The use tax is an excise tax imposed on a person for the storage, use or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes (collectively, "Sales Tax") imposed within the boundaries of the City are distributed by the State to various agencies as shown below in Table 10. The total Sales Tax rate for the 2013-14 fiscal year for the City was 9%. The following Table 10 sets forth Sales Tax revenues for the City for Fiscal Years 2008-09 through 2014-2015.

TABLE 10  
CITY OF COMPTON  
SALES TAX RECEIPTS  
Fiscal Years 2008-09 through 2014-15

Fiscal Year	Amount	Percentage of General Fund Revenues
2008-09	\$6,727,145	13.9%
2009-10	6,094,694	11.0
2010-11	6,909,981	15.6
2011-12	6,577,690	14.4
2012-13	7,245,927	15.5
2013-14	7,741,982	14.8
2014-15	7,795,694	13.4

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2009, City of Compton Annual Financial Report for Fiscal Year ended June 30, 2010; City of Compton Internal Financial Report for Fiscal Year ended June 30, 2011 (Unaudited); City of Compton Internal Financial Report for Fiscal Year ended June 30, 2012 (Audited); City of Compton Internal Financial Report for Fiscal Year ended June 30, 2013 (Audited); City of Compton Internal Financial Report for Fiscal Year ended June 30, 2014 (Unaudited); and City of Compton Internal Financial Report for Fiscal Year ended June 30, 2015 (Unaudited).

## Employees and Labor Relations

The following Table 11 sets forth a summary of City employment for Fiscal Years 2008-09 through 2014-15.

TABLE 11  
CITY OF COMPTON  
EMPLOYMENT LEVELS  
Fiscal Years 2008-09 through 2014-15

Fiscal Year	Full-Time Equivalent <sup>(1)</sup>
2008-09	555.5
2009-10	556.0
2010-11	575.0
2011-12	393.5
2012-13	393.5
2013-14	354.0
2014-15	381.0

<sup>(1)</sup> Figures represent number of authorized full time equivalent positions as of the adoption of the City Budget for each fiscal year.

Source: City of Compton.

For the 2012-13 fiscal year, five bargaining units had contracts with the City that had expired. The bargaining units are with the Service Employees' International Union, Local 347 - Public Safety Auxiliary ("SEIU

— Public Safety Auxiliary”), Service Employees’ International Union, Local 347 - Maintenance and Trades Unit (“SEIU — Maintenance and Trades” and, together with SEIU — Public Safety Auxiliary, “SEIU”), Local Union of Municipal Non-Supervisory Employees, Compton Management Employees Association, Local 2325, Compton Fire Fighters, Local 2216 (collectively, the “Coalition of Compton Unions”). The City has historically enjoyed positive relations with its bargaining units. The City and the Coalition of Compton Unions entered into a Side Letter Agreement pursuant to which certain modifications were made to each of the respective MOUs for a limited negotiation period. During the term of the Side Letter Agreement, all terms, conditions, provisions and conditions of existing MOUs for each member of the Coalition of Compton Unions were to continue except as modified in the Side Letter Agreement. Pursuant to the Side Letter Agreement, the City agreed that it did not intend to lay-off or furloughs current employees in positions represented by the City’s employee bargaining unions AFSCME, SEIU and IAFF except as set forth in the Side Letter Agreement. The Side Letter Agreement expired June 30, 2014. During the Fiscal Year 2014-15, the City negotiated new contracts with the SEIU – Public Safety Auxiliary, SEIU – Maintenance and Trades, Local Union of Municipal Non-Supervisory Employees, and the Compton Fire Fighters, Local 2216. The City and the Compton Management Employees Association, Local 2325 are currently engaged in negotiations regarding a new contract for the Compton management employees.

The following Table 12 sets forth the expiration dates for the respective memorandum of understanding (“MOU”) with each of the City’s certified employee organizations with the City. As indicated on Table 12, MOU’s with the City’s five bargaining units expire June 30, 2016. The City Manager did not include a provision in the proposed FY 17 budget for wage or cost-of-living adjustments. Budget appropriation has been included, however, for MOU related step increases. There are five steps (A-E) provided for in the MOU for each bargaining unit position; the difference between each step is 3%. Many long-term employees are at the E Step, therefore, those employees are no longer eligible for additional step increases. Negotiations with the bargaining units have not been scheduled.

TABLE 12  
CITY OF COMPTON  
BARGAINING UNITS

Bargaining Unit	MOU Expiration Date
Service Employees’ International Union, Local 347 - Public Safety Auxiliary Service	June 30, 2016
Employees’ International Union, Local 347 - Maintenance and Trades Unit Local	June 30, 2016
Union of Municipal Non-Supervisory Employees	June 30, 2016
Compton Management Employees Association, Local 2325	June 30, 2016
Compton Fire Fighters, Local 2216	June 30, 2016

Source: City of Compton

### **Retirement Benefit Tax Override**

In 1947, the voters of the City passed a ballot initiative authorizing the City to levy an ad valorem property tax for purposes of funding a pension program for certain City employees (the “Charter-Authorized Levy”). At the time such ballot initiative was passed, the maximum override tax rate that could be levied in any fiscal year was established as \$1.00 per \$100 of assessed value. On an annual basis, by resolution of the City Council, the City sets the override tax rate for the coming fiscal year based on the estimated dollar amount necessary to fund the then-current fiscal year’s pension and other benefits costs (taking into account that portion of the levy allocated to redevelopment purposes under Article XVI, Section 16 of the Constitution of the State and applicable law). Historically, the override tax rate has varied based on the requirements of the City’s pension fund system.

Pursuant to State law regarding the levy of tax rates for pension purposes, the City may not implement a levy equal to or greater than \$0.501632 per \$100 of assessed value. The City has implemented a Charter-Authorized Levy of \$0.451632 per \$100 of assessed value since 1992-93. The City does not presently expect to change the current Charter-Authorized Levy. In Fiscal Years 2013-14 and 2014-15, the City collected approximately \$14.5 million and \$14.6 million, respectively, from the Charter Authorized Levy.

## Defined Benefit Pension Plan

The City's defined benefit pension plan (the "City Employees Retirement Plan") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City Employees Retirement Plan is part of the public agency portion of the California Public Employees' Retirement System ("CALPERS"). CALPERS is administered by a 13-member Board of Administration (the "CALPERS Board"), which consists of two members elected by and from all CALPERS members, one member elected by and from all active State members, one member elected by and from all active CALPERS school members, one member elected by and from all active CALPERS public agency members, one member elected by and from the retired members of CALPERS, two members appointed by the Governor (one being an elected official of a local government and the other an official of a life insurer), one public representative appointed jointly by the Speaker of the Assembly and the Senate Rules Committee, and four State officials, the State Controller, the State Treasurer, the Director of the California Department of Human Resources, and a designee of the State Personnel Board, each acting in an ex officio capacity. For additional information regarding the City's pension and retiree health care programs and costs, see the City's financial statements attached in Appendix C hereto. As used in this section, "- Defined Benefit Pension Plan", the term "employees" refers to the portion of employees of the City whose benefits are granted through CALPERS.

The following information concerning CALPERS has been excerpted from publicly available sources, which the City believes to be accurate, or otherwise obtained from the CALPERS and has not been independently verified by the City, the Underwriter or the Financial Advisor, and is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the City, the Underwriter or the Financial Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities stated below. CALPERS' assets will not secure or be available to pay principal of or interest on the Notes or on any obligations of the City or any other member agency. Further, the assets of the City's pension plan are not available for such payments. CALPERS issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described defined benefit retirement program and the City Employees Retirement Plan. The reports are available on CALPERS website: <http://www.calpers.ca.gov/>. Information on such site is not incorporated herein by reference.

Information regarding the pension plans for police personnel (the "Safety Plan-Police"), fire department personnel (the "Safety Plan-Fire") and other City personnel (the "Miscellaneous Plan") was obtained from the CALPERS report entitled "Safety Police Plan of the City of Compton (CALPERS ID: 1001685032) Annual Valuation Report as of June 30, 2013" dated October 2014 (the "2013 CALPERS Safety Police Valuation"), "Safety Fire Plan of the City of Compton (CALPERS ID: 1001685032) Annual Valuation Report as of June 30, 2013" dated October 2014 (the "2013 CALPERS Safety Fire Valuation") and "Miscellaneous Plan of the City of Compton (CALPERS ID: 1001685032) Annual Valuation Report as of June 30, 2013" dated October 2014 (the "2013 CALPERS Miscellaneous Valuation") and the City's financial statements for Fiscal Years ended June 30, 2008 through June 30, 2012, including the City's Audited Annual Financial Report for Fiscal Year ended June 30, 2012, which reports are the most recent actuarial valuations and financial statements available to the City as of the date of this Limited Offering Memorandum. Such reports have not been updated since their respective dates.

The information contained in this section "- Defined Benefit Pension Plan" relies on information produced by the pension plans described herein, independent accountants, and CALPERS' chief actuary and plan actuaries (collectively, the "CALPERS Actuary"). The actuarial assessments contain "forward looking" information that reflects the judgment of CALPERS and the pension plans and their independent accountants and actuaries. The actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans.

Membership. The following Table 13 sets forth the membership of the City Employees Retirement Plan as of June 30, 2014.

TABLE 13  
CITY EMPLOYEES RETIREMENT PLAN  
Membership as of June 30, 2014

	Miscellaneous	Safety Police	Safety Fire	Total
Active Members	226	--	63	289
Transferred Members	155	24	19	188
Terminated Members	148	--	--	148
Separated Members	--	1	9	10
Retired Members	466 <sup>(1)</sup>	265	141	872
Total Membership	1867	290	232	1507

<sup>(1)</sup> Includes Beneficiaries.

Sources: 2014 CALPERS Miscellaneous Valuation, 2014 CALPERS Safety Police Valuation and 2014 CALPERS Safety Fire Valuation.

The Safety Plan-Fire has fewer than 100 active members and, pursuant to CALPERS; policy, is required to participate in a risk pool. At the time the Safety Plan-Fire joined the risk pool, a side fund was created to account for the difference between the funded status of the risk pool and the funded status of the City's Safety Plan-Fire. The side fund valuation as of June 30, 2014 was \$(5,319,660) and the adjusted employer payment for the side fund was \$2,034,454 (for 2015-16 fiscal year). The City's contribution rate to the side fund is determined upon whether or not the side fund has a positive negative valuation. The side fund is credited, on an annual basis, with the actuarial investment return assumption, which is presently 7.5%. Benefits for the Safety Plan-Fire are funded from the assets of the risk pool and from related investment earnings. The City Charter requires the City to contribute the amounts necessary to fund the side fund of the Safety Plan-Fire from the proceeds of the Charter-Authorized Levy.

The Safety Plan-Police has fewer than 100 active members and, pursuant to CALPERS; policy, is required to participate in a risk pool. At the time the Safety Plan-Police joined the risk pool, a side fund was created to account for the difference between the funded status of the risk pool and the funded status of the City's Safety Plan-Police. The side fund valuation as of June 30, 2014 was negative \$8,970,314 and the adjusted employer payment for fiscal year 2016/2017 is \$769,552. The City's contribution rate to the side fund is determined upon whether or not the side fund has a positive negative valuation. The side fund is credited, on an annual basis, with the actuarial investment return assumption, which is presently 7.5%. Benefits for the Safety Plan-Police are funded from the assets of the risk pool and from related investment earnings. The City Charter requires the City to contribute the amounts necessary to fund the side fund of the Safety Plan-Police from the proceeds of the Charter-Authorized Levy.

Retirement Contributions. The City's contributions to the CALPERS plan include the employer-paid member contribution described above and the actuarially determined annual required contribution ("ARC"), which varies each year based on an annual actuarial plan valuation. The ARC is calculated using the entry age actuarial cost method and consists of two components: the "normal cost," which represents the portion of the actuarial present value of the benefits that the City and its employees will be expected to fund that are attributable to a current year's employment, and the amortized amount of the unfunded actuarial accrued liability ("UAAL"). The amortization of the UAAL represents the current year's portion of the unfunded accrued costs (i.e., the UAAL) attributable to past years' employment. The UAAL is an estimate based on a series of assumptions that operate on economic and demographic data of the CALPERS plan membership and may increase or decrease as result of changes in actuarial assumptions (such as the assumed investment rate of return of 7.50%, net of administrative expenses), benefit improvements and other experience that differ from that anticipated by the actuarial assumptions. This process is used to determine, as of the date of the calculation, how sufficient the assets in the CALPERS plan are to fund, as of the date of calculation, the accrued costs attributable to CALPERS plan participants. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. For a summary of principal assumptions and methods used to determine the ARC for the City's CALPERS plan for police safety employees (the "Safety Police Plan"), fire safety employees (the "Safety Fire Plan") and non-safety employees (the "Miscellaneous Plan"), see Note 10 to the financial statements attached to this Limited Offering Memorandum as "APPENDIX C-2: CITY OF COMPTON ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

The City Charter requires that the City levy a tax sufficient to meet all obligations of the City to CALPERS for the retirement of City employees, due and unpaid or to become due during the ensuing fiscal year. See “Retirement Benefit Tax Override” herein.

Members of the City’s Miscellaneous Plan, Safety Plan-Fire, and Safety Plan-Police are required to contribute 8%, 9%, and 9% respectively, of their monthly salary, and the City is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CALPERS. The required employer contribution rates for Fiscal Year 2016-17 are 37.313% for Miscellaneous Plan members and 21.230% plus \$3,173,816 (representing employer payment of unfunded liability) for Safety Plan-Fire members. The City is required to contribute \$1,198,387 representing employer payment of unfunded liability for Safety Plan-Police members for Fiscal Year 2016-17. The projected required employer contribution rates for Fiscal Year 2015-16 were 32.6% for Miscellaneous Plan members and 61.3% for Safety Plan-Fire members. The City is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the City may be required to make to CALPERS. Accordingly, there can be no assurances that the City’s required contributions to CALPERS will not significantly increase in the future above current levels.

Annual Pension Cost of the City. Statement No. 27 of the Governmental Standards Accounting Board (“GASB 27”) establishes standards for the measurement, recognition, and display of pension expenditures and expenses and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. CALPERS is a defined benefit and cost-sharing, multiple employer plan. Pursuant to GASB 27, employers that participate in cost-sharing multiple employer defined benefit pension plans are required to recognize pension expenditures and expenses equal to the employer’s contractually required contributions and a liability for unpaid contributions. GASB 27 recommends that recognition be on the modified accrual or accrual basis depending on the fund type or type entity.

The following Table 14 sets forth the City’s annual pension cost and the percentage contributed for Fiscal Years 2006-07 through 2013-14.

TABLE 14  
CITY OF COMPTON  
ANNUAL PENSION COST AND PERCENTAGE CONTRIBUTED <sup>1</sup>  
Fiscal Years 2006-07 through 2013-14

Fiscal Year	<u>Annual Pension Cost</u>			Percentage of Pension Cost Contributed
	Miscellaneous	Safety	Total	
2006-07	\$3,370,048	\$5,364,951	\$8,734,999	100%
2007-08	2,895,656	5,788,886	8,684,542	100
2008-09	3,370,048	5,364,951	8,734,999	100
2009-10	3,311,771	5,788,886	9,100,657	100
2010-11	3,185,379	5,490,360	8,675,739	100
2011-12	4,023,749	6,659,721	10,683,470	100
2012-13	3,409,878	6,487,629	9,897,499	100
2013-14	3,799,141	6,659,889	10,459,030	100

<sup>1</sup> The City has made its annual required contribution for each of the past three years. The difference between the ARC and the Annual Pension Cost is due to the amortization of the net pension asset.

Source: City of Compton — Comprehensive Annual Financial Reports for the Fiscal Years ended June 30, 2007 through June 30, 2010, 2012 CALPERS Miscellaneous Valuation, 2012 CALPERS Safety Fire Valuation, 2013 CALPERS Miscellaneous Valuation, 2013 CALPERS Safety Fire Valuation.

Unfunded Actuarial Accrued Liability and Unrecognized Gains/Losses as of June 30, 2012. In its 2012 CALPERS Miscellaneous Valuation, the Miscellaneous Plan funded ratio (i.e., the ratio of valuation value of assets of CALPERS over the actuarial accrued liability) was 77.4% as of June 30, 2012. The UAAL of the Miscellaneous Plan increased to \$38,481,693 as of June 30, 2012 from \$37,063,760 as of June 30, 2011. In its 2012 CALPERS Safety Plan-Fire Valuation, the funded ratio of the Risk Pool in which the Safety Plan-Fire and Safety Plan-Police are included (i.e., the ratio of valuation value of assets of CALPERS over the actuarial accrued liability) increased to 84.3% as of June 30, 2012 from 84.2% as of June 30, 2011. The UAAL of the Risk Pool in which the Safety Plan-

Fire and Safety Plan — Police are included increased to \$1.70 billion as of June 30, 2010 from \$1.69 billion as of June 30, 2009.

The CALPERS Actuary estimated that the amount of unrecognized gain applicable to the Miscellaneous Plan from investments in the investment portfolio as of June 30, 2010 totaled approximately \$1,913,393. The CALPERS Actuary estimated that the amount of unrecognized loss applicable to the Risk Pool in which the Safety Plan-Fire and Safety Plan-Police are included from investments in the investment portfolio as of June 30, 2010 totaled approximately \$18.3 million. The unrecognized gains and losses and the Miscellaneous Plan and the Risk Pool in which the Safety Plan-Fire and Safety Plan-Police are included are being amortized over a fixed and declining 30-year period and will be recognized by CALPERS in accordance with its smoothing methodology. See “— Smoothing Methodology and Valuation Corridor” herein.

The ARC for the Miscellaneous Plan for Fiscal Years 2010-11 and 2011-12 were approximately million and \$4.18 million, respectively. If the City elects the annual lump sum prepayment option, the ARC for the Miscellaneous Plan for the period July 1, 2012 through June 30, 2013 would be \$4,085,104. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in the valuation go into effect. The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010.

Smoothing Methodology and Valuation Corridor. In April 2005, the PERS Board of Administration adopted its Employer Rate Stability Policy (the “Employer Rate Stability Policy”), which provided for, among other things, calculating the annual contribution amount with regard to gains and losses as a rolling 30-year amortization of all remaining unamortized gains and losses (as opposed to recognizing 10% of annual gains and losses pursuant to prior policy) beginning with the actuarial valuation as of June 30, 2004. Pursuant to such policy change, multiple amortization bases (including those for benefit improvement or changes in actuarial methods or assumptions, which are typically less than 30 years) were combined into a single base (the gain and loss bases) and amortized over a rolling 30-year period to effect a “fresh start” as of June 30, 2004. The Employer Rate Stability Policy did not affect other existing amortization bases for benefit improvements, assumptions changes and method changes. Accordingly, all gains or losses to CALPERS are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in Fiscal Years 2008-09, 2009-10 and 2010-11 as described below. The gains or losses during each of these fiscal years is isolated and amortized over fixed and declining 30-year periods instead of the current, rolling 30-year amortization applied to other fiscal years. If a plan’s accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

In order to moderate the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year’s Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date.

In December 2009, the CALPERS Board of Administration adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the negative 24% investment loss experienced by CALPERS in Fiscal Year 2008-09. Under the new methodology, which is not mandatory for employers, investment gains and losses will be tracked and the net unamortized gain or loss will be amortized and paid off over a fixed and declining 30-year period instead of the current, rolling 30-year amortization period, with the exception of gains and losses in Fiscal Years 2008-09, 2009-10, and 2010-11. For Fiscal Years 2008-09, 2009-10, and 2010-11, such fiscal year’s gains or losses are isolated and amortized over fixed and declining 30-year periods. In addition, CALPERS has adopted a policy such that if a plan’s accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability of such plan may not be less than the amount produced by a 30-year amortization of the unfunded liability. Further, all CALPERS plans will be subject to a minimum employer contribution rate equal to the employer’s normal cost plus a 30-year amortization of surplus, if any.

Pursuant to the current CALPERS valuation policy, the actuarial value of assets for the June 30, 2009 actuarial valuation, which was used to establish the contribution requirements for fiscal year 2010-11, could not be more than 140 percent of the market value or less than 60 percent of the market value. The actuarial value of assets for the June 30, 2010 actuarial valuation, which was used to establish the contribution requirement for Fiscal Year



2011-12, could not be more than 130 percent of the market value or less than 70 percent of the market value. The actuarial value of assets for the June 30, 2011 actuarial valuations, which was used to set the contribution requirements for Fiscal Year 2012-13, could not be more than 120 percent of the market value or less than 80 percent of the market value. Further, the current CALPERS valuation policy dictates that any asset loss outside of the 80 percent to 120 percent corridor will be isolated, and paid down with a fixed and certain 30-year amortization schedule. By utilizing a fixed and certain 30-year payment schedule, CALPERS projects that these losses will be paid in full at the end of 30 years and will be independent of any investment gain or loss experienced by the remainder of CALPERS investment portfolio.

### Historical Funding Progress

The following Tables 15 and 16 sets forth the schedule of funding progress as of the five most recent actuarial valuation dates. Funding progress is measured by a comparison of Miscellaneous Plan assets and Safety Plan assets that have been set aside by CALPERS to pay plan benefits with plan liabilities.

TABLE 15  
CITY OF COMPTON  
SCHEDULE OF FUNDING PROGRESS — MISCELLANEOUS PLAN  
Fiscal Year ended June 30, 2006 through June 30, 2014

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (a) — (b)	Funded (AVA) (b)/(a)	Ratios Market Value	Annual Covered Payroll (c)	UL as a % of Covered Payroll (a)-(b)1/(c)
6/30/2006	\$122,975,578	\$102,506,156	\$20,469,422	83.40%	88.60%	\$12,174,711	168.10%
6/30/2007	130,255,772	109,385,522	20,870,250	84.00	97.90	13,975,341	149.30
6/30/2008	136,746,394	115,068,267	21,678,127	84.10	86.40	15,453,499	140.30
6/30/2009	152,457,507	120,187,692	32,269,815	78.80	57.80	18,433,468	175.10
6/30/2010	157,852,083	124,973,698	32,878,385	79.20	62.20	18,611,429	176.70
6/30/2011	167,117,156	130,053,396	37,063,760	77.80	69.30	17,963,289	206.30
6/30/2012	170,305,337	131,823,644	38,481,693	77.40	64.60	12,707,049	302.80
6/30/2013	173,153,644	117,268,967	55,884,677	67.70	67.70	12,933,325	432.10
6/30/2014	186,893,003	130,923,833	55,969,170	70.10	UA*	12,577,168	445.00

Source: 2014 CALPERS Miscellaneous Valuation.

\* Ratio Market value unavailable for 2014

TABLE 16  
CALPERS RISK POOL  
SCHEDULE OF FUNDING PROGRESS — SAFETY PLAN - FIRE  
Fiscal Year ended June 30, 2006 through June 30, 2012

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (a) - (b)	Funded Ratios		Annual Covered Payroll (c)	UL as a % of Covered Payroll (a)-(b)]/(c)
				(AVA) (b)(a)	Market Value		
6/30/2006	\$7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.90%	88.90%	\$754,730,438	155.70%
6/30/2007	7,986,055,176	6,826,599,459	1,159,455,717	85.50	99.00	831,607,658	139.40
6/30/2008	8,700,467,733	7,464,927,716	1,235,540,017	85.80	87.30	914,840,596	135.10
6/30/2009	9,721,675,347	8,027,158,724	1,694,516,623	82.60	60.20	973,814,168	174.00
6/30/2010	10,165,475,166	8,470,235,152	1,695,240,014	83.30	65.40	955,980,815	177.30
6/30/2011	10,951,745,099	9,135,654,246	1,816,090,803	83.40	74.50	949,833,090	191.20
6/30/2012	11,724,021,480	9,854,787,710	1,869,233,770	84.10	70.40	947,734,809	197.20

Source: 2012 CalPERS Safety Risk Pool Valuation.

The following Table 17 sets forth the value of the assets of the Miscellaneous Plan during the period fiscal year 2005-06 through fiscal year 2013-14 actuarial valuation dates based on the actuarial value and market value.

TABLE 17  
CITY EMPLOYEES RETIREMENT PLAN - MISCELLANEOUS PLAN  
ASSET VALUE COMPARISON  
Fiscal Year ended June 30, 2006 through June 30, 2014

<b>Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Market Value of Assets</b>
6/30/06	\$102,506,156	\$108,980,095
6/30/07	109,385,522	127,474,122
6/30/08	115,068,267	118,152,784
6/30/09	120,187,692	88,094,500
6/30/10	124,973,698	98,186,192
6/30/11	130,053,396	115,812,189
6/30/12	131,823,644	109,176,136
6/30/13	117,268,967	117,268,967
6/30/14	N/A *	130,923,833

Sources: 2008 through 2014 CALPERS Miscellaneous Valuations.

\* According to report, CALPERS no longer uses an actuarial value of assets and only uses the market value of assets.

**Actuarial Assumptions.** The CALPERS Actuary considers various factors in determining the assumptions to be used in calculating funding ratios. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability and other factors. In addition, the CALPERS Actuary considers certain economic factors assumptions in determining the assumptions to be used in calculating funding ratios. The actuarial assumptions have a significant impact on the determination of the ratio of assets of the Miscellaneous Plan and the Safety Plan that are set aside to pay plan benefits. Significant actuarial assumptions of the CALPERS Actuary in the 2012 CALPERS Miscellaneous Valuation and the 2012 Safety Plan include: (a) a rate of return on the investment of 7.5% per year (net of expenses); (b) an inflation assumption of 3.00% compounded annually; and (c) overall payroll growth of 3.00% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). In addition, actuarially determined assumptions relating to salary growth in the amount of 3.30% to 14.20% for the Miscellaneous Plan and the amount set forth in an actuarially determined table for the Safety Plan and assumptions relating to age, service and type of employment, pre- and post-retirement mortality, marital status, age of spouse, terminated members, termination with refund, termination with vested benefits, non-industrial and industrial disability, and service retirement are included in the 2012 CALPERS Miscellaneous Valuation and the 2012 CALPERS Safety Risk Pool Valuation. The potential liability loss for a cost of living increase exceeding the 3% inflation assumption and the potential liability loss, if any, from future members' service purchases are not reflected in the 2013 CALPERS Miscellaneous Valuation or the 2013 CALPERS Safety Valuation.

In April 2012, CALPERS announced changes to certain economic assumptions including the reduction of CALPERS discount rate to 7.50 percent from 7.75 percent. This lower rate will be phased in over a period of two years. The Board of Administration may modify its assumptions based in part on analyses of experience and recommended changes submitted by the CALPERS Actuary.

The following Table 18 sets forth certain economic actuarial assumptions for CALPERS' Public Employees Retirement Fund ("PERF") for the Fiscal Years ended June 30, 2007 through June 30, 2014.

TABLE 18  
CALPERS PUBLIC EMPLOYEES RETIREMENT FUND  
ACTUARIAL ASSUMPTIONS  
Fiscal Years ended June 30, 2007 through June 30, 2014

Actuarial Assumption	2007	2008	2009	2010	2011	2012	2013	2014
Investment Returns	7.75%	7.75%	7.75%	7.75%	7.50%	7.50%	7.50%	7.50%
Inflation	3.00	3.00	3.00	3.00	2.75	2.75	3.00	3.00

Source: CALPERS Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2007 through June 30, 2014 for the assumptions for Fiscal Years ended June 30, 2007 through June 30, 2014

CALPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CALPERS comprehensive annual financial report and actuarial valuations may be obtained from the CALPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Limited Offering Memorandum.

Investment Policy. CALPERS has established a series of procedures and guidelines. The procedures, grouped together as the “Total Fund Statement of Investment Policy” (the “CALPERS Investment Policy”), which was approved by its investment committee on December 14, 2009, guide CALPERS’ investment program. The CALPERS Investment Policy has been designed to allow CALPERS to achieve a long-term total return. As such, prudent risk-taking is appropriate within the context of overall diversification to meet CALPERS long-term investment objectives. The assets of CALPERS are to be broadly diversified to minimize the effect of short-term losses within any investment program. In addition, consistent with Article XVI, section 17 of the California Constitution, all of CALPERS investment activities, and all investment transactions, are to be designed and executed solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering CALPERS. The performance objective and benchmark of the Investment Policy directs that: (i) the assets of CALPERS will be invested to meet or exceed the actuarial rate over the long-term; (ii) CALPERS will seek to maximize the returns for the level of risk taken; (iii) CALPERS will seek to achieve a return that exceeds its policy index; and (iv) CALPERS will invest its assets efficiently, bearing in mind the impact of management and transaction costs on the return of the assets.

The following Table 19 sets forth the asset allocations for the PERF, of which the assets for the Safety Plan and the Miscellaneous Plan are a part and are invested accordingly, and the PERF investment portfolio as of March 31, 2014.

TABLE 19  
CALPERS PUBLIC EMPLOYEES RETIREMENT FUND  
INVESTMENT ASSET ALLOCATION  
(\$ in Billions)  
As of March 31, 2014

Asset Class	Market Value	Allocation	Target
Total Equities	\$191.74	63.6%	64.0%
Total Fixed Income	47.03	15.6	17.0
Short Term Liquidity	9.05	3.0	4.0
Real Estate Assets	30.15	10.0	11.0
Inflation Protected	9.94	3.3	4.0
Total Plan Level / Multi-Asset	9.04	3.0	-
Absolute Return Strategy	4.53	1.5	-
Total Fund	\$301.48	100.0%	100.0%

Source: www.calpers.ca.gov. Target allocation is effective as of 2014.

The following Table 20 sets forth the annualized rate of return on investments in the Public Employees Retirement Fund, which includes the City's Miscellaneous Plan and Safety Plan, for the Fiscal Years ended June 30, 2005 through June 30, 2014 based upon the market value of the investments.

TABLE 20  
CALPERS PUBLIC EMPLOYEES RETIREMENT FUND  
INVESTMENT RESULTS  
Fiscal Year ended June 30, 2005 through June 30, 2014

Fiscal Year Ended June 30	Annualized Rates of Return
2005	12.2
2006	11.9
2007	18.8
2008	(2.9)
2009	(23.6)
2010	11.1
2011	20.7
2012	1.0
2013	12.5
2014	18.4

Source: CALPERS Facts at a Glance June 2015

Pension Accounting and Financial Reporting Standards. In 2012, the Governmental Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the City. GASB 68, among other things, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including through guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost allocation method. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The City anticipates complying with the provisions of GASB 68 by its effective dates.

Retirement Benefits Payments. For several years beginning in Fiscal Year 2006-07 the City experienced difficulty making required payments on a timely basis to CALPERS for certain pension costs. During the months of October and December, 2012, the City remitted funds to CALPERS satisfying all outstanding amounts then due. Since 2012, a combination of improved cash flow and balanced budgets have enabled the City to remain current with payment of its obligation to CALPERS.

### **Other Postemployment Benefits**

General. In addition to the benefits provided through the Miscellaneous Plan and the Safety Plan, the City provides postemployment healthcare benefits ("OPEB") under the CALPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City's actuary conducted an OPEB valuation as of June 30, 2011 (the "2011 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the City. According to disclosures in the City of Compton Annual Financial Report for the Fiscal Year Ended June 30, 2012, the 2011 OPEB Valuation reflected an actuarial accrued liability of approximately \$116.9 million as of June 30, 2011, which amount is a decrease in the actuarial accrued liability of approximately \$8.80 million from June 30, 2009. The 2011 OPEB Valuation reflected an actuarial value of assets of \$0 and an annual required contribution of 46.4% of projected payroll as of June 30, 2012 and 36.0% of projected payroll as of June 30, 2013. The City's OPEB valuation as of June 30, 2009 (the "2009 OPEB Valuation") reflected an annual contribution of 37.4% of projected payroll as of June 30, 2010 and 48.8% of projected payroll as of June 30, 2011. The pay-as-you-go cost of the City's OPEB was approximately \$3.57 million as of June 30, 2011. The annual required contribution in the 2009 OPEB Valuation was used to determine the contribution requirement for Fiscal Years 2011-12 and 2012-13. The assumptions used in the 2011 OPEB Valuation included an individual entry-age normal cost method, 4.25% rate of return on investments, an aggregate payroll increase of 3.25% per year with

merit increased based upon CALPERS' 1997-2007 CALPERS Experience Study (the "CALPERS Experience Study"), mortality, withdrawal, disability and retirement based upon the CALPERS Experience Study. The assumptions regarding investment rate of return and health care cost include a 3% inflation assumption. In addition, the 2009 Postemployment Valuation assumes full funding of the ARC through CALPERS' California Employers' Retiree Benefit Trust Fund. The UAAL of the City's OPEB plan is being amortized as a level percentage of projected payroll over 30 years. Plan changes are amortized over a fixed period of 20 years and assumption changes and experience gains and losses are amortized over a fixed period of 15 years. The next OPEB valuation will be as of June 30, 2014. Any changes made by the City to the assumed investment rate of return will apply to future OPEB valuations.

The following Table 21 sets forth members of the City's OPEB plan as of June 30, 2012.

TABLE 21  
CITY OF COMPTON  
OPEB PLAN MEMBERSHIP<sup>1</sup>  
Fiscal Year ended June 30, 2012

	Miscellaneous	Safety Police	Safety Fire	Total
Active Members Employee	233	--	68	301
Service Retirees	442	270	136	848
Total Membership	675	270	204	1,149

<sup>1</sup> Includes Beneficiaries.

Source: City of Compton Annual Financial Report for Fiscal Year Ended June 30, 2012

The City currently funds these benefits on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year. The City makes a defined monthly payment towards the cost of each retiree's coverage. The City contributed \$3,569,781 to the plan for the Fiscal Year ended June 30, 2011. The City's contribution rate for Fiscal Year 2011-12 was \$3,760,080 and the City's contribution rate for Fiscal Year 2012-13 was \$4,075,351.

The City's ARC for OPEB was \$11,599,000 for Miscellaneous Plan members and \$2,994,000 for Safety Plan members for Fiscal Year ended June 30, 2011. The following, based on the actuarial valuation as of June 30, 2013, shows the components of the City's annual OPEB Cost for the year, the amount contributed to the plan, and the change in the City's Net OPEB obligation.

TABLE 22  
CITY OF COMPTON  
ANNUAL PENSION COST AND PREPAID PENSION ASSET  
Fiscal Year ended June 30, 2013

	Total
Annual Service Cost	\$9,820,000
Interest on Net OPEB Obligation	1,299,000
Adjustment to Service Cost	(1,427,000)
Required Contribution During the Year (if plan is prefunded)	\$9,692,000
Contribution paid (based on Pay-As-You-Go Basis)	(4,075,351)
Increase in Net OPEB Obligation	\$5,616,649
Net OPEB Obligation — Beginning of Year	\$30,692,139
Net OPEB Obligation — End of Year	\$36,308,788

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2013

Table 23 below sets forth the City's annual OPEB Cost, the percentage of the annual OPEB cost contributed by the City and the Net OPEB obligation subsequent to such contributions for the fiscal years ended June 30, 2009 through fiscal year ended June 30, 2013. Pursuant to City policy, the City operates a pay-as-you-go plan with respect to its OPEB. Accordingly, the annual OPEB contribution paid is lower than the actuarially determined required contribution. Further, the City pays its OPEB on actual invoice basis representing the actual

health expenses incurred by the covered retired employees during the year rather than pre-funding OPEB payments. There is presently no plan asset attributable to the OPEB plan and the City does not intend to prefund the OPEB plan.

TABLE 23  
CITY OF COMPTON  
ANNUAL OPEB COST  
Fiscal Years ended June 30, 2009 through 2013

<b>Fiscal Year Ended (June 30)</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2009	\$10,625,321	31%	\$ 9,819,737
2010	10,795,364	30	17,364,000
2011	11,453,000	31	25,247,219
2012	9,205,000	41	30,692,139
2013	9,692,000	42	36,308,788

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited), City of Compton Annual Financial Report for Fiscal Year ended June 30, 2012 and City of Compton Annual Financial Report for Fiscal Year ended June 30, 2013

OPEB Historical Funding Progress. The following Table 25 sets forth the schedule of funding progress of the City's AAL with respect to OPEB plan members as based upon the Actuarial Valuation of the City of Compton for the Year ended June 30, 2011 (the "2011 OPEB Valuation"). Funding progress is measured by a comparison of assets which have been set aside by the City to pay OPEB benefits with plan liabilities.

TABLE 24  
CITY OF COMPTON - OPEB  
OPEB SCHEDULE OF FUNDING PROGRESS — MISCELLANEOUS  
Fiscal Year ended June 30, 2011

<b>Valuation (Date)</b>	<b>Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Actuarial Accrued Liability (Excess Assets)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Payroll</b>
June 30, 2009	\$125,693,000	\$ 0	\$125,693,000	N/A	\$24,697,000	508.94%
June 30, 2011	116,939,000	0	116,939,000	N/A	26,315,000	444.00%

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2011 (Unaudited), City of Compton Annual Financial Report for Fiscal Year ended June 30, 2012 and City of Compton Annual Financial Report for Fiscal Year ended June 30, 2013

## Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has established a Self Insurance Fund (an internal service fund) to account for and finance its self-insured risks of loss (the "Self Insurance Fund"). The Self Insurance Fund provides self-insurance to protect the City from losses due to workers' compensation and general liability claims which include all other risks of loss. The following Table 25 sets forth the Self Insurance Fund's claims liability amount in Fiscal Years 2006-07 through 2012-13.

TABLE 25  
CITY OF COMPTON  
CLAIMS AND JUDGMENTS  
Fiscal Years 2006-07 through 2012-13

<b>Fiscal Year</b>	<b>Beginning of Fiscal-Year Liability</b>	<b>Current-Year Claims and Changes in Provision</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2006-07	\$ 8,249,762	\$5,023,726	\$(3,260,366)	\$10,013,122
2007-08	10,013,122	1,810,808	(3,738,337)	5,674,940
2008-09	5,674,940	1,916,375	(2,445,387)	5,145,928
2009-10	5,145,928	5,575,232	(2,668,952)	8,052,208
2010-11	8,052,208	3,427,720	(1,712,085)	9,767,843
2011-12	9,767,843	3,256,258	(1,677,063)	11,347,038
2012-13	11,347,038	3,770,561	(1,891,148)	13,226,451

Source: City of Compton Annual Financial Report for Fiscal Years ended June 30, 2007 through 2013.

Includes incurred claims representing the total of a provision for events of the current fiscal year and any change in the provision for events of prior fiscal years.

### Indebtedness

**Debt Policy.** The City Charter provides that the bonded indebtedness of the City may not exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purpose of acquiring, establishing or extending a system of water-works for the supplying of water, or for the purpose of constructing sewers or drains in the City, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and the City Charter. The taxable property value in the City for Fiscal Year 2014-15 is approximately \$5.19 billion, which results in a total current bonding capacity of approximately \$778.5 million. The City has never failed to pay any note, long term indebtedness or lease obligation as and when due.

### Long Term Debt.

The following Table 26 sets forth of long-term debt obligations payable from the City's General Fund.

TABLE 26  
CITY OF COMPTON  
SUMMARY OF LONG-TERM DEBT OBLIGATIONS  
PAYABLE FROM THE GENERAL FUND  
As of June 30, 2014

	<b>Interest Rates</b>	<b>Final Maturity Dates</b>	<b>Original Principal Amounts</b>	<b>Principal Amounts Outstanding</b>
Energy Retrofit/Revenue Enhancement Mortgage Loan (2006)	4.52	July 1, 2022	\$4,012,184	\$2,559,554
Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects) Series 2008	5.00 - 5.25	September 1, 2032	46,860,000	45,730,000
Total			\$50,872,184	\$48,289,554

Source: City of Compton.

The long term obligations listed in Table 27 reflect obligations payable from General Fund revenues. The long-term obligations set forth in Note 8 of the City of Compton Annual Financial Report for Fiscal Year ended June 30, 2012 include obligations payable from enterprise fund revenues and other sources outside of the City's General Fund.

**Lease Obligations.** As of June 30, 2015, the City was the lessee under certain capital leases in effect with respect to tree trimming truck, film processor / speedsetter equipment and a printing press machine. The following Table 27 sets forth the minimum lease obligation which existed in Fiscal Years 2013-14 through 2014-15 required

by the City under capital leases as of June 30, 2015. However, as of June 30, 2015 all the City's capital leases were fully paid. The City currently has no capital leases.

TABLE 27  
CITY OF COMPTON  
MINIMUM CAPITAL LEASE OBLIGATION  
As of June 30, 2015

<b>Fiscal Year ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2014	\$171,521	\$15,727
2015	23,383	557
Totals	\$194,904	\$15,745

Source: City of Compton Annual Financial Report for Fiscal Year ended June 30, 2013.

The balances of the capital lease for 2014 and 2015 are shown on the City of Compton Annual Financial Report for Fiscal Year ended June 30, 2013.

### **Direct and Overlapping Debt**

Set forth in the following Table 28 on the following page is a direct and overlapping bonded indebtedness report as of October 1, 2013 (the "Debt Report") which was compiled by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City.

Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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TABLE 28  
CITY OF COMPTON  
Estimated Direct and Overlapping Bonded Debt  
As of October 1, 2014

2013-14 Assessed Valuation: \$4,981,467,529

	<b>Total Debt 6/30/14</b>	<b>% Applicable <sup>(1)</sup></b>	<b>City's Share of Debt 6/30/14</b>
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Los Angeles County Flood Control District	\$ 17,480,000	0.432%	\$ 75,514
Metropolitan Water District	132,275,000	0.228	301,587
Compton Community College District	77,146,094	29.897	23,064,368
Compton Unified School District	50,730,664	54.160	27,475,728
Lynwood Unified School District	46,504,749	1.030	478,999
Paramount Unified School District	118,032,807	0.030	35,410
Los Angeles County Regional Park and Open Space Assessment District	113,615,000	0.437	496,498
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$51,928,104</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Los Angeles County General Fund Obligations	\$1,835,420,030	0.437%	\$ 8,020,786
Los Angeles County Superintendent of Schools Certificates of Participation	9,529,882	0.437	41,646
Compton Unified School District Certificates of Participation	25,670,000	54.160	13,902,872
Lynwood Unified School District Certificates of Participation	20,985,000	1.030	216,146
Paramount Unified School District Certificates of Participation	27,375,213	0.030	8,213
City of Compton Certificates of Participation	<b>45,730,000</b>	<b>100.</b>	<b>45,730,000</b>
Los Angeles County Sanitation District No. 1 Authority	14,080,542	13.739	1,934,526
Los Angeles County Sanitation District No. 2 Authority	21,741,384	0.008	1,739
Los Angeles County Sanitation District No. 8 Authority	8,580,998	7.793	668,717
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$70,524,645</b>
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>22,004</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$60,502,641</b>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$108,372,530	100. %	\$108,372,530
<b>TOTAL DIRECT DEBT</b>			<b>\$ 45,730,000</b>
<b>TOTAL GROSS OVERLAPPING DEBT</b>			<b>\$185,095,279</b>
<b>TOTAL NET OVERLAPPING DEBT</b>			<b>\$185,073,275</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$230,825,279</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$230,803,275<sup>2</sup></b>

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt .....	1.04%
<b>Total Direct Debt (\$45,730,000) .....</b>	<b>0.92%</b>
Gross Combined Total Debt .....	4.63%
Net Combined Total Debt .....	4.63%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,966,440,889):

Total Overlapping Tax Increment Debt .....	5.51%
AB:(\$475)	

## General Fund Financial Statements

Except as noted below, the City's accounting policies and audited financial statements conform to generally accepted accounting principles and standards for public financial reporting established by the Governmental Accounting Standards Board ("GASB").

The City's basis of accounting for its governmental type funds and agency funds is the modified accrual basis with revenues being recorded when available and measurable and expenditures being recorded when services or goods are received and with all unpaid liabilities being accrued at year end. The accrual basis of accounting is utilized in the Proprietary Funds and the Pension Trust Fund. All of the financial statements contained in this Limited Offering Memorandum, other than the General Fund Cash Flow Schedules, have been prepared as described above.

Funds accounted for by the City are categorized as follows:

Governmental Funds	Proprietary Funds	Fiduciary Funds
General Fund	Enterprise Funds	Agency Funds
Capital Projects Funds	Internal Service Funds	Successor Agency Trust Funds
Special Revenue Funds		
Debt Service Funds		
Nonmajor Governmental Funds		

## City Investment Policy

The City's current investment policy (the "Investment Policy") was filed by the City Treasurer pursuant to Section 53646(a) of the California Government Code. The Investment Policy provides guidelines for City officers charged with the investment of idle cash to ensure prudent investment and cash management practices. The Investment Policy establishes three criteria for selecting investment vehicles: safety, liquidity and yield. The Investment Policy states that its primary objectives are to protect the principal and asset holdings of the City's portfolio, to ensure adequate liquidity is provided for the prompt, efficient handling of the City's disbursement, and to generate the maximum amount of investment income within the parameters of the Investment Policy and the guidelines for suitable investments. The ultimate goal is to enhance the economic status of the City while protecting its funds.

The City Treasurer is required to provide a monthly report (the "Treasurer's Monthly Report") to the City Council showing the type of investment, institution, date of maturity, par value of investment, cost basis of investment, current market value change of all securities, rate of interest, interest earned, gains and losses and such data as may be required by the City Council. The City Treasurer's Monthly Report is also required to comply with Governmental Accounting Standards Board Statement No. 31 and to detail all repurchase agreements and state its compliance with the Investment Policy as directed under the Government Code.

The Investment Policy allows the City to invest in various instruments that have maturities of five years or less at the time of purchase in the treasury of the City (the "City Treasury"). These investments generally include (i) United States Treasury Bills, Notes and Bonds, or those for which the full faith and credit of the United States are pledged for payment of principal and interest; (ii) obligations issued by the Government National Mortgage Association, the Federal Farm Credit Bank System, the Federal Home Bank Board, and the Federal National Mortgage Association and those insured by the Federal Housing Administration; (iii) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptance; (iv) Commercial paper ranked "P 1" by Moody's Investor Services and "A 1+" by Standard and Poor's, and issued by a domestic corporation having assets in excess of \$500,000,000 and having an "AA" or better rating on its long term debentures as provided by Moody's or Standard and Poor's; (v) negotiable certificates of deposit issued by a nationally or State-Chartered Bank or a State or Federal Savings and Loan Association; (vi) repurchase agreements with banks and dealers with which the City has entered into a master repurchase contract that specifies terms and conditions of repurchase agreements; (vii) reverse repurchase agreements that specify terms and conditions may be transacted with broker dealers and financial institutions, but do not exceed 20% of the portfolio value on the date entered into and do not exceed 90 days; (viii) Local Agency Investment Fund; (ix) non-negotiable time deposits collateralized in accordance with the California Government Code; (x) medium term cooperative notes, with a maximum maturity of five years, may be purchased; (xi) mutual funds investments; and (xii) mutual funds (money market funds). The

Investment Policy prohibits investments not described in the Investment Policy, including, but not limited to common stocks from the use in the City's investment fund. From time to time bills are proposed in the State Legislature that would modify the currently authorized investments and place restrictions on the ability of local agencies to invest in various securities. Therefore, there can be no assurances that the current investments in the City Treasury will not vary from the investments described herein or as may be authorized in the future by the California Government Code.

The City may not invest in securities with maturities greater than five years from the date of investment and directs that market risk, defined as market value fluctuations due to overall, changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the City's investment portfolio to two years. The City believes that the City Treasury is prudently invested and that investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the City's expenditures and other scheduled withdrawals.

The City Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each security type. The composition of the City Treasury will change over time as old investments mature and as new investments are made. Since July 1, 1997, the City, in accordance with new GASB regulations, has not realized market value fluctuations for the investments in the City Treasury on its income statements but has disclosed gains.

As of April 30, 2016, City Treasury reflected an effective rate of return was .40%. The City's YTD return as of April 30, 2016 was 0.38%. The City determines the market value of the City Treasury on a monthly basis but does not mark-to-market. Current liquidity in the City Treasury, consisting of cash, investments in mutual funds and investments in cash equivalents, is approximately 100% as of April 30, 2016. The weighted average days-to-maturity for the month ended April 30 2016 was one day.

Derivatives such as inverse-floating rate securities are not held in the City Treasury. The City Treasury also does not own any reverse repurchase agreements, nor has the City engaged in securities lending. The City Treasury has not purchased and does not own any collateralized debt obligations, collateralized loan obligations, or any other securities backed by or derived from sub-prime or Alt-A mortgages.

The value of the various investments in the City Treasury will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the City Treasury will not vary from the values described herein.

The following Table 29 reflects various information with respect to the City Treasury as of the close of business on April 30, 2016 (the "April 2016 Treasury Report"). Apart from the investment report produced periodically, the City Treasurer also produces weekly cash balance report utilized to monitor the City's actual cash balance in the bank. The City has payments of principal of and interest due on the City's Sewer Refunding Bonds, Series 1998 and Sewer Revenue Bonds, Series 2009 and the Compton Public Finance Authority Lease Revenue Bonds (Refunding and Various Capital Projects) which will be paid from the available cash in the bank and the City's investments. As described above, a wide range of investments are authorized under State law.

TABLE 29  
CITY OF COMPTON  
City Treasury  
As of April 30, 2016

	Net Market Value	Percentage of Total Net Market Value
INVESTMENTS		
Passbook/Checking Accounts	\$ 603,877	3.64%
Local Agency Investment Fund	15,858,586	95.61
Managed Pool & Money Market Account	<u>124,486</u>	<u>0.75</u>
TOTAL INVESTMENTS	\$16,586,950	100.00

Source: City of Compton City Treasurer.

The following information concerning the State's budgets has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget". An impartial analysis of the State's budget is posted by the Legislative Analyst's Office (the "LAO") at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov) and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, [emma.msrb.org](http://emma.msrb.org). The information referred to on the website of the State Treasurer is prepared by the State and not by the City, and the City takes no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

### **The State Budget Process; Fiscal Year 2016-17 State Budget and May Revision**

According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget to the State Legislature (the "Legislature") no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Prior to Fiscal Year 2010-11, the State budget had to be adopted by a two-thirds vote of each house of the Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

The Governor's January budget proposed the first state cost-of-living increase for Supplemental Security Income/State Supplementary Payment recipients since 2005. Elements of the May budget revision reflect \$3.2 billion in state and federal funding and award authority for various affordable housing and homelessness programs and endorses the Senate's concept of a \$2 billion bond from a portion of future Proposition 63 mental health revenues. The May revision proposes first year funding of \$267 Million from the bond proceeds. The May revision continues to prioritize funding for education, infrastructure and sustainability. In April the Governor signed legislation that will raise the minimum wage for all workers to \$15 per hour as soon as 2023. (Source: "May Revision 2016-17 Governor's Budget" See, [www.ebudget.ca.gov/FullBudgetSummary.pdf](http://www.ebudget.ca.gov/FullBudgetSummary.pdf)).

### **Future State Budgets**

No prediction can be made by the City as to whether the State will encounter budgetary problems in this or in any future fiscal years, and, if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of current or future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken by the Legislature and Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the City has no control.

### **Potential Impact of the State of California's Financial Condition on the City**

There can be no assurance that, as a result of the current State financial condition, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions will be taken in the future by the Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the City has no control.

There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

## DEMOGRAPHIC INFORMATION

### Population

The following Table 30 sets forth estimates of the population of the City, the County and the State of California as of January 1 for the years 2005 through 2016 for the State and the County and as of January 1, 2015 for the City.

TABLE 30  
CITY, COUNTY AND STATE POPULATION ESTIMATES  
2005 through 2016

Year (as of January 1)	City of Compton	County of Los Angeles	State of California
2005	96,033	9,816,153	35,869,173
2006	95,659	9,798,609	36,116,202
2007	99,451	9,780,808	36,399,676
2008	99,242	9,785,474	36,704,375
2009	99,431	9,801,096	36,966,713
2010	99,064	9,822,121	37,223,900
2011	96,925	9,847,712	37,427,946
2012	97,058	9,963,811	37,984,138
2013	97,606	10,017,068	38,332,521
2014	98,082	10,041,797	38,340,074
2015	98,506	10,136,559	38,714,725
2016		10,241,335	39,255,883

Sources: City of Compton for Population Estimates for the City; State of California Department of Finance Demographic Research Unit for Population Estimates of the County and the State.

## Labor Force

The following Table 31 sets forth the labor force, employment and unemployment figures from calendar year 2011 through 2016 for the City, the County and the State of California.

TABLE 31  
CITY OF COMPTON, COUNTY OF LOS ANGELES AND STATE OF CALIFORNIA  
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
Calendar Years 2011 through 2016<sup>(1)</sup>

	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(2)</sup>
<b>2011</b>				
City of Compton	37,500	29,700	7,700	20.6
County of Los Angeles	4,924,400	4,318,900	605,500	12.3
State of California	18,384,900	16,226,600	2,158,300	11.7
<b>2012</b>				
City of Compton	36,700	29,900	6,800	18.6
County of Los Angeles	4,879,700	4,345,700	534,000	11.0
State of California	18,496,000	16,561,500	1,934,500	10.45
<b>2013</b>				
City of Compton	36,800	30,600	6,200	17.0
County of Los Angeles	4,954,800	4,454,800	500,000	10.1
State of California	18,661,000	17,155,600	1,505,400	8.1
<b>2014</b>				
City of Compton	40,900	35,700	5,200	12.7
County of Los Angeles	5,025,900	4,610,800	415,100	8.3
State of California	18,811,400	17,397,100	1,414,300	7.5
<b>2015</b>				
City of Compton	40,100	36,000	4,200	10.4
County of Los Angeles	5,011,700	4,674,800	336,900	6.7
State of California	19,036,600	17,871,700	1,164,900	6.1
<b>2016</b>				
City of Compton	39,400	36,800	2,700	6.7
County of Los Angeles	4,990,800	4,777,200	213,600	4.3
State of California	18,983,900	18,085,000	898,900	4.7

<sup>(1)</sup> All information updated per March 2015 Benchmark.

<sup>(2)</sup> The State Employment Development Department has reported a preliminary non-seasonally adjusted unemployment rate within the City of 6.7% for May 2016.

Source: State of California Employment Development Department.

The following Table 32 sets forth the annual averages for non-agricultural labor force and industry employment within the County from 2011 through 2015.

TABLE 32  
COUNTY OF LOS ANGELES  
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT  
ANNUAL AVERAGES  
2011 to 2015  
(in thousands)

<b>Employment Sector</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Mining and Logging	4.0	4.2	4.6	4.7	3.9
Construction	103.5	108.8	116.5	120.2	126.1
Manufacturing	365.4	365.7	366.5	364.9	360.8
Trade, Transportation and Utilities	748.0	762.0	780.7	800.7	817.8
Information	195.6	190.3	197.3	195.9	202.7
Financial Activities	209.4	210.2	211.8	209.7	214.2
Professional and Business Services	540.4	567.2	590.3	609.4	600.3
Educational and Health Services	534.8	544.3	713.4	748.0	742.2
Leisure and Hospitality	392.8	414.1	436.7	464.6	488.1
Other Services	135.0	140.7	145.5	151.7	151.7
Government	<u>565.2</u>	<u>556.8</u>	<u>549.2</u>	<u>556.7</u>	<u>566.4</u>
Total	3,794.1	3,864.1	4,112.5	4,226.5	4,274.2

Source: California Employment Development Department, May 2015 Benchmark. Totals may not equal sum of component parts due to rounding.

The following Table 33 sets forth the largest employers and the estimated number of employees for such employers in the City during the period 2013-14.

TABLE 33  
CITY OF COMPTON TOP TEN EMPLOYERS  
2013-14

<b>Company's Name</b>	<b>Number of Employees</b>	<b>Percent of Total Employment (%)</b>
Compton Unified School District	3,099	8.38%
Ralph's Grocery Company	1,786	4.83%
Compton Community College District	475	1.28%
Los Angeles County*	420	1.14%
4 Wheel Parts Wholesalers Inc.	375	1.01%
Precomp/Smittybilt Inc.	360	0.97%
City of Compton	318	0.86%
Foster Farms	262	0.71%
Gourmet Foods Inc. **	255	0.69%
Nabors Well Services Co	<u>200</u>	0.54%
Total Top Employers	7,550	20.41%
 Total Labor Force <sup>1</sup>	 37,000	 100.00%

<sup>1</sup> Total City Labor Force provided by EDD Labor Force Data.

\* Includes all Los Angeles County employees at Compton Courthouse. Prior year was countywide.

\*\* Count includes temps.

Source: 2013-14 SBOE data, MuniServices, LLC – results based on direct correspondence with city's local businesses.

## Household Income

The following Table 34 sets forth the median household income for the City, the County, the State, and the United States for calendar years 2010 through 2014.

TABLE 34  
MEDIAN HOUSEHOLD INCOME<sup>(1)</sup>  
Calendar Years 2010 through 2014

Year	City of Compton	County of Los Angeles	State of California	United States of America
2010	\$43,201	\$55,476	\$60,883	\$51,914
2011	43,311	56,266	61,632	52,762
2012	42,335	56,241	61,400	51,371
2013	42,953	55,909	61,094	53,046
2014	43,230	55,870	61,489	53,482

Source: U.S. Census Bureau - Economic Characteristics - American Community Survey, 5-year estimates.

<sup>(1)</sup> Estimated. In inflation-adjusted dollars.

## Per Capita Personal Income

The following Table 35 sets forth the per capita income within the County, the State and the United States from 2011 through 2015.

TABLE 35  
STATE OF CALIFORNIA AND UNITED STATES OF AMERICA  
PER CAPITA PERSONAL INCOME<sup>(1)</sup>

	Calendar Years 2011 to 2015				
	2011	2012	2013	2014	2015
County of Los Angeles	\$44,627	\$47,713	\$47,580	\$49,400	n/a
State of California	\$44,852	\$47,614	\$48,125	\$49,985	\$52,651
United States of America	\$42,453	\$44,266	\$44,438	\$46,049	\$47,669

Source: U.S. Bureau of Economic Analysis.

<sup>(1)</sup> Estimated. Not adjusted for inflation.

## Construction Activity

The following Table 36 sets forth the number of new privately-owned single family and multi-family residential building permits issued within the City from calendar years 2011 through 2015.

TABLE 36  
CITY OF COMPTON  
BUILDING PERMITS  
Calendar Years 2011 to 2015

	2011	2012	2013	2014	2015
New Dwelling Units:	6	11	14	6	4
Single Family	222	253	276	190	204
Multiple Family	<u>932</u>	<u>719</u>	<u>697</u>	<u>445</u>	<u>409</u>
Total	1,160	983	987	641	617

Source: U.S. Bureau of the Census.

The following Table 37 sets forth the permit valuation of residential and non-residential construction within the City from calendar years 2007 through 2015.



TABLE 37  
CITY OF COMPTON  
BUILDING PERMIT VALUATION BY TYPE OF CONSTRUCTION  
Calendar Years 2011 to 2015  
(\$ in thousands)

Type	2011	2012	2013	2014	2015
Residential <sup>(1)</sup>	\$312,491.60	\$299,592.00	\$442,666.30	\$277,825.50	\$379,219.50
Non-Residential <sup>(2)</sup>	<u>393,111.30</u>	<u>336,447.60</u>	<u>518,438.40</u>	<u>373,322.00</u>	<u>543,831.70</u>
Total Valuation	\$705,602.90	\$636,039.60	\$961,104.70	\$651,147.50	\$923,051.20

Source: California Home Building Foundation

<sup>(1)</sup> Includes residential alterations.

<sup>(2)</sup> Includes non-residential-garages.

### Regional Economy

The following Table 38 sets forth the County's gross domestic product, which is an estimate of the value for all goods and services produced in the County, from Fiscal Years 2010 through 2014.

TABLE 38  
COUNTY OF LOS ANGELES  
GROSS DOMESTIC PRODUCT  
Fiscal Years ended June 30, 2010 through June 30, 2014  
(in billions of current \$)

Fiscal Year	Gross Domestic Product
2009-10	764.9
2010-11	779.2
2011-12	806.4
2012-13	833.8
2013-14	866.7

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; reflects data as of September 2015.

### Commercial Activity

The following Table 39 sets forth information regarding taxable sales in the City for calendar years 2006-2008. In early 2007, the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System ("NAICS") codes. The California State Board of Equalization completed the process of converting business codes of sales and use tax permit holders to NAICS codes for 2009 data. As a result of the coding change process, industry data for 2007 and 2008 is not comparable with data from prior years. The following Table 41 reflects implementation of the NAICS codes and new industry categories.

The following Table 39 sets forth taxable sales in the City for the calendar years 2009 through 2013. The California State Board of Equalization, Taxable Sales in California 2014, first quarter report does not report sales for the City.

TABLE 39  
CITY OF COMPTON  
TAXABLE SALES  
Calendar Years 2009 to 2013  
(\$ in thousands)

<b>Type of Business</b>	<b>2009 Annual</b>	<b>2010 Annual</b>	<b>2011 Annual</b>	<b>2012 Annual</b>	<b>2013 Annual</b>
Retail and Food Services					
Motor Vehicles and Parts Dealers	\$24,163	\$22,057	\$24,421	\$20,260	\$27,104
Home Furnishings and Appliance Stores	39,050	36,384	38,703	56,658	43,310
Building Material, Garden Equipment and Supplies					
Food and Beverage Stores	50,393	56,964	74,016	60,404	77,368
Gasoline Stations	59,829	66,560	86,560	98,910	95,125
Clothing and Clothing Accessories Stores	32,392	36,473	40,186	43,843	46,596
General Merchandise Stores	36,147		39,162	41,077	42,474
Food Services and Drinking Places	56,330	56,815	60,178	65,002	72,331
Other Retail Group	67,959	105,164	68,591	70,567	72,912
All Other Outlets	<u>164,317</u>	<u>159,448</u>	<u>163,755</u>	<u>175,894</u>	<u>200,568</u>
<b>TOTAL ALL OUTLETS:</b>	<b>\$530,579</b>	<b>\$539,865</b>	<b>\$595,571</b>	<b>\$638,615</b>	<b>\$677,787</b>

Source: California State Board of Equalization, Taxable Sales in California

### Community Facilities

The City contains several hospitals, theaters and other recreational venues, including the Compton Par 3 Golf Course and the Compton/Woodley Airport, which offers flight training programs and Tomorrow's Aeronautical Museum.

### Transportation

The City is known as the "Hub City" because of its unique position in almost the exact geographical center of the County. Interstate Highways 105, 110, 710, and 405, along with State Highway 91 outline the general boundaries of the City and provide superior access to destinations throughout the region. The Port of Long Beach and the Port of Los Angeles are less than 20 minutes from downtown Compton and provide access to international destinations for customers, suppliers and leisure travelers. The Alameda Corridor, a passageway for approximately 25 percent of all United States waterborne international trade, runs directly through the City from north to south.

Compton/Woodley Airport is a small general aviation airport located in the City and is situated within a few miles of both Los Angeles International Airport and Long Beach Airport. The Los Angeles Metropolitan Transportation Authority provides Metro Blue Line light rail service running north-south through the City and connects the City to the downtown areas of the City of Los Angeles and the City of Long Beach.

### Education

The Compton Unified School District (the "District") operated twenty-two elementary schools, eight middle schools and three senior high schools as of October 2012. The District also maintains one adult school, three alternative schools and a middle college. The District has a population of approximately 160,000 residents and encompasses approximately 10.5 square miles. The District's enrollment has decreased from 30,775 in the 1999-00 school year to 25,000 in the 2014-15 school year.

El Camino College Compton Center (formerly known as Compton Community College, the "College"), which is located in the City, has a full schedule of academic and vocational classes and offers Associate of Arts degrees and course credits that are transferable to four year colleges universities. The College became a part of El Camino College on August 23, 2006, after the Accrediting Commission for Community and Junior Colleges terminated the College's accreditation. Enrollment in the 2005-06 school year was approximately 6,626 students. The El Camino College Compton Center Annual Fact Book 2014-15 lists the total daytime and evening student enrollment at 7,701.

**APPENDIX B**  
**CITY OF COMPTON FISCAL YEAR 2016-17 CASH FLOW PROJECTIONS**

**CITY OF COMPTON**  
PROJECTED GENERAL FUND CASH FLOW (WITHOUT TRANS)  
FISCAL YEAR 2016-17

<u>DESCRIPTION</u>	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	FY 2016-17 TOTALS
<b>BEGINNING CASH BALANCE</b>	<b>1,078,852</b>	<b>(994,242)</b>	<b>(4,898,857)</b>	<b>(5,519,891)</b>	<b>(7,326,859)</b>	<b>(8,510,463)</b>	<b>(9,265,944)</b>	<b>(5,301,557)</b>	<b>(5,086,059)</b>	<b>(5,165,859)</b>	<b>(5,650,920)</b>	<b>(1,748,912)</b>	<b>1,078,852</b>
<b><u>CASH RECEIPTS</u></b>													
Property Taxes	-	-	-	-	25,000	200,000	400,000	2,000,000	200,000	815,000	490,000	-	4,130,000
Sales and Use Tax	650,000	625,000	675,516	621,755	623,863	628,405	735,501	573,060	754,273	604,020	624,240	625,250	7,740,883
Franchise Taxes	70,000	68,769	234,173	118,112	187,862	96,192	15,231	189,254	87,294	711,708	178,099	132,310	2,089,003
Transient Occupancy	7,000	2,218	10,184	7,987	7,566	11,660	10,757	9,821	14,859	1,270	12,937	8,080	104,339
Property Transfer Tax	-	-	17,000	32,000	-	-	21,000	-	105,000	13,000	-	14,000	202,000
Utility Users Tax	270,000	1,150,000	1,300,000	1,290,000	1,200,000	550,000	1,650,000	1,000,000	1,250,000	1,125,000	1,100,000	1,250,000	13,135,000
Casino License Fees	150,000	148,823	152,136	143,329	151,785	146,408	148,972	142,518	145,661	160,001	156,727	136,350	1,782,711
Business Licenses	215,000	220,000	160,000	90,000	100,000	135,000	72,000	135,000	158,000	105,000	105,000	135,000	1,630,000
Parking Citation Fees	87,193	84,151	74,253	69,637	85,252	102,512	91,777	141,624	155,146	119,340	85,343	99,586	1,195,813
Fines & Penalties	3,043	10,399	22,837	49,815	10,498	139,023	2,709	40,707	20,505	22,911	27,042	29,896	379,385
Interest & Rentals	49,330	21,823	39,847	42,913	31,447	39,982	30,535	28,147	33,436	39,841	140,847	45,559	543,708
State Motor Vehicle Fee	-	-	-	-	-	40,143	4,636,605	-	-	-	4,600,000	-	9,276,748
Planning & Code Enforcement charges	93,856	42,920	50,062	66,657	119,208	107,058	64,653	88,850	102,255	86,196	50,454	79,379	951,550
Fire permit fees	359	101	131	126	51	227	263	3,824	2,884	2,282	111	941	11,299
Service Charges	443,773	404,852	465,151	415,176	407,373	459,758	511,315	993,311	543,432	441,674	512,741	508,872	6,107,427
Other Revenues	46,007	39,611	32,315	41,140	29,497	29,997	28,356	36,889	40,797	38,915	33,987	35,895	433,405
Admin Cost Payment-Retirement	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	264,000
Administration Fee-Payroll	149	16	862	266	194	1,338	148	2,740	623	40	2,956	838	10,170
Park Repayment to General Fund	22,200	22,200	22,200	22,200	22,200	22,200	22,200	22,200	22,200	22,200	22,200	22,200	266,400
Material Recycle and Contract Renewal	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	720,000
Property Tax Lien	-	-	-	-	-	-	1,000,000	-	-	-	-	-	1,000,000
Legal Recovery	2,006	11,174	5,506	612	490	14,018	1,064	12,711	17,912	5,596	836	6,492	78,416
Trash Transfer Station Fee	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	312,000
Hazardous Waste Collection	-	-	-	-	-	-	-	118,568	-	118,070	-	21,513	258,151
Recreation fees	5,878	1,437	818	-	-	-	-	-	-	-	-	737	8,871
City provided Medical	847	125,238	105,301	119,639	81,006	118,763	136,256	128,335	512	179,244	52,332	95,225	1,142,698
Cost Allocation-Public Works	-	-	450,000	-	-	450,000	-	-	450,000	-	-	450,000	1,800,000
<b>TOTAL CASH RECEIPTS</b>	<b>2,224,640</b>	<b>3,086,731</b>	<b>3,926,292</b>	<b>3,239,364</b>	<b>3,191,292</b>	<b>3,400,684</b>	<b>9,687,340</b>	<b>5,775,560</b>	<b>4,212,788</b>	<b>4,719,307</b>	<b>8,303,854</b>	<b>3,806,124</b>	<b>55,573,977</b>
<b><u>DISBURSEMENTS</u></b>													
Salaries and Benefits	1,975,000	1,759,000	1,759,000	2,634,000	1,759,000	1,759,000	2,100,000	1,850,000	1,830,000	2,760,000	1,835,000	1,900,000	23,920,000
Operations and Maintenance	572,734	653,028	1,038,326	662,332	865,896	647,165	872,953	883,493	712,588	694,368	816,846	800,000	9,219,729
LA Sheriff Contract	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	21,000,000
Debt service	-	2,829,319	-	-	-	-	-	1,076,569	-	-	-	-	3,905,888
Payment to DOF	-	-	-	-	-	-	1,000,000	-	-	-	-	-	1,000,000
<b>TOTAL DISBURSEMENTS</b>	<b>4,297,734</b>	<b>6,991,347</b>	<b>4,547,326</b>	<b>5,046,332</b>	<b>4,374,896</b>	<b>4,156,165</b>	<b>5,722,953</b>	<b>5,560,062</b>	<b>4,292,588</b>	<b>5,204,368</b>	<b>4,401,846</b>	<b>4,450,000</b>	<b>59,045,617</b>
<b>SURPLUS/DEFICIT</b>	<b>(2,073,094)</b>	<b>(3,904,616)</b>	<b>(621,034)</b>	<b>(1,806,968)</b>	<b>(1,183,604)</b>	<b>(755,481)</b>	<b>3,964,387</b>	<b>215,498</b>	<b>(79,800)</b>	<b>(485,061)</b>	<b>3,902,008</b>	<b>(643,876)</b>	<b>(3,471,640)</b>
<b>ENDING CASH BALANCE</b>	<b>(994,242)</b>	<b>(4,898,857)</b>	<b>(5,519,891)</b>	<b>(7,326,859)</b>	<b>(8,510,463)</b>	<b>(9,265,944)</b>	<b>(5,301,557)</b>	<b>(5,086,059)</b>	<b>(5,165,859)</b>	<b>(5,650,920)</b>	<b>(1,748,912)</b>	<b>(2,392,788)</b>	<b>(2,392,788)</b>

**APPENDIX C-1**  
**CITY OF COMPTON AUDITED ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CITY OF COMPTON, CALIFORNIA**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2012**



**Certified Public Accountants.**



**CITY OF COMPTON, CALIFORNIA**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Compton  
Compton, California

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 City of Compton, California, (City) as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Community Redevelopment Agency, became responsible for overseeing the dissolution process and the wind down of redevelopment activity as described in Note 14.

As discussed in Note 13 to the basic financial statements, the City's General Fund had a deficit fund balance of \$37,911,406 and advances from other funds in the amount of \$41,901,757 as of June 30, 2012. This indicated a significant liquidity problem at June 30, 2012. Management's plan to reduce the deficit and the repayment plan for the advances are described in Note 13.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2014, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 not presented 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.

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 governmental, enterprise and internal service funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor governmental, enterprise and internal service 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Macias Jini & O'Connell LLP". The signature is written in a cursive, flowing style.

Los Angeles, California  
July 23, 2014

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF COMPTON, CALIFORNIA**

**Statement of Net Assets**

**June 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 18,991,235	\$ 835,435	\$ 19,826,670
Restricted cash and investments	44,125,399	34,225,819	78,351,218
Receivables, net	6,905,125	3,839,099	10,744,224
Internal balances	(22,076,120)	22,076,120	-
Inventories	35,028	471,403	506,431
Prepaid expenses	357,873	-	357,873
Deposits	1,432	1,278	2,710
Due from fiduciary funds	10,646,210	-	10,646,210
Loans receivable	25,879,085	-	25,879,085
Land held for resale	9,065,668	-	9,065,668
Capital assets:			
Nondepreciable	40,884,164	18,326,494	59,210,658
Depreciable, net	92,497,542	11,955,846	104,453,388
Deferred bond issuance costs	911,926	1,235,623	2,147,549
Total assets	<u>228,224,567</u>	<u>92,967,117</u>	<u>321,191,684</u>
<b>Liabilities:</b>			
Accounts payable	12,364,401	2,978,297	15,342,698
Accrued liabilities	5,009,881	357,748	5,367,629
Accrued interest payable	773,296	1,493,825	2,267,121
Deposits	73,954	1,255,982	1,329,936
Due to fiduciary funds	9,768,119	-	9,768,119
Unearned revenue	4,672,075	-	4,672,075
Other	886	-	886
Advances from fiduciary funds	5,516,641	-	5,516,641
Long-term liabilities:			
Due within one year	14,306,699	1,017,489	15,324,188
Due within more than one year	102,994,426	68,905,121	171,899,547
Total liabilities	<u>155,480,378</u>	<u>76,008,462</u>	<u>231,488,840</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	111,309,953	836,010	112,145,963
Restricted for:			
Low/moderate income housing	33,670,174	-	33,670,174
Federal grants	1,676,919	-	1,676,919
Road improvements	2,443,688	-	2,443,688
Transit systems	340,139	-	340,139
Police services	74,333	-	74,333
Recycling and clean air	338,741	-	338,741
Unrestricted (deficit)	(77,109,758)	16,122,645	(60,987,113)
Total net assets	<u>\$ 72,744,189</u>	<u>\$ 16,958,655</u>	<u>\$ 89,702,844</u>

See accompanying notes to financial statements.

# CITY OF COMPTON, CALIFORNIA

## Statement of Activities

**June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 18,112,682	\$ 1,274,128	\$ 111,000	\$ -
Redevelopment	930,785	-	-	-
Pass-through payments	1,195,952	-	-	-
Public safety	31,889,349	2,713,615	639,252	119,707
Public works	15,933,084	41,429	4,102,359	3,894,985
Management services	13,540,986	2,664,624	-	-
Environmental and human services	17,365,914	43,159	13,527,106	-
Interest on long-term debt	4,368,919	-	-	-
Total governmental activities	103,337,671	6,736,955	18,379,717	4,014,692
Business-type activities:				
Water	11,770,824	17,449,572	-	-
Rubbish	10,037,634	10,393,179	-	-
Sewer	1,569,089	1,959,354	-	-
Golf course	42,000	97,081	-	-
Recreational	8,490	4,780	-	-
Total business-type activities	23,428,037	29,903,966	-	-
Total	\$ 126,765,708	\$ 36,640,921	\$ 18,379,717	\$ 4,014,692

General revenues:

Taxes:

Property taxes

Utility user taxes

Franchise taxes

Special assessments

Transient occupancy taxes

Real property transfer taxes

Intergovernmental not restricted to specific programs

Investment earnings

Other income

Extraordinary items:

Loss due to liabilities arising from the results of State

Controller's Office (SCO) review and Due Diligence

Review (DDR) procedures performed on the Community

Redevelopment Agency

Gain from dissolution of the Community

Redevelopment Agency

Total general revenues and extraordinary items

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Activities**  
**June 30, 2012**

Net (Expense) Revenue and Change in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (16,727,554)	\$ -	\$ (16,727,554)
(930,785)	-	(930,785)
(1,195,952)	-	(1,195,952)
(28,416,775)	-	(28,416,775)
(7,894,311)	-	(7,894,311)
(10,876,362)	-	(10,876,362)
(3,795,649)	-	(3,795,649)
(4,368,919)	-	(4,368,919)
(74,206,307)	-	(74,206,307)
-	5,678,748	5,678,748
-	355,545	355,545
-	390,265	390,265
-	55,081	55,081
-	(3,710)	(3,710)
-	6,475,929	6,475,929
(74,206,307)	6,475,929	(67,730,378)
12,773,831	-	12,773,831
12,624,536	-	12,624,536
1,484,248	-	1,484,248
25,318,984	996,564	26,315,548
152,347	-	152,347
191,670	-	191,670
14,813,584	-	14,813,584
389,117	5,901	395,018
1,724,009	-	1,724,009
(11,676,190)	-	(11,676,190)
43,672,670	-	43,672,670
101,468,806	1,002,465	102,471,271
27,262,499	7,478,394	34,740,893
45,481,690	9,480,261	54,961,951
\$ 72,744,189	\$ 16,958,655	\$ 89,702,844

See accompanying notes to financial statements.



**CITY OF COMPTON, CALIFORNIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

		Special Revenue		Debt Service
	General	Federal Grants	Retirement	Redevelopment
<b>Assets</b>				
Cash and investments	\$ 7,994,100	\$ 6,407,348	\$ -	\$ -
Restricted cash and investments	-	-	-	-
Special assessments receivable	-	-	3,504,621	-
Accounts receivable	2,504,705	145,063	-	-
Grants receivable	-	68,996	-	-
Due from other funds	8,862,722	49,063	864,533	-
Due from fiduciary funds	3,401,809	887,252	-	-
Prepaid items	26,818	324,832	6,223	-
Inventories	244	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	1,496,297	10,276,637	-
Loans receivable	-	6,119,979	-	-
Land held for resale	50,000	-	-	-
<b>Total assets</b>	<b>\$ 22,840,398</b>	<b>\$ 15,498,830</b>	<b>\$ 14,652,014</b>	<b>\$ -</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,580,974	\$ 698,152	\$ 924,239	\$ -
Accrued liabilities	3,252,513	153,562	1,276,892	-
Unearned revenue	-	4,672,075	-	-
Due to other funds	5,638,782	1,852,425	-	-
Due to fiduciary funds	6,303,824	-	-	-
Deposits	73,954	-	-	-
Deferred revenue	-	6,119,979	-	-
Other	-	886	-	-
Advances from other funds	41,901,757	-	-	-
<b>Total liabilities</b>	<b>60,751,804</b>	<b>13,497,079</b>	<b>2,201,131</b>	<b>-</b>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	26,818	324,832	6,223	-
Inventories	244	-	-	-
Land held for resale	50,000	-	-	-
<b>Restricted for:</b>				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Federal grants	-	1,676,919	-	-
Retirement	-	-	12,444,660	-
Road improvements	-	-	-	-
Transit systems	-	-	-	-
Police services	-	-	-	-
Recycling and clean air	-	-	-	-
Low/moderate income housing	-	-	-	-
Unassigned	(37,988,468)	-	-	-
<b>Total fund balances (deficits)</b>	<b>(37,911,406)</b>	<b>2,001,751</b>	<b>12,450,883</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,840,398</b>	<b>\$ 15,498,830</b>	<b>\$ 14,652,014</b>	<b>\$ -</b>

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

Capital Projects					
Public Finance Authority	Redevelopment	Low/Moderate Income Housing	Compton Housing Authority	Nonmajor Governmental Funds	Total Governmental Funds
\$ 178,625	\$ -	\$ -	\$ 302,567	\$ 4,021,309	\$ 18,903,949
26,472,982	-	-	17,652,417	-	44,125,399
-	-	-	-	319,130	3,823,751
-	-	-	-	120,692	2,770,460
-	-	-	-	231,416	300,412
21,243	-	-	-	3,827,447	13,625,008
-	-	-	5,045,007	-	9,334,068
-	-	-	-	-	357,873
-	-	-	-	-	244
1,432	-	-	-	-	1,432
803,074	-	-	5,328,000	2,449,294	20,353,302
-	-	-	19,759,106	-	25,879,085
-	-	-	9,015,668	-	9,065,668
<u>\$ 27,477,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,102,765</u>	<u>\$ 10,969,288</u>	<u>\$ 148,540,651</u>
\$ 2,849,409	\$ -	\$ -	\$ 221	\$ 4,311,406	\$ 12,364,401
29,240	-	-	12,270	161,040	4,885,517
-	-	-	-	-	4,672,075
155,024	-	-	196,699	6,424,307	14,267,237
-	-	-	3,464,295	-	9,768,119
-	-	-	-	-	73,954
-	-	-	19,759,106	-	25,879,085
-	-	-	-	-	886
-	-	-	-	-	41,901,757
<u>3,033,673</u>	<u>-</u>	<u>-</u>	<u>23,432,591</u>	<u>10,896,753</u>	<u>113,813,031</u>
-	-	-	-	-	357,873
-	-	-	-	-	244
-	-	-	-	-	50,000
3,949,138	-	-	-	-	3,949,138
22,523,844	-	-	-	-	22,523,844
-	-	-	-	-	1,676,919
-	-	-	-	-	12,444,660
-	-	-	-	2,443,688	2,443,688
-	-	-	-	340,139	340,139
-	-	-	-	74,333	74,333
-	-	-	-	338,741	338,741
-	-	-	33,670,174	-	33,670,174
(2,029,299)	-	-	-	(3,124,366)	(43,142,133)
<u>24,443,683</u>	<u>-</u>	<u>-</u>	<u>33,670,174</u>	<u>72,535</u>	<u>34,727,620</u>
<u>\$ 27,477,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,102,765</u>	<u>\$ 10,969,288</u>	<u>\$ 148,540,651</u>

See accompanying notes to financial statements.

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**CITY OF COMPTON, CALIFORNIA**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2012**

Fund balances of governmental funds	\$ 34,727,620
-------------------------------------	---------------

Amounts reported for governmental activities in the statement of net assets 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 assets includes those capital assets among the assets of the City as a whole.

Capital assets, not being depreciated	40,840,055
Capital assets, being depreciated	254,376,276
Accumulated depreciation	(162,030,134)

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 assets.

Other postemployment benefits obligation	(29,538,645)
Compensated absences	(5,142,609)
Bonds payable, net	(45,197,105)
Mortgage and notes payable	(6,717,606)
Deferred bond issuance costs	911,927
Capital lease obligations	(239,800)
Pension liability	(12,608,831)
Liabilities resulting from redevelopment agency dissolution	(6,159,729)

Accrued interest

Accrued interest payable in the statement of net assets 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.

(773,296)

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 assets because they primarily service governmental activities of the City.

(15,583,019)

Deferred revenue

Earned revenue has been deferred in the fund financial statements if it is collectible after the availability period.

25,879,085

Net assets of governmental activities

\$ 72,744,189

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

		Special Revenue		Debt Service
	General	Federal Grants	Retirement	Redevelopment
Revenues:				
Taxes and special assessments	\$ 23,992,677	\$ -	\$ 19,038,561	\$ 446,790
Licenses and permits	2,664,625	-	-	-
Intergovernmental revenues	8,113,604	13,351,158	276,007	-
Fines, forfeitures, and penalties	1,809,798	-	-	-
Use of money and property	663,390	14,635	207	-
Charges for services	6,818,951	-	-	-
Other	1,507,922	100,056	122,115	1,068
Total revenues	<u>45,570,967</u>	<u>13,465,849</u>	<u>19,436,890</u>	<u>447,858</u>
Expenditures:				
Current:				
General government	5,531,659	-	874,272	1,000
Redevelopment	-	-	-	172,173
Pass-through payments	-	-	-	280,967
Public safety	31,357,708	128,695	4,713,135	-
Public works	640,261	-	70,933	-
Management services	5,422,775	-	8,430,943	-
Environmental and human services	3,590,086	13,465,070	1,142,660	-
Debt service:				
Principal	331,453	300,000	-	7,690,000
Interest	182,579	265,393	-	607,500
Capital outlay	-	585,733	-	-
Total expenditures	<u>47,056,521</u>	<u>14,744,891</u>	<u>15,231,943</u>	<u>8,751,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,485,554)</u>	<u>(1,279,042)</u>	<u>4,204,947</u>	<u>(8,303,782)</u>
Other financing sources (uses):				
Transfers in	7,559,019	-	-	-
Transfers out	(1,260,057)	-	-	(2,163,902)
Total other financing sources (uses)	<u>6,298,962</u>	<u>-</u>	<u>-</u>	<u>(2,163,902)</u>
Extraordinary loss from dissolution of the Community Redevelopment Agency	-	-	-	(15,219,879)
Net change in fund balances	4,813,408	(1,279,042)	4,204,947	(25,687,563)
Fund balances (deficits) at beginning of year, as restated	<u>(42,724,814)</u>	<u>3,280,793</u>	<u>8,245,936</u>	<u>25,687,563</u>
Fund balances (deficits) at end of year	<u>\$ (37,911,406)</u>	<u>\$ 2,001,751</u>	<u>\$ 12,450,883</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

Capital Projects					
Public Finance Authority	Redevelopment	Low/Moderate Income Housing	Compton Housing Authority	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 9,623,756	\$ 1,721,125	\$ -	\$ 4,293,963	\$ 59,116,872
-	-	-	-	-	2,664,625
-	-	-	-	8,629,582	30,370,351
-	-	-	-	-	1,809,798
3,354	316,755	11,568	3	201,205	1,211,117
-	-	-	-	7,016	6,825,967
-	750	76,105	87	-	1,808,103
<u>3,354</u>	<u>9,941,261</u>	<u>1,808,798</u>	<u>90</u>	<u>13,131,766</u>	<u>103,806,833</u>
-	-	-	-	-	6,406,931
-	364,634	308,402	1,326	84,250	930,785
-	914,985	-	-	-	1,195,952
-	-	-	-	129,357	36,328,895
-	125,015	-	-	6,411,965	7,248,174
91,311	-	-	-	103,204	14,048,233
-	4,783,282	-	-	610,559	23,591,657
-	805,000	-	-	103,875	9,230,328
2,319,888	1,359,577	-	755,813	3,096	5,493,846
4,750,719	2,328,658	-	-	6,076,476	13,741,586
<u>7,161,918</u>	<u>10,681,151</u>	<u>308,402</u>	<u>757,139</u>	<u>13,522,782</u>	<u>118,216,387</u>
<u>(7,158,564)</u>	<u>(739,890)</u>	<u>1,500,396</u>	<u>(757,049)</u>	<u>(391,016)</u>	<u>(14,409,554)</u>
1,260,057	2,163,902	-	34,427,223	-	45,410,201
-	(20,344,474)	(14,082,749)	-	-	(37,851,182)
<u>1,260,057</u>	<u>(18,180,572)</u>	<u>(14,082,749)</u>	<u>34,427,223</u>	<u>-</u>	<u>7,559,019</u>
-	(63,592,488)	-	-	-	(78,812,367)
<u>(5,898,507)</u>	<u>(82,512,950)</u>	<u>(12,582,353)</u>	<u>33,670,174</u>	<u>(391,016)</u>	<u>(85,662,902)</u>
30,342,190	82,512,950	12,582,353	-	463,551	120,390,522
<u>\$ 24,443,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,670,174</u>	<u>\$ 72,535</u>	<u>\$ 34,727,620</u>

See accompanying notes to 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, 2012**

Net change in fund balances - total governmental funds \$ (85,662,902)

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	13,622,432
Depreciation expense	(7,615,782)
Contribution of capital assets to the Successor Agency	(2,579,366)
Loss on disposal of equipment	(338,522)

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 assets. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities. Unamortized bond premiums, discount on issue, deferred charges and issuance costs are included in the statement of net assets and are amortized as a component of expense in the statement of activities.

Principal payments	9,230,328
Interest accretion	(1,644,726)
Accrued interest	2,949,970
Amortization of bond premiums and discounts, issuance costs and gain or loss on refundings	(180,317)
Decrease in compensated absences	1,614,169
Decrease in pension liability	3,162,146
Increase in other postemployment benefits obligation	(5,040,200)

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.

(14,336,179)

Extraordinary gain

Adjustment to extraordinary gain due to long-term assets and liabilities transferred to the Successor Agency.

122,485,217

Extraordinary loss

Adjustment to record liabilities to be paid by the Compton Housing Authority resulting from the SCO review and DDR procedures performed on the Community Redevelopment Agency.

(6,159,729)

Deferred revenue

Incremental property taxes not collected within 60 days after year-end are deferred in the governmental funds but are recognized in the statement of activities on the accrual basis of accounting.

(1,075,059)

Certain loans are recorded as expenditures in the governmental funds when issued. Repayment of these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an effect on net assets.

(1,168,981)

Change in net assets of governmental activities

\$ 27,262,499

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**

**Statement of Net Assets**

**Proprietary Funds**

**June 30, 2012**

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
<b>Assets</b>						
<b>Current assets:</b>						
Cash and investments	\$ 199	\$ -	\$ 835,236	\$ -	\$ 835,435	\$ 87,286
Restricted cash and investments	19,801,149	107,595	14,317,075	-	34,225,819	-
Special assessments receivable	-	41,515	48,954	-	90,469	-
Accounts receivable, net	2,386,453	1,145,165	215,644	1,368	3,748,630	10,502
Due from other funds	348,966	743,752	625	-	1,093,343	114,564
Due from fiduciary funds	-	-	-	-	-	1,312,142
Inventories	471,403	-	-	-	471,403	34,784
Deposit	-	1,278	-	-	1,278	-
Total current assets	23,008,170	2,039,305	15,417,534	1,368	40,466,377	1,559,278
<b>Noncurrent assets:</b>						
Advances to other funds	13,562,060	83,266	7,733,138	169,991	21,548,455	-
<b>Capital assets:</b>						
Nondepreciable	15,077,052	-	3,249,442	-	18,326,494	44,109
Depreciable, net	9,796,370	127,978	2,031,498	-	11,955,846	151,400
Deferred bond issuance costs	600,279	-	635,344	-	1,235,623	-
Total noncurrent assets	39,035,761	211,244	13,649,422	169,991	53,066,418	195,509
Total assets	62,043,931	2,250,549	29,066,956	171,359	93,532,795	1,754,787
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	1,602,070	1,369,714	3,013	3,500	2,978,297	-
Due to other funds	75,389	-	490,289	-	565,678	-
Accrued liabilities	346,402	9,423	477	1,446	357,748	124,365
Accrued interest payable	1,030,325	18,900	444,600	-	1,493,825	-
Deposits	1,192,046	-	-	63,936	1,255,982	-
Other postemployment benefits obligations	264,000	21,000	15,000	2,176	302,176	-
Self-insurance claims	-	-	-	-	-	2,296,481
Bonds and notes payable	479	85,000	330,000	-	415,479	-
Capital lease	-	-	-	-	-	105,120
Compensated absences	200,511	19,656	79,667	-	299,834	118,151
Total current liabilities	4,711,222	1,523,693	1,363,046	71,058	7,669,019	2,644,117
<b>Noncurrent liabilities:</b>						
Advances from fiduciary funds	-	-	-	-	-	5,516,641
Other postemployment benefits obligations	768,054	61,077	22,187	-	851,318	-
Self-insurance claims	-	-	-	-	-	9,050,557
Bonds and notes payable	43,101,710	860,000	23,295,439	-	67,257,149	-
Capital lease	-	-	-	-	-	85,104
Compensated absences	761,864	6,884	27,906	-	796,654	41,387
Total noncurrent liabilities	44,631,628	927,961	23,345,532	-	68,905,121	14,693,689
Total liabilities	49,342,850	2,451,654	24,708,578	71,058	76,574,140	17,337,806
<b>Net Assets (Deficit)</b>						
Invested in capital assets, net of related debt	5,572,861	(709,427)	(4,027,424)	-	836,010	5,285
Unrestricted (deficit)	7,128,220	508,322	8,385,802	100,301	16,122,645	(15,588,304)
Total net assets (deficit)	\$ 12,701,081	\$ (201,105)	\$ 4,358,378	\$ 100,301	\$ 16,958,655	\$ (15,583,019)

See accompanying notes to financial statements.



**CITY OF COMPTON, CALIFORNIA**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 17,449,572	\$ 10,393,179	\$ -	\$ 101,861	\$ 27,944,612	\$ -
Charges to other funds	-	-	-	-	-	6,088,576
Sewer capital improvement charges	-	-	1,959,354	-	1,959,354	-
Total operating revenues	17,449,572	10,393,179	1,959,354	101,861	29,903,966	6,088,576
Operating expenses:						
Public works	-	-	339,591	42,000	381,591	-
Administration and personnel services	-	373,702	-	-	373,702	4,591,733
Environmental and personnel services	11,323,879	9,596,207	6,804	8,490	20,935,380	-
Basin maintenance and services	-	-	68,294	-	68,294	-
Self-insurance services	-	-	-	-	-	2,666,707
Depreciation	386,278	19,645	852,164	-	1,258,087	90,926
Total operating expenses	11,710,157	9,989,554	1,266,853	50,490	23,017,054	7,349,366
Operating income (loss)	5,739,415	403,625	692,501	51,371	6,886,912	(1,260,790)
Nonoperating revenues (expenses):						
Investment income	3,699	11	2,186	5	5,901	271
Interest expense	(60,667)	(48,080)	(302,236)	-	(410,983)	-
Taxes and special assessments	44,376	-	952,188	-	996,564	-
Total nonoperating revenues (expenses)	(12,592)	(48,069)	652,138	5	591,482	271
Income (loss) before transfers and extraordinary loss	5,726,823	355,556	1,344,639	51,376	7,478,394	(1,260,519)
Transfers out	-	-	-	-	-	(7,559,019)
Extraordinary loss due to liabilities arising from the results of SCO's review and DDR procedures performed on the Community Redevelopment Agency	-	-	-	-	-	(5,516,641)
Change in net assets	5,726,823	355,556	1,344,639	51,376	7,478,394	(14,336,179)
Net assets (deficit) at beginning of year, as restated	6,974,258	(556,661)	3,013,739	48,925	9,480,261	(1,246,840)
Net assets (deficit) at end of year	\$ 12,701,081	\$ (201,105)	\$ 4,358,378	\$ 100,301	\$ 16,958,655	\$ (15,583,019)

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 16,862,291	\$ 10,116,623	\$ 1,878,440	\$ 104,442	\$ 28,961,796	\$ -
Cash received from interfund services, net	-	-	-	-	-	3,239,356
Cash payments to suppliers for goods and services	(8,214,644)	(8,226,493)	(109,716)	(46,023)	(16,596,876)	(1,367,394)
Cash payments to employees for services	(3,329,847)	(367,649)	(242,093)	(632)	(3,940,221)	(1,279,787)
Net cash provided by operating activities	5,317,800	1,522,481	1,526,631	57,787	8,424,699	592,175
Cash flows from non-capital financing activities:						
Short-term loans to other funds	(348,966)	(743,752)	(625)	-	(1,093,343)	(89,169)
Long-term loans to other funds	(4,036,513)	(83,266)	(957,922)	(50,441)	(5,128,142)	-
Repayments of long-term loans from other funds	-	-	-	-	-	8,284,697
Repayments of long-term loans to other funds	(14,545)	-	-	-	(14,545)	-
Repayments of short-term loans to other funds	-	(562,804)	-	(7,351)	(570,155)	-
Loans to fiduciary funds	-	-	-	-	-	(1,312,142)
Transfers to other funds	-	-	-	-	-	(7,559,019)
Taxes and special assessments	44,376	-	952,188	-	996,564	-
Net cash used by non-capital financing activities	(4,355,648)	(1,389,822)	(6,359)	(57,792)	(5,809,621)	(675,633)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(7,830,490)	-	(28,397)	-	(7,858,887)	-
Capital lease payment	-	-	(40,194)	-	(40,194)	(99,102)
Principal paid on bonds and notes payable	(38,496)	(80,000)	(310,000)	-	(428,496)	-
Interest paid on long-term debt	(2,476,625)	(49,680)	(1,301,550)	-	(3,827,855)	-
Net cash used by capital and related financing activities	(10,345,611)	(129,680)	(1,680,141)	-	(12,155,432)	(99,102)
Cash flows from investing activities:						
Interest received on investments	3,699	11	2,186	5	5,901	271
Net cash provided by investing activities	3,699	11	2,186	5	5,901	271
Net increase (decrease) in cash and cash equivalents	(9,379,760)	2,990	(157,683)	-	(9,534,453)	(182,289)
Cash and cash equivalents, beginning of year, as restated	29,181,108	104,605	15,309,994	-	44,595,707	269,575
Cash and cash equivalents, end of year	\$ 19,801,348	\$ 107,595	\$ 15,152,311	\$ -	\$ 35,061,254	\$ 87,286
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 5,739,415	\$ 403,625	\$ 692,501	\$ 51,371	\$ 6,886,912	\$ (1,260,790)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	386,278	19,645	852,164	-	1,258,087	90,926
Extraordinary loss due to liabilities arising from the results of SCO's review and DDRs	-	-	-	-	-	(5,516,641)
Changes in assets and liabilities:						
Increase in special assessments receivable	-	(41,515)	(3,874)	-	(45,389)	-
Increase in accounts receivable	(820,579)	(235,041)	(77,039)	(1,368)	(1,134,027)	(7,198)
Increase in inventories	(262,799)	-	-	-	(262,799)	(26,897)
Increase (decrease) in accounts payable	577,411	1,369,714	(4,489)	3,500	1,946,136	-
Increase (decrease) in accrued liabilities	(571,690)	6,844	(351)	967	(564,230)	57,401
Increase in compensated absences	216,590	26,540	107,573	-	350,703	159,537
Decrease in other postemployment benefits obligations	(180,125)	(27,331)	(39,854)	-	(247,310)	-
Increase in deposits	233,299	-	-	3,949	237,248	-
Decrease in self-insurance claims	-	-	-	(632)	(632)	7,095,837
Net cash provided by operating activities	\$ 5,317,800	\$ 1,522,481	\$ 1,526,631	\$ 57,787	\$ 8,424,699	\$ 592,175
Non-cash capital and related financing activities:						
Amortization of deferred bond issuance costs	\$ 21,439	\$ -	\$ 39,838	\$ -	\$ 61,277	\$ -
Amortization of discount on bond issue	33,511	-	14,270	-	47,781	-
Acquisition of capital assets included in accounts payable	450,159	-	-	-	450,159	-

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Fiduciary Net Assets (Deficit)**  
**June 30, 2012**

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 7,007,777	\$ 400,128
Restricted cash and investments	44,896,912	-
Receivables, net	47,388	19,135
Due from City of Compton	-	504,496
Loans receivable	8,767,958	-
Deposit in escrow	2,288,157	-
Advances to City of Compton	5,516,641	-
Land held for resale	32,331,807	-
Capital assets :		
Nondepreciable	1,923,129	-
Depreciable, net	21,174,260	-
Deferred bond issuance costs	2,010,237	-
	<hr/>	<hr/>
Total assets	125,964,266	\$ 923,759
	<hr/>	<hr/>
Liabilities		
Accounts payable	3,205,883	\$ 91,616
Accrued liabilities	420,022	26,020
Accrued interest payable	2,779,700	-
Deposits	371,671	806,123
Due to City of Compton	1,382,587	-
Long-term liabilities:		
Due within one year	9,920,000	-
Due in more than one year	150,008,933	-
	<hr/>	<hr/>
Total liabilities	168,088,796	\$ 923,759
	<hr/>	<hr/>
Net Assets (Deficit)		
Held in trust for other purposes	\$ (42,124,530)	
	<hr/>	

See accompanying notes to financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Changes in Fiduciary Net Assets (Deficit)**  
**Successor Agency Private-Purpose Trust Fund**  
**For the Period February 1, 2012 Through June 30, 2012**

Additions:

Taxes and special assessments	\$ 6,960,055
Fines, forfeitures, and penalties	231,011
Contribution of capital assets from the City of Compton	<u>2,579,366</u>
Total additions	<u>9,770,432</u>

Deductions:

Redevelopment	1,330,313
Debt service - interest	6,645,005
Depreciation	<u>246,794</u>
Total deductions	<u>8,222,112</u>

Extraordinary loss from dissolution of Community Redevelopment Agency	<u>(43,672,850)</u>
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Change in net assets	(42,124,530)
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Net assets - beginning	<u>-</u>
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Net assets (deficit) - ending	<u><u>\$ (42,124,530)</u></u>
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See accompanying notes to financial statements.

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**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**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 board. 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 if either of the following criteria is met:

- i. The component unit's governing body is substantially the same as the governing body of the primary government (the City).
- 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 it.

The component units discussed below are included in the reporting unit because of their operational or financial relationships with the City.

The Community Redevelopment Agency (Agency) was created by the City Council of the City in 1967. The Agency was established pursuant to the California Community Redevelopment Law, as codified in Part 1 of Division 24 of the State of California Health and Safety Code. Through the creation of designated project areas, the Agency is broadly empowered to engage in the general acquisition and development of property in those areas of the City determined to be in a declining state. In 2011, Assembly Bill X1 26 (AB X1 26) was passed in the State of California requiring the dissolution of all redevelopment agencies effective February 1, 2012. AB X1 26 also provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. On January 17, 2012, the City approved a resolution designating the City to serve as the Successor Agency to the former Agency. The Agency's financial data and transactions are included with the Redevelopment Debt Service Fund, the Redevelopment Capital Projects Fund, and the Low/Moderate Income Housing Capital Projects Fund until the date of dissolution on February 1, 2012. The Successor Agency Private-Purpose Trust Fund is used to account for the activities of the former Agency for the period February 1, 2012 through June 30, 2012 (see Note 14.)

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 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

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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 annual installment payments on enforceable obligations of the former 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 assets 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 applicant 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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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.

**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.
- *Redevelopment Debt Service Fund* – This fund was established to finance and account for the payment of interest and principal on the former Agency's outstanding long-term indebtedness through January 31, 2012. The principal sources of revenue of this fund are tax increments and investment income.
- *The 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.
- *Redevelopment Capital Projects Fund* – This fund is used to account for all revenues and costs of implementing various projects in accordance with the California Community Redevelopment Law, including acquisition of properties, cost of site improvements, and other costs of benefits to the project areas as well as administrative expenses incurred in sustaining project activities through January 31, 2012.



**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

- *Low/Moderate Income Housing Capital Projects Fund* – This fund was established to provide, improve, and preserve low and moderate-income housing through January 31, 2012. Funding for this activity is from tax increment funds designated for such purpose by State Law (Health and Safety Code, Section 33334.2).
- *Compton Housing Authority 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.

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.
- *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 AB X1 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.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that private-sector standards do not conflict with or contradict guidance of the Government Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 connection 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, Liabilities, and Net Assets**

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

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

3. Land held for resale

Land acquired by the former Agency and held for resale by the Successor Agency and the Housing Authority 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 assets and the proprietary funds statement of net assets. 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

5. 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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

6. 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.

7. 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.

8. Net assets

In the government-wide financial statements and proprietary funds financial statements net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets and unrestricted net assets.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or law or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the restricted net assets balance was \$38,543,994, of which, \$0 was restricted by enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

9. Fund balances

As prescribed by 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, 2012, 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 2013, 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.

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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

10. Extraordinary items

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of the former Agency's liabilities in excess of its assets as of February 1, 2012 from the City's governmental activities to the Successor Agency fiduciary fund was recorded as an extraordinary gain in the City's government-wide financial statements and as an extraordinary loss in the governmental funds. The receipt of these liabilities in excess of assets was reported in the Successor Agency fiduciary fund financial statements as an extraordinary loss. See Note 14 for further information.

In addition, the results of the State Controller's Office's review and due diligence review procedures performed on the Community Redevelopment Agency, as further described in Note 14, identified \$11,676,370 due to the County of Los Angeles Auditor-Controller for distribution to other taxing entities. This amount has been accrued and reported in the City's financial statements as follows:

- An extraordinary loss and a long-term liability in the amount of \$6,159,729 to the County of Los Angeles Auditor-Controller in the City's government-wide financial statements.
- An extraordinary loss and a long-term advance from fiduciary funds in the amount of \$5,516,641 in the City's government-wide financial statements and the Internal Service Funds.
- A long-term advance to the City and a long-term liability to the County of Los Angeles Auditor-Controller in the amount of \$5,516,641 on the Successor Agency's fiduciary fund statement of net assets.

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 Pronouncements

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. Application of this statement is effective for the City’s fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (“FASB”) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (“AICPA”) Committee on Accounting Procedure

This statement will improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this statement is effective for the City’s fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Application of this statement is effective for the City’s fiscal year ending June 30, 2013.

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 to ensure consistency in financial reporting. Application of this statement is effective for the City’s fiscal year ending June 30, 2014.

In March 2012, the 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 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and*

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

*Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

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 statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

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 ending June 30, 2015.

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. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

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 ending June 30, 2015.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the GASB statements described above.



**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 2 – RESTATEMENT OF FINANCIAL STATEMENTS**

The beginning fund balances at July 1, 2011 were restated to report corrections of errors and to combine two Public Finance Authority funds for financial reporting purposes as follows:

1. Combination of the nonmajor capital projects Public Finance Authority Fund with the major debt service Public Finance Authority Fund into a major capital projects Public Finance Authority Fund.
2. Reconciliation of beginning fund balances (deficits) per the fiscal year 2011 issued financial statements to the City's records.
3. Over/(under) accrual of revenues and expenditures.
4. Write-offs of outstanding interfund loan balances for funds that do not have the ability to repay the loan within a reasonable period of time.
5. Adjustment of deferred revenue associated with loans receivable.
6. Addition and disposition of land held for resale that was not reported in a prior year.
7. Write-off of unsupported accounts receivable.
8. Unearned revenue associated with grants received in advance, which was recognized as revenue in a prior year.
9. Other postemployment benefits expenses not allocated to enterprise funds in a prior year.

	Special Revenue		Debt Service		Capital Projects			Nonmajor
	General	Federal Grants	Retirement	Redevelopment	Public Finance Authority	Redevelopment	Low/Moderate Income Housing	Governmental Funds
Ending fund balances (deficits), June 30, 2011, as previously stated	\$ (41,222,801)	\$ 4,612,502	\$ 7,271,325	\$ 22,103,092	\$ 30,327,469	\$ 88,420,666	\$ 13,128,885	\$ 584,823
Reclassify fund:								
Public Finance Authority	-	-	-	-	13,868	-	-	(13,868)
Reconciliation of beginning fund balances (deficits) to the City's records	346,265	1,770,460	-	3,584,471	-	(4,473,671)	-	218,816
Accrual of revenues and expenditures, net	222,852	(645,612)	321,949	-	853	546,782	(2,359)	(227,471)
Reclassification of interfund balances to transfers	(2,071,130)	2,071,130	-	-	-	544,173	(544,173)	-
Adjustment to deferred revenue	-	28,303	-	-	-	(2,850,000)	-	-
Addition and disposition of land held for resale	-	-	-	-	-	325,000	-	-
Adjustment to accounts receivable	-	(26,862)	-	-	-	-	-	(98,749)
Adjustment to unearned revenue	-	(4,529,128)	-	-	-	-	-	-
Allocation of other postemployment benefits expenses to enterprise funds	-	-	652,662	-	-	-	-	-
Beginning fund balances (deficits), July 1, 2011, as restated	\$ (42,724,814)	\$ 3,280,793	\$ 8,245,936	\$ 25,687,563	\$ 30,342,190	\$ 82,512,950	\$ 12,582,353	\$ 463,551

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

The beginning net assets at July 1, 2011 for the governmental activities were restated to report corrections of errors for the following:

1. Addition to capital assets for infrastructure acquired in a prior year and incorrect calculation of depreciation expense.
2. Adjustment to revenue associated with loans receivable.
3. Unearned revenue associated with grants received in advance, which was recognized as revenue in a prior year.
4. Adjustment to record and write-off notes payable and capital lease liabilities.
5. Adjustment to record additional accrued interest payable.
6. Reconciliation of beginning net assets (deficits) per the fiscal year 2011 issued financial statements to the City's records.
7. Over/(under) accrual of revenues and expenses.
8. Addition and disposition of land held for resale that was not reported in a prior year.
9. Write-off of unsupported accounts receivable.
10. Adjustment to record additional pension liabilities for both the Safety Fire and Safety Police plans that were not previously accrued. See Note 10 Defined Benefit Pension Plans for further details.

	<b>Governmental Activities</b>
Ending net assets, June 30, 2011, as previously stated	\$ 63,525,163
Addition of capital assets	504,301
Adjustment to unearned revenue that had been recognized as revenue in the prior year	(1,757,101)
Adjustment to revenue associated with loans receivable that was incorrectly recognized in the prior year	(2,082,118)
Record and write-off notes payable and capital lease liabilities	(42,618)
Adjustment to accrued interest payable	(846,198)
Reconciliation to beginning fund balances (deficits) per the City's records	1,536,627
Accrual of revenues and expenses, net	215,222
Addition and disposition to land held for resale	325,000
Adjustment to accounts receivable	(125,611)
Adjustment to record pension liabilities	(15,770,977)
Beginning net assets, July 1, 2011, as restated	<u>\$ 45,481,690</u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

The beginning net assets at July 1, 2011 for the business-type activities, enterprise funds and internal service funds were restated to report corrections of errors for the following:

1. Reconciliation of beginning net assets (deficits) to the City's records.
2. Deletion of capital assets for construction in progress improperly capitalized in a prior year and incorrect calculation of depreciation expense.
3. Adjustment due to incorrect calculation of accrued interest payable.
4. Adjustment to write-off notes payable.
5. Over/(under) accrual of revenues and expenses.
6. Adjustment to record and write-off bad debt expenses.
7. Capitalization of net interest on capital assets funded by tax-exempt bonds.

	<b>Business-Type Activities - Enterprise Funds</b>					Internal
	Water	Rubbish	Sewer	Nonmajor	Total	Service Funds
Ending net assets (deficits), June 30, 2011, as previously stated	\$ 3,582,834	\$ (628,287)	\$ 1,240,687	\$ 48,925	\$ 4,244,159	\$ (1,244,428)
Reconciliation of beginning net assets (deficits) to the City's records	-	-	-	-	-	90,286
Adjustment to capital assets	(344,164)	-	-	-	(344,164)	(90,926)
Adjustment to accrued interest payable	1,783	800	-	-	2,583	-
Write-off notes payable	40,825	-	-	-	40,825	-
Over/(under) accrual of expenses	(99,933)	1,277	(79)	-	(98,735)	(1,772)
(Over)/under accrual of revenues	(298,173)	69,549	(51,280)	-	(279,904)	-
Addition to capital assets for capitalized interest	4,091,086	-	1,824,411	-	5,915,497	-
Beginning net assets (deficits), July 1, 2011, as restated	\$ 6,974,258	\$ (556,661)	\$ 3,013,739	\$ 48,925	\$ 9,480,261	\$ (1,246,840)

In addition, the beginning cash and cash equivalents in the statement of cash flows for the enterprise funds and internal service funds were restated to report a correction of error for a misclassification of cash and cash equivalents from due from other funds as follows:

	<b>Enterprise Funds</b>				Total	Internal
	Water	Rubbish	Sewer	Nonmajor		Service Funds
Ending cash and cash equivalents at June 30, 2011, as previously stated	\$ 29,180,908	\$ 104,605	\$ 14,410,783	\$ -	\$ 43,696,296	\$ -
Reclassification from due from other funds	200	-	899,211	-	899,411	269,575
Beginning cash and cash equivalents, July 1, 2011, as restated	\$ 29,181,108	\$ 104,605	\$ 15,309,994	\$ -	\$ 44,595,707	\$ 269,575

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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 assets**

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. 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 assets includes those capital assets among the assets of the City as a whole.” The capital assets reported in the statement of net assets for governmental activities (excluding internal service funds) are as follows:

Land	\$ 27,618,676
Construction in progress	13,221,379
Depreciable building and structures, net	16,323,991
Depreciable land improvement, net	229,610
Depreciable equipment, net	2,410,621
Depreciable infrastructure, net	73,381,920
	<u>\$ 133,186,197</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 \$104,692,398 adjustment are as follows:

Bonds payable	\$ (45,730,000)
Mortgage loan payable	(2,917,606)
Notes payable	(3,800,000)
Capital lease obligation	(239,800)
Compensated absences	(5,142,609)
Deferred charge on refunding	
(amortized as interest expense)	391,946
Deferred bond issuance costs	
(amortized over life of debt)	911,927
Unamortized bonds discount	140,949
Other postemployment benefits obligation	(29,538,645)
Pension liability	(12,608,831)
Liabilities arising from DDR procedures	(6,159,729)
	<u>\$ (104,692,398)</u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

**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 assets 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 assets.” The details of this adjustment are as follows:

Principal payments:	
Bonds payable	\$ 8,495,000
Mortgage loan payable	149,588
Capital lease obligation	181,865
Notes payable	403,875
	<u>\$ 9,230,328</u>

Another element of that reconciliation states that “Unamortized bond premiums, discount on issue, deferred charges, and issuance costs are included in the statement of net assets and are amortized as a component of expense in the statement of activities.” The details of this adjustment are as follows:

Amortization of bond discount	\$ (20,470)
Amortization of bond premium	162,302
Amortization of deferred loss on refunding of bonds	(209,026)
Amortization of bond issuance costs	(113,123)
	<u>\$ (180,317)</u>

Another element of that reconciliation states that “Certain loans are recorded as expenditures in the governmental funds when issued. Repayment of these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an effect on net assets.” The details of this adjustment are as follows:

Loans granted	\$ 305,126
Loan repayments received	(19,445)
Loans written-off	(1,454,662)
Change in loans receivable	<u>\$ (1,168,981)</u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

Another element of that reconciliation states that “Adjustment to the extraordinary gain/loss due to assets and liabilities transferred to the Successor Agency.” The details of this adjustment are as follows:

Transfer out of the former Agency's capital assets	\$ 20,457,836
Transfer out of the former Agency's deferred revenue	8,850,000
Transfer out of the former Agency's deferred charges	2,091,039
Transfer out of the former Agency's long-term debt, net of deferred amounts	(153,884,092)
	<u>\$ (122,485,217)</u>

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

**Individual Department and Fund Disclosures**

For the fiscal year ended June 30, 2012, the following departments of the City had expenditures in the General Fund that exceeded the budget appropriations by the indicated amounts:

Fire Department	\$ 1,282,057
Building and Safety Department	103,710
Non-departmental:	
Transfers out	100,275

At June 30, 2012, the following funds had accumulated deficits:

General Fund	\$ 37,911,406
Nonmajor governmental funds:	
Gasoline Tax	22,765
Department of Health Service Grant	97,413
Special Assessments	2,525,311
California Department of Transportation Grant	80,455
California Department of Parks and Recreation	398,422
Rubbish Enterprise Fund	201,105
Internal Service Funds:	
Central Duplication	205,513

The nonmajor governmental funds 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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 5 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

**Statement of net assets:**

Cash and investments	\$ 19,826,670
Restricted cash and investments	78,351,218

**Statement of fiduciary net assets:**

Cash and investments	7,407,905
Restricted cash and investments	<u>44,896,912</u>

Total cash and investments	<u><u>\$ 150,482,705</u></u>
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Cash and investments at June 30, 2012 are classified as follows:

Cash on hand	\$ 16,147
Deposits with financial institutions	21,174,722
Investments	<u>129,291,836</u>

Total cash and investments	<u><u>\$ 150,482,705</u></u>
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**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 also addresses policies regarding interest rate risk and concentration of credit risk.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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	N/A	20%	20%	10%	10%
Bankers' acceptances	180 days	180 days	40%	40%	30%	15%
Commercial paper	270 days	270 days	25%	15%	10%	15%
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	None
Negotiable certificates of deposit	5 years	5 years	30%	30%	None	15%
Repurchase agreements	1 year	90 days	None	None	None	15%
Reverse repurchase agreements	92 days	90 days	20%	20%	None	15%
Time deposits	5 years	5 years	30%	25%	None	15%
Medium term corporate notes	5 years	5 years	30%	30%	None	15%
Money market funds	N/A	N/A	20%	20%	10%	None
Local agency investment fund (LAIF)	N/A	N/A	None	None	None	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

**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 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.



**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market 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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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.

<u>Investment Type</u>	<u>Amounts</u>	<u>Remaining Maturity (in Months) 12 Months or Less</u>
Money market funds	\$ 599,296	\$ 599,296
Held by fiscal agent:		
Money market funds	123,248,130	123,248,130
State Investment Pool (LAIF)	<u>5,444,410</u>	<u>5,444,410</u>
	<u><u>\$ 129,291,836</u></u>	<u><u>\$ 129,291,836</u></u>

**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>AAA</u>	<u>Not Rated</u>
Money market funds	\$ 599,296	AAA	\$ 599,296	\$ -
Held by fiscal agent:				
Money market funds	123,248,130	AAA	123,248,130	-
State Investment Pool (LAIF)	<u>5,444,410</u>	N/A	<u>-</u>	<u>5,444,410</u>
	<u><u>\$ 129,291,836</u></u>		<u><u>\$ 123,847,426</u></u>	<u><u>\$ 5,444,410</u></u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

**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, 2012.

**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.

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December, 31 2010 until January 1, 2013. During the two-year period, all noninterest-bearing accounts of all banks are covered. As such, \$21,174,722 of the City's deposits with financial institutions are fully insured under Dodd-Frank.

**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. 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, 2012, is \$21.9 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2012, had a balance of \$60.5 billion. Of that amount, 96.53% was invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities. The weighted average maturity of LAIF was 268 days as of June 30, 2012.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2012 are as follows:

	<b>Special Assessments</b>	<b>Accounts</b>	<b>Grants</b>	<b>Loans</b>	<b>Total</b>
Governmental Activities					
General Fund	\$ -	\$ 2,504,705	\$ -	\$ -	\$ 2,504,705
Federal Grants Special Revenue Fund	-	145,063	68,996	6,119,979	6,334,038
Retirement Special Revenue Fund	3,504,621	-	-	-	3,504,621
Compton Housing Authority Capital Projects Fund	-	-	-	19,759,106	19,759,106
Nonmajor governmental funds	319,130	120,692	231,416	-	671,238
Internal Service Funds	-	10,502	-	-	10,502
	<u>\$ 3,823,751</u>	<u>\$ 2,780,962</u>	<u>\$ 300,412</u>	<u>\$ 25,879,085</u>	<u>\$ 32,784,210</u>
	<b>Special Assessments</b>	<b>Accounts</b>	<b>Allowance</b>	<b>Total</b>	
Business-type Activities					
Water Enterprise Fund	\$ -	\$ 2,949,073	\$ (562,620)	\$ 2,386,453	
Rubbish Enterprise Fund	41,515	1,453,797	(308,632)	1,186,680	
Sewer Enterprise Fund	48,954	273,727	(58,083)	264,598	
Nonmajor enterprise funds	-	1,368	-	1,368	
	<u>\$ 90,469</u>	<u>\$ 4,677,965</u>	<u>\$ (929,335)</u>	<u>\$ 3,839,099</u>	
Total receivables, net and loans receivable					<u>\$ 36,623,309</u>

**Loans receivable**

Loans receivable at June 30, 2012 are as follows:

	<b>Balance</b>
Loans receivable, July 1, 2011, as restated	\$ 35,898,066
First time home buyers (FTHB) loan	107,549
Community housing development organization (CHDO) loan	197,577
Repayment during the year	(19,445)
Reduction of FTHB loans	(1,454,662)
Transfer to Successor Agency	(8,850,000)
Loans receivable, June 30, 2012	<u>\$ 25,879,085</u>

Upon dissolution of the former Agency pursuant to AB X1 26 as disclosed in Note 1, loans receivable in the amount of \$8,850,000 previously recorded in the former Agency's records were transferred to the Successor Agency on February 1, 2012. See Note 14 for further information.

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 Low/Moderate Income Housing Special Revenue Fund and Federal Grants Special Revenue Fund – Home Investment Partnerships Program (HOME) and Community Development Block Grants Section 108 Loan Guarantees programs.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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. The total amount of the first time home buyers' assistance granted by the City during the year was \$107,549, the amount collected as loans repayment was \$19,445 and the amount treated as grant (written-off) was \$1,454,662. The loans receivable balance as of the year end was \$20,802,526.

**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. As of June 30, 2012, the loans receivable balance was \$2,526,559 for the Federal Grants Special Revenue Fund.

**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 Authority Capital Projects Fund by the Redeveloper on a pro-rata basis following the sale of each unit to a qualified low/moderate income buyer. As of June 30, 2012, the loans receivable balance was \$2,300,000.

**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 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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 6 – RECEIVABLES (Continued)**

**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. As of June 30, 2012, the loans receivable balance was \$250,000.

**NOTE 7 –CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2012 is as follows:

**Governmental activities:**

	<b>Balance at July 1, 2011, as restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfer to Successor Agency</b>	<b>Balance at June 30, 2012</b>
Capital assets, not being depreciated:					
Land	\$ 28,853,644	\$ -	\$ -	\$ (1,190,859)	\$ 27,662,785
Construction in progress	20,918,672	9,375,168	(16,647,172)	(425,289)	13,221,379
Total capital assets, not being depreciated	<u>49,772,316</u>	<u>9,375,168</u>	<u>(16,647,172)</u>	<u>(1,616,148)</u>	<u>40,884,164</u>
Capital assets, being depreciated:					
Building and structures	36,478,384	17,262,852	-	(20,148,928)	33,592,308
Land improvements	7,167,988	-	-	(1,331,980)	5,836,008
Equipment	47,089,168	1,143,145	(564,202)	(113,987)	47,554,124
Infrastructure	174,171,454	-	-	-	174,171,454
Total capital assets, being depreciated	<u>264,906,994</u>	<u>18,405,997</u>	<u>(564,202)</u>	<u>(21,594,895)</u>	<u>261,153,894</u>
Less accumulated depreciation for:					
Building and structures	(17,625,880)	(1,069,229)	-	1,426,792	(17,268,317)
Land improvements	(6,672,037)	(162,559)	-	1,228,198	(5,606,398)
Equipment	(44,140,174)	(1,175,826)	225,680	98,217	(44,992,103)
Infrastructure	(95,490,440)	(5,299,094)	-	-	(100,789,534)
Total accumulated depreciation	<u>(163,928,531)</u>	<u>(7,706,708)</u>	<u>225,680</u>	<u>2,753,207</u>	<u>(168,656,352)</u>
Total capital assets, being depreciated, net	<u>100,978,463</u>	<u>10,699,289</u>	<u>(338,522)</u>	<u>(18,841,688)</u>	<u>92,497,542</u>
Total capital assets, net	<u>\$ 150,750,779</u>	<u>\$ 20,074,457</u>	<u>\$ (16,985,694)</u>	<u>\$ (20,457,836)</u>	<u>\$ 133,381,706</u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

Depreciation expense was charged to the following categories:

General government	\$ 531,171
Public safety	680,351
Public works	6,353,997
Cultural and recreation services	50,263
Internal Service Funds	<u>90,926</u>
Total depreciation	<u><u>\$ 7,706,708</u></u>

Upon dissolution of the former Agency pursuant to AB X1 26 as disclosed in Note 1, 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 Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

**Business-type Activities:**

	<b>Balance at July 1, 2011, as restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2012</b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 162,097	\$ -	\$ -	\$ 162,097
Construction in progress	10,391,735	11,826,470	(4,053,808)	18,164,397
Total capital assets, not being depreciated	<u>10,553,832</u>	<u>11,826,470</u>	<u>(4,053,808)</u>	<u>18,326,494</u>
Capital assets, being depreciated:				
Building and structures	1,254,963	-	-	1,254,963
Land improvements	157,044	-	-	157,044
Equipment	20,846,043	-	-	20,846,043
Infrastructure	8,331,384	4,053,808	-	12,385,192
Total capital assets, being depreciated	<u>30,589,434</u>	<u>4,053,808</u>	<u>-</u>	<u>34,643,242</u>
Less accumulated depreciation:				
Building and structures	(982,542)	(31,374)	-	(1,013,916)
Land improvements	(148,245)	(800)	-	(149,045)
Equipment	(19,716,333)	(810,351)	-	(20,526,684)
Infrastructure	(582,189)	(415,562)	-	(997,751)
Total accumulated depreciation	<u>(21,429,309)</u>	<u>(1,258,087)</u>	<u>-</u>	<u>(22,687,396)</u>
Total capital assets, being depreciated, net	<u>9,160,125</u>	<u>2,795,721</u>	<u>-</u>	<u>11,955,846</u>
Total capital assets, net	<u>\$ 19,713,957</u>	<u>\$ 14,622,191</u>	<u>\$ (4,053,808)</u>	<u>\$ 30,282,340</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 2012 was \$3.5 million.

Depreciation expense was charged to the following categories:

Business-type activities	
Water	\$ 386,278
Rubbish	19,645
Sewer	<u>852,164</u>
Total business-type activities	<u>\$ 1,258,087</u>



**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 8 – INTERFUND TRANSACTIONS**

The following table summarizes interfund receivables and payables at June 30, 2012:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
<b>Governmental Funds:</b>		
General Fund	\$ 8,862,722	\$ 5,638,782
Federal Grants Special Revenue Fund	49,063	1,852,425
Retirement Special Revenue Fund	864,533	-
Public Finance Authority Capital Projects Fund	21,243	155,024
Compton Housing Authority Capital Projects Fund	-	196,699
Nonmajor governmental funds	3,827,447	6,424,307
<b>Total Governmental Funds</b>	13,625,008	14,267,237
<b>Internal Service Funds</b>	114,564	-
<b>Enterprise Funds:</b>		
Water Enterprise Fund	348,966	75,389
Rubbish Enterprise Fund	743,752	-
Sewer Enterprise Fund	625	490,289
<b>Total Enterprise Funds</b>	1,093,343	565,678
<b>Total</b>	<b>\$ 14,832,915</b>	<b>\$ 14,832,915</b>

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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

Long-term interfund receivables and payables at June 30, 2012 are as follows:

	<b>Advances From Other Funds</b>	<b>Advances To Other Funds</b>
<b>Governmental Funds:</b>		
General Fund	\$ 41,901,757	\$ -
Federal Grants Special Revenue Fund	-	1,496,297
Retirement Special Revenue Fund	-	10,276,637
Public Finance Authority Debt Service Fund	-	803,074
Compton Housing Authority Capital Projects Fund	-	5,328,000
Nonmajor governmental funds	-	2,449,294
<b>Total Governmental Funds</b>	<u>41,901,757</u>	<u>20,353,302</u>
<b>Enterprise Funds:</b>		
Water Enterprise Fund	-	13,562,060
Rubbish Enterprise Fund	-	83,266
Sewer Enterprise Fund	-	7,733,138
Nonmajor enterprise funds	-	169,991
<b>Total Enterprise Funds</b>	<u>-</u>	<u>21,548,455</u>
<b>Total</b>	<u><u>\$ 41,901,757</u></u>	<u><u>\$ 41,901,757</u></u>

These advances are a result of cash shortfalls in the General Fund in previous years. The City borrowed approximately \$10.2 million 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. In addition, the City borrowed approximately \$1.5 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. Since restricted monies may not be legally loaned to the General Fund, the City created separate bank accounts for restricted monies during fiscal year 2014.

In addition, the City recorded due to fiduciary funds of \$9,768,119 consisting of \$504,496 to the City's Agency fund and \$9,263,623 to the Successor Agency Private-Purpose Trust Fund. See Note 14 for further details.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

**Transfers**

<b>Transfers Out</b>	<b>Transfers In</b>				
	General Fund	Public Finance Authority Capital Projects Fund	Redevelopment Capital Projects Fund	Compton Housing Authority Capital Projects Fund	Total
<b>Governmental Funds:</b>					
General Fund	\$ -	\$ 1,260,057	\$ -	\$ -	\$ 1,260,057
Redevelopment Debt Service Fund	-	-	2,163,902	-	2,163,902
Redevelopment Capital Projects Fund	-	-	-	20,344,474	20,344,474
Low/Moderate Income Housing Capital Projects Fund	-	-	-	14,082,749	14,082,749
<b>Internal Service Funds</b>	7,559,019	-	-	-	7,559,019
<b>Total</b>	<u>\$ 7,559,019</u>	<u>\$ 1,260,057</u>	<u>\$ 2,163,902</u>	<u>\$ 34,427,223</u>	<u>\$ 45,410,201</u>

Interfund transfers were primarily used to fund capital improvements, pay debt service and to return excess payments for long-term liabilities made to the internal service funds by the General Fund. In addition, upon dissolution of the former Agency pursuant to AB X1 26 disclosed in Note 1, the former Agency transferred assets in the amount of \$34,427,223 to the Compton Housing Authority on February 1, 2012.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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, 2012:

<b>Governmental Activities</b>	<b>Balance July 1, 2011, as restated</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfer to Successor Agency</b>	<b>Balance June 30, 2012</b>	<b>Amount due Within One Year</b>
<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)	\$ -	\$ -
Add: Interest accretion	24,680,960	1,644,726	-	(26,325,686)	-	-
2006 Series "A" refunding tax allocation bonds - tax exempt	24,300,000	-	(7,690,000)	(16,610,000)	-	-
Less: Deferred loss on refunding	(652,666)	-	190,361	462,305	-	-
Add: Bond premium	556,465	-	(162,302)	(394,163)	-	-
2008 series Compton Public Finance Authority refunding and various capital projects	45,730,000	-	-	-	45,730,000	-
Less: Discount on issue	(147,660)	-	6,711	-	(140,949)	-
Less: Deferred loss on refunding of 1997 "A" Certificates of participation	(410,611)	-	18,665	-	(391,946)	-
2010 Series "A", "B" and "C" Community Redevelopment Agency second lien tax allocation bonds	100,725,000	-	(805,000)	(99,920,000)	-	-
Less: Discount on issue	(731,217)	-	13,759	717,458	-	-
<b>Total bonds payable</b>	<b>204,187,801</b>	<b>1,644,726</b>	<b>(8,427,806)</b>	<b>(152,207,616)</b>	<b>45,197,105</b>	<b>-</b>
<b>Mortgage loan payable:</b>						
Energy retrofit/revenue enhancement	3,067,194	-	(149,588)	-	2,917,606	168,749
<b>Capital lease obligations</b>						
Tree trimming and other equipment	710,991	-	(280,967)	-	430,024	234,021
<b>Notes payable:</b>						
Housing Section 108 notes	4,100,000	-	(300,000)	-	3,800,000	300,000
Energy conservation assistance loan	103,875	-	(103,875)	-	-	-
<b>Total notes payable</b>	<b>4,203,875</b>	<b>-</b>	<b>(403,875)</b>	<b>-</b>	<b>3,800,000</b>	<b>300,000</b>
<b>Tax sharing obligations:</b>						
Tax sharing indebtedness	1,676,476	-	-	(1,676,476)	-	-
<b>Other long-term liabilities:</b>						
Claims liability	9,767,843	3,256,258	(1,677,063)	-	11,347,038	2,296,481
Compensated absences	6,756,779	2,591,393	(4,046,025)	-	5,302,147	3,926,702
Other postemployment benefits obligation	24,498,445	8,800,280	(3,760,080)	-	29,538,645	3,100,000
Pension liability	15,770,977	1,061,633	(4,223,779)	-	12,608,831	4,280,746
Due to Los Angeles County	-	6,159,729	-	-	6,159,729	-
<b>Total other long-term liabilities</b>	<b>56,794,044</b>	<b>21,869,293</b>	<b>(13,706,947)</b>	<b>-</b>	<b>64,956,390</b>	<b>13,603,929</b>
<b>Total governmental activities     long-term liabilities</b>	<b>\$ 270,640,381</b>	<b>\$ 23,514,019</b>	<b>\$ (22,969,183)</b>	<b>\$ (153,884,092)</b>	<b>\$ 117,301,125</b>	<b>\$ 14,306,699</b>

Upon dissolution of the former Agency pursuant to AB X1 26 as disclosed in Note 1, long-term liabilities in the amount of \$153,884,092 previously recorded in the former Agency's records were transferred to the Successor Agency on February 1, 2012. See Note 14 for further information.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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 assets and liability for the defeased bonds are not included in the City’s financial statements. As of June 30, 2012, \$8.1 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 City. Total principal and interest remaining on the bonds is \$76,528,144 payable through September 2032. Interest paid for the current year was \$2,319,888, of which, \$1,159,782 represents the rental payments made by the City to the Authority. The City was not in compliance with bond requirements during the year ended June 30, 2012 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 remaining interest payment was made with monies from the unspent bond proceeds.

The annual requirements to amortize the bonds are as follows:

<b>Year Ending June 30</b>	<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ -	\$ 2,319,888
2014	-	2,319,888
2015	-	2,319,888
2016	1,625,000	2,279,263
2017	1,710,000	2,195,888
2018-2022	9,915,000	9,574,313
2023-2027	12,695,000	6,714,206
2028-2032	16,335,000	2,988,563
2033	3,450,000	86,247
<b>Total</b>	<b>\$ 45,730,000</b>	<b>\$ 30,798,144</b>

**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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

The total principal and interest remaining on the mortgage loan is \$3,721,030, payable through July 2022. Principal and interest paid during the year was \$285,730.

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

<b>Year Ending June 30</b>	<b>Mortgage Loan</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 168,749	\$ 129,064
2014	189,303	121,096
2015	211,334	112,173
2016	234,933	102,229
2017	260,192	91,191
2018-2022	1,745,250	246,453
2023	107,845	1,218
Total	<u>\$ 2,917,606</u>	<u>\$ 803,424</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. The amount of principal outstanding at June 30, 2012 was \$3,800,000.

The total principal and interest remaining on the note is \$5,029,535, payable through August 2021. Principal and interest paid during the year was \$565,393.

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

<b>Year Ending June 30</b>	<b>Housing Section 108 Note</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 300,000	\$ 233,250
2014	300,000	215,130
2015	300,000	196,755
2016	400,000	175,000
2017	500,000	146,600
2018-2022	2,000,000	262,800
Total	<u>\$ 3,800,000</u>	<u>\$ 1,229,535</u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

**Energy Conservation Assistance Loan**

In October 2004, the City obtained a \$635,078 Energy Conservation Assistance Loan from the California Energy Commission to finance energy efficient improvements for the City's streetlights and traffic signals. The City utilized the loan to change the traffic signal lighting to the light-emitting diode (LED) type, which consumes less electricity than the incandescent bulbs. The interest rate on the loan is 3.95%. The total principal and interest paid during the year was \$106,971. This loan was paid off as of June 30, 2012.

**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>
2013	\$ 234,021	\$ 36,421
2014	172,251	15,727
2015	23,752	557
Total	<u>\$ 430,024</u>	<u>\$ 52,705</u>

The net book value of the leased equipment as of June 30, 2012 was \$489,743.

**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 Authority identified a long-term liability to Los Angeles County in the amount of \$6,159,729. See Note 14 for further information.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2012:

<b>Business-type Activities</b>	<b>Balance July 1, 2011, as restated</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2012</b>	<b>Amount due Within One Year</b>
<b>Debt long-term liabilities</b>					
<b>Bonds payable:</b>					
1998 Sewer revenue refunding bonds	\$ 5,625,000	\$ -	\$ (310,000)	5,315,000	\$ 330,000
2006 Solid waste revenue bonds	1,025,000	-	(80,000)	945,000	85,000
Water revenue bonds, series 2009	44,040,000	-	-	44,040,000	-
Less: Discount on issue of water revenue bonds, Series 2009	(971,801)	-	33,511	(938,290)	-
Sewer revenue bonds, series 2009	18,710,000	-	-	18,710,000	-
Less: Discount on issue of sewer revenue bonds, series 2009	(413,831)	-	14,270	(399,561)	-
	<u>68,014,368</u>	<u>-</u>	<u>(342,219)</u>	<u>67,672,149</u>	<u>415,000</u>
Water utility note	38,975	-	(38,496)	479	479
Capital lease obligation	40,194	-	(40,194)	-	-
<b>Other long-term liabilities:</b>					
Other postemployment benefits obligation	748,774	684,207	(279,487)	1,153,494	302,176
Compensated absences	<u>745,785</u>	<u>555,213</u>	<u>(204,510)</u>	<u>1,096,488</u>	<u>299,834</u>
<b>Total business-type activities long-term liabilities</b>	<u>\$ 69,588,096</u>	<u>\$ 1,239,420</u>	<u>\$ (904,906)</u>	<u>\$ 69,922,610</u>	<u>\$ 1,017,489</u>

**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 liability for the defeased bonds are not included in the City's financial statements. On June 30, 2012, \$4.5 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 \$7,202,205. Principal and interest paid for the current year and total taxes and special assessments revenues were \$601,938 and \$952,188, respectively.



**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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, 2012, the outstanding bond balance is \$5,315,000. The annual requirements to amortize the 1998 Sewer Refunding Bonds, including interest payments, are listed below.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 330,000	\$ 275,538
2014	345,000	258,241
2015	365,000	239,591
2016	380,000	219,569
2017	405,000	198,472
2018-2022	2,360,000	634,250
2023-2024	1,130,000	61,544
Total	<u>\$ 5,315,000</u>	<u>\$ 1,887,205</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 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 \$1,163,520. Principal and interest paid for the current year and the net revenues were \$127,280 and \$429,539, respectively.

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, 2012 the outstanding bond balance is \$945,000. 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>
2013	\$ 85,000	\$ 43,320
2014	90,000	39,120
2015	95,000	34,680
2016	100,000	30,000
2017	105,000	25,080
2018-2021	470,000	46,320
Total	<u>\$ 945,000</u>	<u>\$ 218,520</u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

**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 150%. As of June 30, 2012 the pledged revenues equaled 255% of debt service payments due and payable. Total principal and interest remaining on the bond is \$90,046,787. Repayment of the bond principal will commence in 2014. Interest paid and total net revenues of the Water operations for the current year were \$2,472,737 and \$6,302,182, respectively.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ 2,472,735
2014	765,000	2,461,263
2015	820,000	2,435,438
2016	845,000	2,405,244
2017	890,000	2,371,600
2018-2022	4,890,000	11,244,519
2023-2027	6,515,000	9,723,516
2028-2032	8,680,000	7,551,722
2033-2037	11,720,000	4,517,100
2038-2040	8,915,000	823,650
Total	<u>\$ 44,040,000</u>	<u>\$ 46,006,787</u>

**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 \$38,217,701. Repayment of the principal loan will commence in 2014. Interest paid for the current year and sewer service charges, exclusive of the operating and maintenance expenses, were \$1,049,806 and \$1,525,623, respectively.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ 1,049,806
2014	335,000	1,044,781
2015	345,000	1,033,719
2016	360,000	1,020,931
2017	370,000	1,006,781
2018-2022	2,115,000	4,766,497
2023-2027	2,760,000	4,121,155
2028-2032	3,680,000	3,200,681
2033-2037	4,965,000	1,914,150
2038-2040	3,780,000	349,200
Total	<u>\$ 18,710,000</u>	<u>\$ 19,507,701</u>

**Notes Payable - Water Utility:**

The City's Water Utility Enterprise Fund borrowed \$818,071 for utility improvements under provisions of the State of California Safe Drinking Water contract. As of June 30, 2012, the outstanding note payable balance was \$479. Payments on the note are due semiannually. The term of the note is for 19.6 years at an interest rate of 8.10%.

The total annual payments required to amortize the note as of June 30, 2012, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 479	\$ 18

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

The City, PFA, and former Agency are required to submit audited financial statements to the bondtrustees within 90 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, 2012 and June 30, 2013, 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 year 2012 on March 4, 2013 and will submit the required continuing disclosure information upon completion of the audits.

**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 Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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 at June 30, 2012 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Claims liabilities, July 1, 2010	\$ 6,804,162	\$ 1,248,046	\$ 8,052,208
Inurred 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	1,680,644	1,747,076	3,427,720
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,599,695)</u>	<u>(112,390)</u>	<u>(1,712,085)</u>
Claims liabilities, June 30, 2011	6,885,111	2,882,732	9,767,843
Inurred 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	1,089,791	2,166,467	3,256,258
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,293,913)</u>	<u>(383,150)</u>	<u>(1,677,063)</u>
Claims liabilities, June 30, 2012	<u>\$ 6,680,989</u>	<u>\$ 4,666,049</u>	<u>\$ 11,347,038</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 plans: safety – fire and safety – police. CalPERS provides retirement and disability benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries. PERS 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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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 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 20.619% for miscellaneous employees and 50.093% for safety - fire employees of annual covered payroll. The current annual required contributions for safety – police employees are \$2,990,698, which includes \$2,470,924 for payment of the City’s Side Fund pension liability as described below.

The funded status of the miscellaneous plan based on the June 30, 2012, actuarial valuation is as follows:

<b>Valuation Date</b>	<b>Entry Age Normal Cost Actuarial Accrued Liability (A)</b>	<b>Actuarial Value of Assets (B)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (A-B)</b>	<b>Funded Ratio (B/A)</b>	<b>Annual Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll [(A-B)/C]</b>
6/30/2012	\$ 170,305,337	\$ 131,823,644	\$ 38,481,693	77.40%	\$ 12,707,049	302.84%

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the 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 2011-2012, the City’s annual pension cost of \$2,882,205 for miscellaneous, \$1,348,108 for safety – fire, and \$519,774 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, 2009 valuation, and the funded status, was based on the June 30, 2012 valuation.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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	23 years as of the valuation date for June 30, 2012 and 25 years as of the valuation date for the June 30, 2009.
Asset valuation method	15 years smoothed market
Discount rate	7.50% (net of administrative expenses) for the valuation date as of June 30, 2012 and 7.75% (net of administrative expenses) for the valuation date as of June 30, 2009.
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment for the valuation date as of June 30, 2012. 3.55% to 14.45% depending on age, service and type of employment for the valuation date as of June 30, 2009.
Inflation	2.75% for the valuation date as of June 30, 2012 and 3.00% for the valuation date as of June 30, 2009.
Payroll growth	3% for the valuation date as of June 30, 2012 and 3.25% for the valuation date as of June 30, 2009.
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 the valuation date as of June 30, 2012. A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% for the valuation date as of June 30, 2009.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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</b>					<b>Percentage</b>	<b>Net Pension</b>
<b>Year</b>	<b>Safety - Fire</b>	<b>Safety - Police</b>	<b>Miscellaneous</b>		<b>of APC</b>	<b>Obligation</b>
					<b>Contributed</b>	
6/30/2010	\$ 1,499,543	\$ 72,533	\$ 3,392,405		100%	-
6/30/2011	1,222,761	98,995	3,324,376		100%	-
6/30/2012	1,348,108	519,774	2,882,205		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, 2012, the Safety Fire and Safety Police Side Funds' balances were \$8,019,234 and \$4,589,597, respectively. The Safety Fire and Safety Police Side Funds will be amortized over the next 5 years and 2 year, respectively.

**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 services (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, 2012:

	<b>Police</b>	<b>Fire</b>	<b>Miscellaneous</b>	<b>Total</b>
Eligible Active Employees	-	68	233	301
Enrolled Eligible Retirees	270	136	442	848

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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The contribution requirements of 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.

Effective July 1, 2011, the City's contribution rate was \$1,210 per month for each retiree. For the year ended June 30, 2012, the City contributed \$3,760,080 to the 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, 2012, based on the 2011 actuarial valuation (the most recent actuarial valuation), was \$30,692,139. 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)	\$ 9,271,000
Interest costs	1,073,000
ARC adjustment	<u>(1,139,000)</u>
Annual OPEB cost	9,205,000
Contribution made	<u>(3,760,080)</u>
Increase in net OPEB obligation	5,444,920
Net OPEB obligation - beginning	<u>25,247,219</u>
Net OPEB obligation - ending	<u><u>\$ 30,692,139</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
6/30/2012	\$ 9,205,000	41%	\$ 30,692,139
6/30/2011	11,453,000	31%	25,247,219
6/30/2010	10,795,364	30%	17,364,000

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 Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The funded status based on the June 30, 2011 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>
\$ 116,939,000	\$ -	\$ 116,939,000	0.00%	\$ 26,315,000	444.38%

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 the 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 4.25% discount rate, a 3% annual inflation rate, and 5% to 8.3% medical trend rates. The UAAL is being amortized as a level percent of payroll over 26 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

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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 Center (DEC) in May 2013. This claimed amount was later refined by the DEC after its staff review to \$2,850,495. The City has provided to the DEC the supporting documentation for \$1,088,804 of the questioned expenditures. The City is still in the process of assembling the supporting documentation for the remaining \$1,761,691 questioned expenditures. However, the City believes that documentation will be available to support all remaining questioned expenditures.

The City has also raised the procedural issue of whether the applicable statute of limitations for action by HUD would bar enforcement of any repayment of the HOME funds questioned. These funds were provided to sub-recipients for activities and specific projects, which clearly occurred and which have been successful in aiding the community and its citizens. All but the most recent activity questioned involved expenditures incurred more than 10 years ago. The activities covered by the audit extend back to 1993, a period of 17 years prior to commencement of the audit in August 2010. The average age of the activities and initiation of drawdowns questioned was 16 years ago. Initiation of even the most recent activity expenditures questioned occurred more than five years before the audit report was issued. The City believes the federal statute of limitation is 5 years and that questioned expenditures were incurred outside of that period. No adjustments have been recorded in the financial statements for these matters.

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, 2012, total governmental fund encumbrance balances for the City are as follows:

Public Finance Authority Capital Projects Fund	\$ 551,357
Nonmajor governmental funds	<u>322,452</u>
Total	<u><u>\$ 873,809</u></u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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, 2012, the City’s General Fund had an increase in fund balance of \$4,813,408 with an ending fund deficit of \$37,911,406. Additionally, the General Fund has a net due from other funds of \$3,223,940 and an obligation from advances from other funds of \$41,901,757. The General Fund’s cash balance was

\$7,994,100 at June 30, 2012. Furthermore, the General Fund has accounts payable of \$3,580,974, accrued liabilities of \$3,252,513 and \$2,902,015 net due to fiduciary funds indicating significant liquidity problems at June 30, 2012.

Management’s Plans to Improve Operations and Limit City Obligations

As of the issuance date of these financial statements, management has implemented the following measures to reduce General Fund expenditures and increase its revenue in future periods:

- Reduced employee costs through a negotiated furlough ending on June 30, 2014.
- Implemented a competitive bidding process for all contracts to reduce contract costs.
- Reviewed existing contracts and negotiated a trash contract, which resulted in a one-time payment to the City of \$1.0 million during the fiscal year 2014 and a casino contract, which resulted in the City receiving in fiscal year 2014 approximately \$1.8 million in annual payments to the City instead of an approximate \$240,000 annual payment received in recent years.
- The budget process for the fiscal year 2014 identified City Council priorities and appropriated funds to execute those priorities. Other projects or services that were of less ranking in the priority list were not funded in the budget.
- Performed audits of business licenses and other fees collected from businesses operating within the City, which resulted in an increase in the City’s business license fees revenues from \$1.34 million in fiscal year 2012 to \$1.84 in fiscal year 2013.
- The City Council approved rate increases for City services during fiscal year 2014. The various City departments are becoming more aggressive in ensuring that the City collects revenues and charges due to the City. The Fire department, Building & Safety department, Code Enforcement Unit and the Planning department are in the forefront of ensuring that the City collects charges and fees approved by the City Council.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

In addition, City Council took action on June 17, 2014 and adopted Resolution 23,970 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	-

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

On December 29, 2011, the California Supreme Court upheld AB X1 26 that provides for the dissolution of 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.

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.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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 the City of Compton on the Statement of Fiduciary Net Assets 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. 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 Authority as 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.

Of the \$6,519,729 available for distribution under the LMIHF DDR, the Successor Agency remitted \$287,556 during fiscal year 2014 to the County of Los Angeles Auditor-Controller. This amount has been recorded on the governmental activities Statement of Net Assets as a long-term liability to Los Angeles County. The unallowable transfers totaling \$4,105,700 as indicated in the SCO's review above were included as part of balances available for distribution to taxing entities from the result of OFA DDR. No amounts have been repaid related to the OFA DDR. As such, the total amount due from OFA DDR and the SCO's review of \$5,516,641 was recorded as a long-term advance from fiduciary funds as of June 30, 2012 on the Statement of Net Assets of the governmental activities and the Statement of Net Assets of the Internal Service Funds. In addition, the Successor Agency trust fund recorded a long-term advance to the City and a long-term payable to Los Angeles County for \$5,516,641. The City is currently negotiating a settlement amount for the balance available for distribution to taxing entities from the OFA DDR and a repayment plan for the amount due from both DDRs.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

Since the Successor Agency has not paid the full amount of unencumbered cash available for distribution to taxing entities to the County of Los Angeles Auditor-Controller, the California Department of Finance (DOF) has not issued a Finding of Completion (FOC), which 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. The amount due to the City from the Successor Agency is \$1,382,587 as of June 30, 2012.
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: 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.

Prior to February 1, 2012, the date of dissolution, the final seven months of the activity of the former Agency continued to be reported in the Redevelopment Debt Service Fund, the Redevelopment Capital Projects Fund, and the Low/Moderate Income Housing Capital Projects Fund of the City. Subsequent to February 1, 2012, the assets and activities of the dissolved Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

AB X1 26 allowed the sponsoring community that formed the redevelopment agency to elect to assume the housing functions and take over certain assets of the former Low/Moderate Income Housing Capital Projects Fund of the dissolved Agency. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (except for certain assets of the former Low/Moderate Income Housing Capital Projects Fund and the Redevelopment Debt Service Fund, which were transferred to the Compton Housing Authority Capital Projects Fund) from governmental funds of the City to a fiduciary fund was reported as an extraordinary loss in the governmental fund financial statements. The transfer of the assets and liabilities of the former Agency as of January 31, 2012 from governmental funds of the City to a fiduciary fund was reported in the government-wide financial statements as an extraordinary gain. The receipt of these assets and liabilities as of February 1, 2012 was reported in the Successor Agency Private-Purpose Trust Fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the private-purpose trust fund (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

The difference between the extraordinary loss recognized in the governmental funds financial statements and the extraordinary gain/(loss) recognized in the government –wide financial statements and the private-purpose trust fund financial statements, respectively, is reconciled as follows:

Extraordinary loss reported in governmental funds due to the net assets of Successor Agency Private-Purpose Trust Fund	\$ (78,812,367)
Capital assets of the former Agency reported in the government-wide financial statements - increase in net assets of the Successor Agency Private-Purpose Trust Fund	(20,457,836)
Long-term debt reported in the government-wide financial statements - decrease in net assets of Successor Agency Private-Purpose Trust Fund	153,884,092
Bond issue costs reported in government-wide financial statements - increase in net assets of Successor Agency Private-Purpose Trust Fund	(2,091,039)
Deferred revenues associated with loans receivable are not available to pay for current period expenditures and therefore are deferred in the funds and recognized as revenues in the government-wide and Successor Agency Private-Purpose Trust Fund financial statements	<u>(8,850,000)</u>
Extraordinary gain in the government-wide Statement of Activities of the City and extraordinary loss recognized in the Successor Agency Private-Purpose Trust Fund	<u><u>\$ 43,672,850</u></u>

**Land Held for Resale – Successor Agency**

Land held for resale of the former Agency in the amount of \$32,331,807 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.

**Notes Receivables - Successor Agency**

Details of the Successor Agency's notes receivable as of June 30, 2012 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)	-

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

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, 2012.

**Loans receivable - Successor Agency**

The loans receivable at June 30, 2012 are as follows:

<b>Borrower</b>	<b>Balance at February 1, 2012</b>	<b>Repayments</b>	<b>Balance at June 30, 2012</b>
Gateway Opportunity Fund (Prism Realty Corporation)	\$ 6,000,000	\$ (21,963)	\$ 5,978,037
Compton Commercial Development Renaissance Plaza, LLC	2,850,000	(60,079)	2,789,921
Total loans receivable	<u>\$ 8,850,000</u>	<u>\$ (82,042)</u>	<u>\$ 8,767,958</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 connection with the major renovation of the Compton Renaissance Plaza Shopping Center, the former Agency provided a loan of \$2,850,000 to a property developer – Compton Commercial Development Renaissance Plaza, LLC. The developer will renovate or cause the renovation of the existing 86,489 square foot vacant building at the northeast corner of Compton Boulevard between Alameda Street and Willowbrook Avenue. The loan has an interest rate of 3% per annum and shall be for a period of 10 years.



**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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 period February 1, 2012 through June 30, 2012.

	Balance at February 1, 2012	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 1,190,859	\$ -	\$ -	\$ 1,190,859
Construction in progress	425,289	306,981		732,270
	<u>1,616,148</u>	<u>306,981</u>	<u>-</u>	<u>1,923,129</u>
Capital assets, being depreciated:				
Building and structures	20,148,928	2,579,366	-	22,728,294
Land improvements	1,331,980	-	-	1,331,980
Equipment	113,987	-	-	113,987
Total capital assets, being depreciated	<u>21,594,895</u>	<u>2,579,366</u>	<u>-</u>	<u>24,174,261</u>
Less accumulated depreciation for:				
Building and structures	(1,426,792)	(219,495)	-	(1,646,287)
Land improvements	(1,228,198)	(24,399)	-	(1,252,597)
Equipment	(98,217)	(2,900)	-	(101,117)
Total accumulated depreciation	<u>(2,753,207)</u>	<u>(246,794)</u>	<u>-</u>	<u>(3,000,001)</u>
Total capital assets, being depreciated, net	<u>18,841,688</u>	<u>2,332,572</u>	<u>-</u>	<u>21,174,260</u>
Total capital assets, net	<u>\$ 20,457,836</u>	<u>\$ 2,639,553</u>	<u>\$ -</u>	<u>\$ 23,097,389</u>

Depreciation expense for the period February 1, 2012 through June 30, 2012 was \$246,794.

As discussed in Note 7, the transfers of capital assets from the former Agency to the Successor Agency are pending approval of 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 because they are either titled in the City's name or maintained by the City.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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 period February 1, 2012 through June 30, 2012.

	Balance February 1, 2012	Additions	Retirements	Balance June 30, 2012	Amount Due Within One Year
<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	\$ -
Add: Interest accretion	26,325,686	1,174,805	-	27,500,491	-
2006 series "A" refunding tax allocation bonds - tax exempt	16,610,000	-	-	16,610,000	8,090,000
Less: Deferred loss on refunding	(462,305)	-	135,972	(326,333)	-
Add: Bond premium	394,163	-	(115,930)	278,233	-
2010 series "A", "B" and "C" Community Redevelopment Agency second lien tax allocation bonds	99,920,000	-	-	99,920,000	830,000
Less: Discount on issue	(717,458)	-	9,829	(707,629)	-
<b>Total bonds payable</b>	<u>152,207,616</u>	<u>1,174,805</u>	<u>29,871</u>	<u>153,412,292</u>	<u>8,920,000</u>
<b>Other long-term liabilities</b>					
Tax sharing indebtedness	1,676,476	316,151	(992,627)	1,000,000	1,000,000
Due to Los Angeles County	-	5,516,641	-	5,516,641	-
<b>Total other long-term liabilities</b>	<u>1,676,476</u>	<u>5,832,792</u>	<u>(992,627)</u>	<u>6,516,641</u>	<u>1,000,000</u>
<b>Total Successor Agency     long-term liabilities</b>	<u>\$ 153,884,092</u>	<u>\$ 7,007,597</u>	<u>\$ (962,756)</u>	<u>\$ 159,928,933</u>	<u>\$ 9,920,000</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 in 2014 and with the final payment due in 2024. During the grace period before the loan payment commences, the interest on the bond is added as an accretion to the bond balance. The amount of the bond is \$10,137,530 while total accretion as of June 30, 2012 is \$27,500,491.

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. Prior to dissolution of the former Agency, the total incremental property tax revenues during the period from July 1, 2011 through January 31, 2012 totaled \$9,155,561.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest*</u>
2014	\$ 1,319,906	\$ 4,480,094
2015	1,221,016	4,578,984
2016	1,129,550	4,670,450
2017	1,044,928	4,755,072
2018	966,628	4,833,372
2019-2023	3,849,634	25,150,366
2024	605,868	5,194,132
Total	<u>\$ 10,137,530</u>	<u>\$ 53,662,470</u>

\* Accretion in the amount of \$27,500,491 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 liability for the defeased bonds are not included in the financial statements. On June 30, 2012, \$27.1 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. Total principal and interest remaining on the bonds is \$17,451,250 payable through August 2013. Prior to dissolution of the former Agency, pledged tax increment revenue recognized during the period from July 1, 2011 through January 31, 2012 was \$9,155,561 against the total debt service payments of \$8.3 million. Subsequent to dissolution of the former Agency, interest expense in the amount of \$415,250 was paid by the Successor Agency.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 8,090,000	\$ 628,250
2014	8,520,000	213,000
Total	<u>\$ 16,610,000</u>	<u>\$ 841,250</u>

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

**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, 2012 for all of the 2010 Series was \$99,920,000.

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 \$195,128,418. 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). Prior to dissolution of the former Agency, pledged tax increment revenue recognized during the period from July 1, 2011 through January 31, 2012 was \$10,876,686 against the total debt service payments of \$3.7 million. Subsequent to dissolution of the former Agency, interest expense in the amount of \$2.2 million was paid by the Successor Agency.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 830,000	\$ 5,840,779
2014	855,000	5,815,880
2015	2,265,000	5,790,229
2016	2,390,000	5,667,938
2017	2,520,000	5,532,199
2018-2022	15,025,000	25,246,700
2023-2027	28,545,000	19,672,258
2028-2032	19,090,000	11,857,635
2033-2037	13,620,000	6,530,700
2038-2042	11,945,000	3,084,000
2043	2,835,000	170,100
Total	<u>\$ 99,920,000</u>	<u>\$ 95,208,418</u>

**Property Tax Sharing Obligation**

The former Agency received revenues from property taxes collected on its behalf by the Los Angeles County. A portion of the property tax revenue is required to be deposited in a trust fund to be established by and administered for the Compton Unified School District unless the amount is spent on a mutually beneficial and agreed project between the former Agency and the Compton Unified School District. There was a dispute between the former Agency and the Compton Unified School District on the amount of the property tax share, which has not been spent on a mutually agreed project. Subsequent to dissolution of the former Agency, the Successor Agency and the Compton Unified School entered into a settlement for the amount of \$1,000,000 in January 2013.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

The former Agency has an agreement with Los Angeles County regarding the County's share of property taxes relating to a portion of the former Agency's redevelopment areas. The agreement indicated that this tax share (amounting to \$20.6 million as of the year-end) shall be utilized and will not be payable to the County if the former Agency executes mutually agreed projects. Subsequent to dissolution of the former Agency, this agreement ceased to exist. No amount has been included as indebtedness of the Successor Agency in these financial statements.

**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 Agency identified a long-term liability to Los Angeles County in the amount of \$5,516,641.

**NOTE 15 – SUBSEQUENT EVENTS**

a. California Public Employees' Pension Reform Act

AB 340 and AB 197 were signed into law in September 2012 and enacted the California Public Employees' Pension Reform Act of 2013 (PEPRA), and also incorporate amendments to the County Employees' Retirement Law (CERL). AB 340 excludes from PEPRA the University of California, and charter cities and counties that do not participate in a retirement system governed by state statute. The new law affects the City as a participant in CalPERS.

AB 340 includes provisions for new employees who become members on or after January 1, 2013. Some of these provisions include caps on compensation, which may be used for pensions, equal sharing of pension costs, new pension formulas for general and safety members, specified exclusions from pensionable compensation, three-year final compensation, and prohibition on benefit replacement plans.

For all employees, it includes: prohibition of retroactive pension increases, elimination of ARC purchases, 180-day break in service for retired annuitants (with some exceptions), forfeiture of pension and related benefits for certain felony convictions, pilot safety member disability retirement provisions, which sunset in 2018 unless extended, and new CERL definition of "compensation earnable". AB 197 contained corrections to two drafting errors discovered in AB 340.

AB 340 and AB 197 will impact the City's annual required pension contribution amounts in the future.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

b. AB 471- Local Government: Redevelopment: Successor Agencies to Redevelopment Agencies

AB 471 was signed into law as an urgent statute on February 18, 2014 to amend the existing law related to the successor agencies to redevelopment agencies. The following is a summary of changes to the law by AB 471:

1. Allows ROPS to schedule expenditures beyond the ROPS cycle to indicate that a lender requires cash on hand beyond the ROPS cycle.
2. When payment is due during the ROPS period, but an invoice or other billing has not been received, allows the successor agency to use reasonable estimates and projections to support the payment amount; provided the successor agency submits supporting documentation of the basis of the estimate or projection to DOF and the County Auditor-Controller.
3. Allows ROPS to include appropriation of moneys from bonds subject to passage during the ROPS cycle when an enforceable obligation requires the agency to issue bonds and use the proceeds to pay for project expenditures.
4. Allows Infrastructure Financing Districts (IFD) to finance a project in, or which overlaps with a redevelopment or former redevelopment project area if the successor agency has received a FOC. Such districts were prohibited by pre-existing law. The debts or obligations of the IFD would be subordinate to the enforceable obligations of the former redevelopment agency. The city forming the IFD may contribute any portion of its “net available revenue” to the district. The term “net available revenue” generally means periodic distributions to the city from the Redevelopment Property Tax Trust Fund available to the city after all preexisting legal commitments and statutory obligations funded from the revenue are made, with some specific funds excluded from the definition.
5. Requires that on July 1, 2014, and twice yearly thereafter until July 1, 2018, funds are to be allocated to cover the “housing entity administrative cost allowance” of the “local housing authority” that assumed the housing duties of the former redevelopment agency, before distribution to local agencies and school entities. The “housing entity administrative cost allowance” means up to 1% of the property tax allocated to the Redevelopment Obligation Retirement Fund for the successor agency for the fiscal year, but not less than \$150,000 per fiscal year. After approval of the ROPS by the oversight board and DOF, the successor agency shall remit the housing entity administrative cost allowance to the local housing authority on each January 2 and July 1. If there are insufficient funds in the Redevelopment Obligation Retirement Fund to fully pay the administrative cost allowance, the unfunded amount shall be listed on each subsequent ROPS until paid in full.
6. Modifies the Long-Range Property Management Plan process allowing the transfer to a city of property identified in an approved redevelopment plan for disposition or liquidation by including properties listed in a community plan or a five-year implementation plan for such transfer.
7. Beginning in fiscal year 2013-14, the maximum loan repayment amount to a city or county that created a former redevelopment agency is based on 1/2 of the increase between the amount distributed to the taxing entities in that fiscal year and the amount distributed to the taxing entities in the 2012-13 base year. The legislation clarifies that in calculating the loan repayment amount, the amounts distributed to taxing entities during the 2012-13 base year shall not include amounts distributed to taxing entities as a result of the DDR process.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

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

c. Tax Revenue Anticipation Notes

In February and July 2013, the City issued the 2012-13 Tax and Revenue Anticipation Notes, Series A and the 2013-14 Tax and Revenue Anticipation Notes, Series A in the aggregate principal amounts of \$5,000,000 and \$10,600,000, 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 3.75%. The 2012-13 Tax and Revenue Anticipation Notes, Series A have a maturity date of June 28, 2013 and were paid off by the City by the maturity date. The 2013-14 Tax and Revenue Anticipation Notes, Series A have a maturity date of June 1, 2014 and were paid in full by the City by the maturity date. 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. In July 2014, the City Council authorized Tax and Revenue Anticipation Notes not to exceed \$12,500,000 to be issued by the end of July.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
Taxes and special assessments	\$ 24,140,277	\$ 24,140,277	\$ 23,992,677	\$ (147,600)
Licenses and permits	3,490,360	3,490,360	2,664,625	(825,735)
Intergovernmental revenues	7,842,404	7,842,404	8,113,604	271,200
Fines, forfeitures, and penalties	2,299,404	2,299,404	1,809,798	(489,606)
Use of money and property	1,127,720	1,819,376	663,390	(1,155,986)
Charges for services	9,455,083	9,455,083	6,818,951	(2,636,132)
Other	111,985	423,447	1,507,922	1,084,475
Total revenues	48,467,233	49,470,351	45,570,967	(3,899,384)
Expenditures:				
General government:				
City attorney	1,006,064	1,170,389	1,088,427	81,962
City clerk	516,037	518,936	384,994	133,942
City controller	1,611,129	1,691,181	1,323,069	368,112
City council	864,550	864,550	606,456	258,094
City manager	2,635,777	2,597,933	2,310,569	287,364
City treasurer	375,264	375,264	332,176	43,088
Total general government	7,008,821	7,218,253	6,045,691	1,172,562
Management services:				
General services	3,056,563	3,594,102	3,285,447	308,655
Non-departmental	3,155,287	3,933,778	2,848,079	1,085,699
Human resources	638,904	645,819	449,031	196,788
Total management services	6,850,754	8,173,699	6,582,557	1,591,142
Public safety:				
Fire	10,392,579	10,307,595	11,589,652	(1,282,057)
Municipal Law	3,060,427	3,073,601	2,851,371	222,230
Los Angeles County Sheriff	17,501,286	17,501,286	16,916,685	584,601
Total public safety	30,954,292	30,882,482	31,357,708	(475,226)
Public works:				
Public works - street maintenance	817,500	821,551	459,574	361,977
Public works - engineering	251,512	252,294	180,687	71,607
Total public works	1,069,012	1,073,845	640,261	433,584

Continued

See accompanying notes to the required supplementary information.

**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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Environmental and human services:				
Building and safety	\$ 909,569	\$ 929,088	\$ 1,032,798	\$ (103,710)
Careerlink	-	25,083	8,205	16,878
Planning and economic development	582,890	528,209	517,486	10,723
Parks and recreation	2,324,486	2,363,223	2,031,597	331,626
Total environmental and human services	3,816,945	3,845,603	3,590,086	255,517
Total expenditures	49,699,824	51,193,882	48,216,303	2,977,579
Excess (deficiency) of revenues over (under) expenditures	(1,232,591)	(1,723,531)	(2,645,336)	(6,876,963)
Other financing sources (uses):				
Transfers in	-	-	7,559,019	7,559,019
Transfers out	-	-	(100,275)	(100,275)
Total other financing sources (uses)	-	-	7,458,744	7,458,744
Net change in fund balance	(1,232,591)	(1,723,531)	4,813,408	581,781
Fund balance (deficit) at beginning of year, as restated	(42,724,814)	(42,724,814)	(42,724,814)	-
Fund balance (deficit) at end of year	\$ (43,957,405)	\$ (44,448,345)	\$ (37,911,406)	\$ 581,781

See accompanying notes to the 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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
Intergovernmental revenues	\$ 18,310,865	\$ 27,441,738	\$ 13,351,158	\$ (14,090,580)
Use of money and property	2,528,283	3,028,283	14,635	(3,013,648)
Charges for services	913,375	913,375	-	(913,375)
Other	32,733	32,733	100,056	67,323
Total revenues	21,785,256	31,416,129	13,465,849	(17,950,280)
Expenditures:				
Current:				
Public safety	957,123	1,257,932	128,695	1,129,237
Environmental and human services	14,829,418	20,262,101	13,465,070	6,797,031
Debt service:				
Principal	200,000	200,000	300,000	(100,000)
Interest	173,786	280,000	265,393	14,607
Capital outlay	-	-	585,733	(585,733)
Total expenditures	16,160,327	22,000,033	14,744,891	7,255,142
Excess (deficiency) of revenues over (under) expenditures	5,624,929	9,416,096	(1,279,042)	(10,695,138)
Net change in fund balance	5,624,929	9,416,096	(1,279,042)	(10,695,138)
Fund balance at beginning of year, as restated	3,280,793	3,280,793	3,280,793	-
Fund balance at end of year	\$ 8,905,722	\$ 12,696,889	\$ 2,001,751	\$ (10,695,138)

See accompanying notes to the 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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
Taxes and special assessments	\$ 13,163,127	\$ 13,163,127	\$ 19,038,561	\$ 5,875,434
Intergovernmental revenues	269,000	269,000	276,007	7,007
Use of money and property	2,540	2,540	207	(2,333)
Other	2,262,737	2,262,737	122,115	(2,140,622)
Total revenues	15,697,404	15,697,404	19,436,890	3,739,486
Expenditures:				
Current:				
General government	1,000,242	1,000,241	874,272	125,969
Public safety	5,063,179	4,938,818	4,713,135	225,683
Public works	225,509	209,780	70,933	138,847
Management services	8,126,253	8,029,088	8,430,943	(401,855)
Environmental and human services	1,282,223	1,249,234	1,142,660	106,574
Total expenditures	15,697,406	15,427,161	15,231,943	195,218
Excess (deficiency) of revenues over (under) expenditures	(2)	270,243	4,204,947	3,934,704
Net change in fund balance	(2)	270,243	4,204,947	3,934,704
Fund balance at beginning of year, as restated	8,245,936	8,245,936	8,245,936	-
Fund balance at end of year	\$ 8,245,934	\$ 8,516,179	\$ 12,450,883	\$ 3,934,704

See accompanying notes to the required supplementary information.

**CITY OF COMPTON, CALIFORNIA**  
**Required Supplementary Information**  
**Schedules of Funding Progress**  
**For the Fiscal Year Ended June 30, 2012**

**1. California Public Employees' Retirement System (PERS) - 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>
6/30/2010	\$157,852,083	\$124,973,698	\$ 32,878,385	79.20%	\$ 18,611,429	176.66%
6/30/2011	167,117,156	130,053,396	37,063,760	77.80%	17,963,289	206.33%
6/30/2012	170,305,337	131,823,644	38,481,693	77.40%	12,707,049	302.84%

**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>
6/30/2007	\$ 113,725,000	\$ -	\$ 113,725,000	0.00%	\$ 19,855,000	572.78%
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%

See accompanying notes to the required supplementary information.

**CITY OF COMPTON, CALIFORNIA**  
**Notes to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2012**

**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 \$331,453 and \$182,579, respectively, were included in the budgetary comparison schedule for the General Fund under general government expenditures. In addition, a transfer out from the General Fund to the Public Finance Authority Capital Projects Fund for debt service payments was included in the budgetary comparison schedule for the General Fund under management services 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, 2012**

**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, 2012**

	Special Revenue Funds		
	County Transportation	Gasoline Tax	Department of Health Service Grant
<b>Assets</b>			
Cash and investments	\$ 2,251,045	\$ -	\$ -
Special assessments receivable	-	-	-
Accounts receivable	5,347	26,872	-
Grants receivable	-	-	-
Due from other funds	1,704,625	26,625	-
Advances to other funds	-	-	1,476
Total assets	<u>\$ 3,961,017</u>	<u>\$ 53,497</u>	<u>\$ 1,476</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 420,707	\$ 26,972	\$ -
Accrued liabilities	1,198	41,672	-
Due to other funds	755,285	7,618	98,889
Total liabilities	<u>1,177,190</u>	<u>76,262</u>	<u>98,889</u>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Road improvements	2,443,688	-	-
Transit systems	340,139	-	-
Police services	-	-	-
Recycling and clean air	-	-	-
Unassigned	-	(22,765)	(97,413)
Total fund balances (deficit)	<u>2,783,827</u>	<u>(22,765)</u>	<u>(97,413)</u>
Total liabilities and fund balances	<u>\$ 3,961,017</u>	<u>\$ 53,497</u>	<u>\$ 1,476</u>

**CITY OF COMPTON, CALIFORNIA**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2012**

Special Revenue Funds		Capital Projects Funds		Total
Special Assessments	Other	California Department of Transportation Grant	California Department of Parks and Recreation	
\$ -	\$ 2,642	\$ 1,755,946	\$ 11,676	\$ 4,021,309
319,130	-	-	-	319,130
-	-	88,473	-	120,692
-	194,260	37,156	-	231,416
371,584	485	1,724,128	-	3,827,447
-	1,017,014	1,376,599	54,205	2,449,294
<u>\$ 690,714</u>	<u>\$ 1,214,401</u>	<u>\$ 4,982,302</u>	<u>\$ 65,881</u>	<u>\$ 10,969,288</u>
\$ 592,711	\$ 40,562	\$ 3,145,337	\$ 85,117	\$ 4,311,406
59,557	54,941	3,672	-	161,040
2,563,757	705,824	1,913,748	379,186	6,424,307
<u>3,216,025</u>	<u>801,327</u>	<u>5,062,757</u>	<u>464,303</u>	<u>10,896,753</u>
-	-	-	-	2,443,688
-	-	-	-	340,139
-	74,333	-	-	74,333
-	338,741	-	-	338,741
(2,525,311)	-	(80,455)	(398,422)	(3,124,366)
<u>(2,525,311)</u>	<u>413,074</u>	<u>(80,455)</u>	<u>(398,422)</u>	<u>72,535</u>
<u>\$ 690,714</u>	<u>\$ 1,214,401</u>	<u>\$ 4,982,302</u>	<u>\$ 65,881</u>	<u>\$ 10,969,288</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, 2012**

	Special Revenue Funds		
	County Transportation	Gasoline Tax	Department of Health Service Grant
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental revenues	2,668,756	1,433,605	-
Use of money and property	199,692	-	-
Charges for services	-	-	-
Total revenues	2,868,448	1,433,605	-
Expenditures:			
Current:			
Redevelopment	-	-	-
Public safety	-	-	-
Public works	1,057,985	1,247,508	-
Management services	103,204	-	-
Environmental and human services	434,000	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
Total expenditures	1,595,189	1,247,508	-
Excess (deficiency) of revenues over (under) expenditures	1,273,259	186,097	-
Net change in fund balances	1,273,259	186,097	-
Fund balances (deficit) at beginning of year, as restated	1,510,568	(208,862)	(97,413)
Fund balances (deficit) at end of year	\$ 2,783,827	\$ (22,765)	\$ (97,413)

**CITY OF COMPTON, CALIFORNIA**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2012**

Special Revenue Funds		Capital Project Funds		Total
Special Assessments	Other	California Department of Transportation Grant	California Department of Parks and Recreation	
\$ 4,293,963	\$ -	\$ -	\$ -	\$ 4,293,963
-	632,236	3,894,985	-	8,629,582
-	32	1,371	110	201,205
-	7,016	-	-	7,016
4,293,963	639,284	3,896,356	110	13,131,766
-	84,250	-	-	84,250
-	129,357	-	-	129,357
3,886,803	-	219,669	-	6,411,965
-	-	-	-	103,204
-	176,559	-	-	610,559
103,875	-	-	-	103,875
3,096	-	-	-	3,096
881,663	186,259	4,585,158	423,396	6,076,476
4,875,437	576,425	4,804,827	423,396	13,522,782
(581,474)	62,859	(908,471)	(423,286)	(391,016)
(581,474)	62,859	(908,471)	(423,286)	(391,016)
(1,943,837)	350,215	828,016	24,864	463,551
\$ (2,525,311)	\$ 413,074	\$ (80,455)	\$ (398,422)	\$ 72,535

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**CITY OF COMPTON, CALIFORNIA**  
**Description of Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2012**

**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.



**CITY OF COMPTON, CALIFORNIA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012**

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
Assets			
Current assets:			
Accounts receivable	\$ 1,368	\$ -	\$ 1,368
Noncurrent assets:			
Advances from other funds	<u>49,231</u>	<u>120,760</u>	<u>169,991</u>
Total assets	<u>50,599</u>	<u>120,760</u>	<u>171,359</u>
Liabilities			
Current liabilities:			
Accounts payable	3,500	-	3,500
Accrued liabilities	-	1,446	1,446
Deposits	-	63,936	63,936
Other postemployment benefits obligation	<u>2,176</u>	<u>-</u>	<u>2,176</u>
Total current liabilities	<u>5,676</u>	<u>65,382</u>	<u>71,058</u>
Total liabilities	<u>5,676</u>	<u>65,382</u>	<u>71,058</u>
Net Assets			
Net assets:			
Unrestricted	<u>44,923</u>	<u>55,378</u>	<u>100,301</u>
Total net assets	<u>\$ 44,923</u>	<u>\$ 55,378</u>	<u>\$ 100,301</u>

**CITY OF COMPTON, CALIFORNIA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 97,081	\$ 4,780	\$ 101,861
Operating expenses:			
Public works	42,000	-	42,000
Environmental and personnel services	-	8,490	8,490
Total operating expenses	<u>42,000</u>	<u>8,490</u>	<u>50,490</u>
Operating income (loss)	<u>55,081</u>	<u>(3,710)</u>	<u>51,371</u>
Nonoperating revenues:			
Investment income	<u>1</u>	<u>4</u>	<u>5</u>
Change in net assets	55,082	(3,706)	51,376
Net assets (deficit) at beginning of year	<u>(10,159)</u>	<u>59,084</u>	<u>48,925</u>
Net assets at end of year	<u><u>\$ 44,923</u></u>	<u><u>\$ 55,378</u></u>	<u><u>\$ 100,301</u></u>

**CITY OF COMPTON, CALIFORNIA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 95,713	\$ 8,729	\$ 104,442
Cash payments to suppliers for goods and services	(38,500)	(7,523)	(46,023)
Cash payments to employees	(632)	-	(632)
Net cash provided by operating activities	<u>56,581</u>	<u>1,206</u>	<u>57,787</u>
Cash flows from non-capital financing activities:			
Long-term loans to other funds	(49,231)	(1,210)	(50,441)
Repayments of short-term loans to other funds	(7,351)	-	(7,351)
Net cash used by non-capital financing activities	<u>(56,582)</u>	<u>(1,210)</u>	<u>(57,792)</u>
Cash flows from investing activities:			
Interest received on investments	<u>1</u>	<u>4</u>	<u>5</u>
Net cash provided by investing activities	<u>1</u>	<u>4</u>	<u>5</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 55,081	\$ (3,710)	\$ 51,371
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Change in assets and liabilities			
Increase in accounts receivable	(1,368)	-	(1,368)
Increase in accounts payable	3,500	-	3,500
Increase in accrued liabilities	-	967	967
Increase in deposits	-	3,949	3,949
Decrease in other postemployment benefits obligations	(632)	-	(632)
Net cash provided by operating activities	<u><u>\$ 56,581</u></u>	<u><u>\$ 1,206</u></u>	<u><u>\$ 57,787</u></u>

**CITY OF COMPTON, CALIFORNIA**  
**Description of Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2012**

**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.

**CITY OF COMPTON, CALIFORNIA**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012**

	Equipment Rental	Central Duplication	Self- Insurance	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ -	\$ -	\$ 87,286	\$ 87,286
Accounts receivable	-	-	10,502	10,502
Due from other funds	16,060	48,308	50,196	114,564
Due from fiduciary funds	-	-	1,312,142	1,312,142
Inventories	34,784	-	-	34,784
Total current assets	<u>50,844</u>	<u>48,308</u>	<u>1,460,126</u>	<u>1,559,278</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	44,109	-	-	44,109
Depreciable, net	72,571	78,829	-	151,400
Total noncurrent assets	<u>116,680</u>	<u>78,829</u>	<u>-</u>	<u>195,509</u>
Total assets	<u>167,524</u>	<u>127,137</u>	<u>1,460,126</u>	<u>1,754,787</u>
<b>Liabilities</b>				
Current liabilities:				
Accrued liabilities	50,673	71,112	2,580	124,365
Self-insurance claims	-	-	2,296,481	2,296,481
Capital lease	25,299	79,821	-	105,120
Compensated absences	10,844	71,549	35,758	118,151
Total current liabilities	<u>86,816</u>	<u>222,482</u>	<u>2,334,819</u>	<u>2,644,117</u>
Long-term liabilities:				
Advances from fiduciary funds	-	-	5,516,641	5,516,641
Self-insurance claims	-	-	9,050,557	9,050,557
Capital lease	-	85,104	-	85,104
Compensated absences	3,798	25,064	12,525	41,387
Total long-term liabilities	<u>3,798</u>	<u>110,168</u>	<u>14,579,723</u>	<u>14,693,689</u>
Total liabilities	<u>90,614</u>	<u>332,650</u>	<u>16,914,542</u>	<u>17,337,806</u>
<b>Net Assets</b>				
Net assets:				
Invested in capital assets, net of related debt	91,381	(86,096)	-	5,285
Unrestricted (deficit)	<u>(14,471)</u>	<u>(119,417)</u>	<u>(15,454,416)</u>	<u>(15,588,304)</u>
Total net assets (deficit)	<u>\$ 76,910</u>	<u>\$ (205,513)</u>	<u>\$ (15,454,416)</u>	<u>\$ (15,583,019)</u>

**CITY OF COMPTON, CALIFORNIA**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Equipment Rental</u>	<u>Central Duplication</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating revenues:				
Charges to other funds	\$ 2,170,765	\$ 308,095	\$ 3,609,716	\$ 6,088,576
Operating expenses:				
Administration and personnel service	1,533,714	500,399	2,557,620	4,591,733
Self-insurance service	-	-	2,666,707	2,666,707
Depreciation	12,096	78,830	-	90,926
Total operating expenses	<u>1,545,810</u>	<u>579,229</u>	<u>5,224,327</u>	<u>7,349,366</u>
Operating income (loss)	<u>624,955</u>	<u>(271,134)</u>	<u>(1,614,611)</u>	<u>(1,260,790)</u>
Nonoperating revenues (expenses):				
Investment income	<u>10</u>	<u>6</u>	<u>255</u>	<u>271</u>
Total nonoperating revenues and (expenses)	<u>10</u>	<u>6</u>	<u>255</u>	<u>271</u>
Income (loss) before transfers and extraordinary loss	<u>624,965</u>	<u>(271,128)</u>	<u>(1,614,356)</u>	<u>(1,260,519)</u>
Transfers out	(423,145)	(116,041)	(7,019,833)	(7,559,019)
Extraordinary loss due to liabilities arising from the results of SCO's review and DDRs	<u>-</u>	<u>-</u>	<u>(5,516,641)</u>	<u>(5,516,641)</u>
Change in net assets	201,820	(387,169)	(14,150,830)	(14,336,179)
Net assets (deficit) at beginning of year, as restated	<u>(124,910)</u>	<u>181,656</u>	<u>(1,303,586)</u>	<u>(1,246,840)</u>
Net assets (deficit) at end of year	<u><u>\$ 76,910</u></u>	<u><u>\$ (205,513)</u></u>	<u><u>\$ (15,454,416)</u></u>	<u><u>\$ (15,583,019)</u></u>

**CITY OF COMPTON, CALIFORNIA**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

	Equipment Rental	Central Duplication	Self- Insurance	Total
Cash flows from operating activities:				
Cash received from interfund services-net	\$ 829,715	\$ 52,044	\$ 2,357,597	\$ 3,239,356
Cash payments to employees for services	(185,313)	(94,570)	(1,087,511)	(1,367,394)
Cash payments made to suppliers/vendors	-	-	(1,279,787)	(1,279,787)
Net cash provided (used) by operating activities	644,402	(42,526)	(9,701)	592,175
Cash flows from non-capital financing activities:				
Short-term loans to other funds	(16,060)	(48,308)	(24,801)	(89,169)
Repayments of short-term loans to other funds	(180,969)	281,733	8,183,933	8,284,697
Loans to fiduciary funds	-	-	(1,312,142)	(1,312,142)
Transfers to other funds	(423,145)	(116,041)	(7,019,833)	(7,559,019)
Net cash provided (used) by non-capital financing activities	(620,174)	117,384	(172,843)	(675,633)
Cash flows from capital and related financing activities:				
Capital lease payments	(24,238)	(74,864)	-	(99,102)
Net cash used by capital and related financing activities	(24,238)	(74,864)	-	(99,102)
Cash flows from investing activities:				
Interest received on investments	10	6	255	271
Net cash provided by investing activities	10	6	255	271
Net decrease in cash and cash equivalents	-	-	(182,289)	(182,289)
Cash and cash equivalents, beginning of year, as restated	-	-	269,575	269,575
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,286</u>	<u>\$ 87,286</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 624,955	\$ (271,134)	\$ (1,614,611)	\$ (1,260,790)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	12,096	78,830	-	90,926
Extraordinary loss due to liabilities arising from the results of SCO's review and DDRs	-	-	(5,516,641)	(5,516,641)
Change in assets and liabilities:				
Increase in accounts receivable	-	-	(7,198)	(7,198)
Increase in inventories	(26,897)	-	-	(26,897)
Increase (decrease) in accrued liabilities	19,606	53,166	(15,371)	57,401
Increase in compensated absences	14,642	96,612	48,283	159,537
Increase in self-insurance claims	-	-	7,095,837	7,095,837
Net cash provided (used) by operating activities	<u>\$ 644,402</u>	<u>\$ (42,526)</u>	<u>\$ (9,701)</u>	<u>\$ 592,175</u>

**APPENDIX C-2**  
**CITY OF COMPTON AUDITED ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



**CITY OF COMPTON, CALIFORNIA**

Annual Financial Report

For the Fiscal Year Ended June 30, 2013



**Certified Public Accountants.**

# CITY OF COMPTON, CALIFORNIA

## Annual Financial Report For the Fiscal Year Ended June 30, 2013

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Sacramento

Walnut Creek

Century City

Newport Beach

San Diego

## **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 year ended June 30, 2013, 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.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 13 to the basic financial statements, the City's General Fund had a deficit fund balance of \$36,381,141 and advances from other funds in the amount of \$41,665,653 as of June 30, 2013. This indicated a significant liquidity problem at June 30, 2013. 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.

### ***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 governmental, enterprise and internal service funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental, enterprise and internal service 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 governmental, enterprise and internal service 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 August 13, 2015, 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Los Angeles, California  
August 13, 2015

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## **BASIC FINANCIAL STATEMENTS**

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# CITY OF COMPTON, CALIFORNIA

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 26,634,779	\$ 6,744,257	\$ 33,379,036
Restricted cash and investments	40,274,633	28,523,056	68,797,689
Receivables, net	4,359,439	4,563,504	8,922,943
Internal balances	(21,571,441)	21,571,441	-
Inventories	35,028	471,403	506,431
Prepaid expenses	822,250	-	822,250
Deposits	1,433	1,278	2,711
Loans receivable	23,918,729	-	23,918,729
Land held for resale	11,377,544	-	11,377,544
Capital assets:			
Nondepreciable	32,649,240	5,265,177	37,914,417
Depreciable, net	93,648,683	32,878,210	126,526,893
Deferred bond issuance costs	829,025	1,174,347	2,003,372
Total assets	<u>212,979,342</u>	<u>101,192,673</u>	<u>314,172,015</u>
Liabilities:			
Accounts payable	4,215,107	2,198,523	6,413,630
Accrued liabilities	3,656,387	1,062,704	4,719,091
Accrued interest payable	773,296	1,486,488	2,259,784
Deposits	52,625	1,400,886	1,453,511
Unearned revenue	4,323,626	-	4,323,626
Advances from Successor Agency	6,537,530	-	6,537,530
Long-term liabilities:			
Due within one year	13,312,315	1,958,516	15,270,831
Due within more than one year	106,412,535	67,505,921	173,918,456
Total liabilities	<u>139,283,421</u>	<u>75,613,038</u>	<u>214,896,459</u>
Net Position:			
Net investment in capital assets	99,554,379	(638,484)	98,915,895
Restricted for:			
Low/moderate income housing	54,098,703	-	54,098,703
Retirement	8,107,899	-	8,107,899
Federal grants	8,774,771	-	8,774,771
Road improvements	7,469,648	-	7,469,648
Transit systems	341,494	-	341,494
Police services	43,703	-	43,703
Recycling and clean air	350,346	-	350,346
Unrestricted (deficit)	(105,045,022)	26,218,119	(78,826,903)
Total net position	<u>\$ 73,695,921</u>	<u>\$ 25,579,635</u>	<u>\$ 99,275,556</u>

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Statement of Activities For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 23,815,974	\$ 1,820,342	\$ 114,222	\$ -
Public safety	32,847,029	2,884,376	579,347	29,136
Public works	11,974,466	278	4,394,674	4,371,214
Management services	13,067,518	4,534,968	-	-
Environmental and human services	14,709,195	33,100	15,741,247	-
Interest on long-term debt	2,830,797	-	-	-
Total governmental activities	99,244,979	9,273,064	20,829,490	4,400,350
Business-type activities:				
Water	12,924,138	19,237,816	-	-
Rubbish	10,574,919	10,538,244	-	-
Sewer	935,680	1,890,852	-	-
Golf course	37,300	79,207	-	-
Recreational	-	135	-	-
Total business-type activities	24,472,037	31,746,254	-	-
Total	\$ 123,717,016	\$ 41,019,318	\$ 20,829,490	\$ 4,400,350

### General revenues:

#### Taxes:

Property taxes

Utility user taxes

Franchise taxes

Special assessments

Transient occupancy taxes

Real property transfer taxes

Intergovernmental not restricted to  
specific programs

Investment earnings

Other income

#### Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Statement of Activities For the Fiscal Year Ended June 30, 2013

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (21,881,410)	\$ -	\$ (21,881,410)
(29,354,170)	-	(29,354,170)
(3,208,300)	-	(3,208,300)
(8,532,550)	-	(8,532,550)
1,065,152	-	1,065,152
(2,830,797)	-	(2,830,797)
(64,742,075)	-	(64,742,075)
-	6,313,678	6,313,678
-	(36,675)	(36,675)
-	955,172	955,172
-	41,907	41,907
-	135	135
-	7,274,217	7,274,217
(64,742,075)	7,274,217	(57,467,858)
3,327,856	-	3,327,856
13,698,341	-	13,698,341
1,788,870	-	1,788,870
25,241,685	999,448	26,241,133
115,636	-	115,636
191,137	-	191,137
16,066,790	-	16,066,790
142,862	107,615	250,477
2,425,348	-	2,425,348
131,606	(131,606)	-
63,130,131	975,457	64,105,588
(1,611,944)	8,249,674	6,637,730
75,307,865	17,329,961	92,637,826
\$ 73,695,921	\$ 25,579,635	\$ 99,275,556

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Special Revenue		Capital Projects
		Federal Grants	Retirement	Public Finance Authority
<b>Assets</b>				
Cash and investments	\$ 161,269	\$ 5,961,224	\$ 7,398,729	\$ 124,899
Restricted cash and investments	1,850,353	-	-	21,422,699
Taxes and special assessments receivable	2,368,448	-	328,997	-
Accounts receivable	496,799	560,352	-	-
Grants receivable	-	2,465	-	-
Due from other funds	5,051,640	-	-	-
Prepaid items	37,027	-	785,223	-
Inventories	244	-	-	-
Deposits	-	-	-	1,433
Advances to other funds	-	1,143,865	10,327,505	807,050
Loans receivable	-	5,846,027	-	-
Land held for resale	50,000	-	-	-
<b>Total assets</b>	<b>\$ 10,015,780</b>	<b>\$ 13,513,933</b>	<b>\$ 18,840,454</b>	<b>\$ 22,356,081</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,360,791	\$ 313,983	\$ 831,211	\$ 716,602
Accrued liabilities	3,317,852	99,953	-	-
Unearned revenue	-	4,033,559	-	-
Due to other funds	-	291,667	-	152,677
Deposits	52,625	-	-	-
Deferred revenue	-	5,846,027	-	-
Advances from fiduciary funds	-	-	-	-
Advances from other funds	41,665,653	-	-	-
<b>Total liabilities</b>	<b>46,396,921</b>	<b>10,585,189</b>	<b>831,211</b>	<b>869,279</b>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	37,027	-	785,223	-
Inventories	244	-	-	-
Land held for resale	50,000	-	-	-
<b>Restricted for:</b>				
Debt service	-	-	-	3,949,138
Capital projects	-	-	-	17,537,664
Federal grants	-	2,928,744	-	-
Retirement	-	-	17,224,020	-
Road improvements	-	-	-	-
Transit systems	-	-	-	-
Police services	-	-	-	-
Recycling and clean air	-	-	-	-
Low/moderate income housing	-	-	-	-
<b>Committed to:</b>				
Regional park	2,500,000	-	-	-
Unassigned	(38,968,412)	-	-	-
<b>Total fund balances (deficits)</b>	<b>(36,381,141)</b>	<b>2,928,744</b>	<b>18,009,243</b>	<b>21,486,802</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,015,780</b>	<b>\$ 13,513,933</b>	<b>\$ 18,840,454</b>	<b>\$ 22,356,081</b>

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Balance Sheet Governmental Funds June 30, 2013

Capital Projects Compton Housing Authority	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,375,661	\$ 8,392,991	\$ 25,414,773
17,001,581	-	40,274,633
-	178,739	2,876,184
-	31,124	1,088,275
-	392,515	394,980
-	1,300	5,052,940
-	-	822,250
-	-	244
-	-	1,433
5,354,374	2,461,418	20,094,212
18,072,702	-	23,918,729
11,327,544	-	11,377,544
<u>\$ 55,131,862</u>	<u>\$ 11,458,087</u>	<u>\$ 131,316,197</u>

-	\$ 805,253	\$ 4,027,840
12,270	183,886	3,613,961
-	290,067	4,323,626
-	4,455,776	4,900,120
-	-	52,625
18,072,702	-	23,918,729
1,020,889	-	1,020,889
-	-	41,665,653
<u>19,105,861</u>	<u>5,734,982</u>	<u>83,523,443</u>

-	-	822,250
-	-	244
-	-	50,000
-	-	3,949,138
-	-	17,537,664
-	-	2,928,744
-	-	17,224,020
-	7,469,648	7,469,648
-	341,494	341,494
-	43,703	43,703
-	350,346	350,346
36,026,001	-	36,026,001
-	-	2,500,000
-	(2,482,086)	(41,450,498)
<u>36,026,001</u>	<u>5,723,105</u>	<u>47,792,754</u>
<u>\$ 55,131,862</u>	<u>\$ 11,458,087</u>	<u>\$ 131,316,197</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, 2013

Fund balances of governmental funds \$ 47,792,754

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	32,605,131
Capital assets, being depreciated, net	263,574,102
Accumulated depreciation	(169,985,894)

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	(34,827,272)
Compensated absences	(4,565,007)
Bonds payable, net	(45,222,481)
Mortgage and notes payable	(6,248,858)
Deferred bond issuance costs	829,025
Capital lease obligations	(109,800)
Pension liability	(9,116,121)
Liabilities resulting from redevelopment agency dissolution	(6,159,729)

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.

(773,296)

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.

(18,015,362)

Unearned revenue

Earned revenue has been deferred in the fund financial statements if it is collectible after the availability period.

23,918,729

Net position of governmental activities	<u>\$ 73,695,921</u>
---	----------------------

**CITY OF COMPTON, CALIFORNIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

		Special Revenue		Capital Projects
		Federal		Public
	General	Grants	Retirement	Finance Authority
Revenues:				
Taxes and special assessments	\$ 27,173,000	\$ -	\$ 20,583,580	\$ -
Licenses and permits	3,845,518	-	-	-
Intergovernmental revenues	9,671,896	15,585,998	304,874	-
Fines, forfeitures, and penalties	1,606,039	-	-	-
Use of money and property	1,135,488	22,650	50,869	4,906
Charges for services	5,991,239	-	-	-
Other	114,222	506,751	-	-
Total revenues	49,537,402	16,115,399	20,939,323	4,906
Expenditures:				
Current:				
General government	7,014,777	-	956,776	-
Public safety	31,864,433	593,551	4,878,981	-
Public works	490,146	-	12,496	-
Management services	4,676,310	-	8,520,498	70,151
Environmental and human services	3,191,992	14,413,663	1,012,212	-
Debt service:				
Principal	298,748	300,000	-	-
Interest	350,143	52,488	-	2,319,888
Capital outlay	20,313	80,504	-	672,023
Total expenditures	47,906,862	15,440,206	15,380,963	3,062,062
Excess (deficiency) of revenues over (under) expenditures	1,630,540	675,193	5,558,360	(3,057,156)
Other financing sources (uses):				
Transfers in	-	-	-	100,275
Transfers out	(100,275)	-	-	-
Total other financing sources (uses)	(100,275)	-	-	100,275
Net change in fund balances	1,530,265	675,193	5,558,360	(2,956,881)
Fund balances (deficits) at beginning of year, as restated	(37,911,406)	2,253,551	12,450,883	24,443,683
Fund balances (deficits) at end of year	\$ (36,381,141)	\$ 2,928,744	\$ 18,009,243	\$ 21,486,802

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, 2013

<u>Capital Projects</u>		
<u>Compton</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Housing</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Authority</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ 4,353,182	\$ 52,109,762
-	-	3,845,518
-	9,255,964	34,818,732
-	-	1,606,039
26,797	128,934	1,369,644
-	13,003	6,004,242
18,000	12,379	651,352
<u>44,797</u>	<u>13,763,462</u>	<u>100,405,289</u>
-	72,154	8,043,707
-	154,685	37,491,650
-	6,219,745	6,722,387
-	26,178	13,293,137
846	1,192,248	19,810,961
-	-	598,748
-	-	2,722,519
-	579,488	1,352,328
<u>846</u>	<u>8,244,498</u>	<u>90,035,437</u>
<u>43,951</u>	<u>5,518,964</u>	<u>10,369,852</u>
-	131,606	231,881
-	-	(100,275)
-	131,606	131,606
<u>43,951</u>	<u>5,650,570</u>	<u>10,501,458</u>
<u>35,982,050</u>	<u>72,535</u>	<u>37,291,296</u>
<u>\$ 36,026,001</u>	<u>\$ 5,723,105</u>	<u>\$ 47,792,754</u>

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, 2013

Net change in fund balances - total governmental funds	\$ 10,501,458
--	---------------

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	741,862
Depreciation expense	(7,561,611)
Adjustment to capital assets	(173,109)

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, deferred charges and issuance costs are included in the statement of net position and are amortized as a component of expense in the statement of activities.

Principal payments	598,748
Amortization of bond discount, issuance cost and loss on refunding	(108,278)
Decrease in compensated absences	577,601
Decrease in pension liability	3,492,710
Increase in other postemployment benefits obligation	(5,288,627)

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.

(2,432,343)

Deferred revenue

Certain loans are recorded as expenditures in the governmental funds when issued. Repayment of these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an effect on net position.

(1,960,356)

Change in net position of governmental activities	\$ (1,611,945)
---	----------------

# CITY OF COMPTON, CALIFORNIA

## Statement of Net Position

### Proprietary Funds

June 30, 2013

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 5,529,830	\$ 30,004	\$ 1,142,309	\$ 42,114	\$ 6,744,257	\$ 1,220,006
Restricted cash and investments	14,095,940	109,816	14,317,300	-	28,523,056	-
Special assessments receivable	1,923	29,986	26,715	-	58,624	-
Accounts receivable, net	2,985,331	1,233,114	285,186	1,249	4,504,880	-
Due from other funds	-	-	-	-	-	13,661
Inventories	471,403	-	-	-	471,403	34,784
Deposit	-	1,278	-	-	1,278	-
Total current assets	23,084,427	1,404,198	15,771,510	43,363	40,303,498	1,268,451
Noncurrent assets:						
Advances to other funds	13,629,192	-	7,771,417	170,832	21,571,441	-
Capital assets:						
Nondepreciable	3,838,689	-	1,426,488	-	5,265,177	44,109
Depreciable, net	28,065,851	111,088	4,701,271	-	32,878,210	60,475
Deferred bond issuance costs	578,840	-	595,507	-	1,174,347	-
Total noncurrent assets	46,112,572	111,088	14,494,683	170,832	60,889,175	104,584
Total assets	69,196,999	1,515,286	30,266,193	214,195	101,192,673	1,373,035
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	1,660,104	500,618	37,801	-	2,198,523	187,267
Due to other funds	-	-	-	-	-	166,481
Accrued liabilities	791,873	245,596	25,235	-	1,062,704	42,426
Accrued interest payable	1,030,325	17,200	438,963	-	1,486,488	-
Deposits	1,332,052	-	-	68,834	1,400,886	-
Other postemployment benefits obligations	145,504	11,569	7,236	242	164,551	-
Self-insurance claims	-	-	-	-	-	2,232,082
Bonds and notes payable	765,000	90,000	680,000	-	1,535,000	-
Capital lease	-	-	-	-	-	85,104
Compensated absences	198,163	9,186	51,616	-	258,965	31,346
Total current liabilities	5,923,021	874,169	1,240,851	69,076	8,107,117	2,744,706
Noncurrent liabilities:						
Advances from fiduciary funds	-	-	-	-	-	5,516,641
Other postemployment benefits obligations	1,164,527	92,592	57,912	1,934	1,316,965	-
Self-insurance claims	-	-	-	-	-	10,994,369
Bonds and notes payable	42,370,218	770,000	22,629,709	-	65,769,927	-
Compensated absences	373,221	15,892	29,916	-	419,029	132,681
Total noncurrent liabilities	43,907,966	878,484	22,717,537	1,934	67,505,921	16,643,691
Total liabilities	49,830,987	1,752,653	23,958,388	71,010	75,613,038	19,388,397
<b>Net Position</b>						
Net investment in capital assets	2,865,262	(639,096)	(2,864,650)	-	(638,484)	19,480
Unrestricted (deficit)	16,500,750	401,729	9,172,455	143,185	26,218,119	(18,034,842)
Total net position	\$ 19,366,012	\$ (237,367)	\$ 6,307,805	\$ 143,185	\$ 25,579,635	\$ (18,015,362)

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 19,237,816	\$ 10,538,244	\$ -	\$ 79,342	\$ 29,855,402	\$ -
Charges to other funds	-	-	-	-	-	5,138,729
Sewer capital improvement charges	-	-	1,890,852	-	1,890,852	-
Other	-	-	-	-	-	407,484
Total operating revenues	<u>19,237,816</u>	<u>10,538,244</u>	<u>1,890,852</u>	<u>79,342</u>	<u>31,746,254</u>	<u>5,546,213</u>
Operating expenses:						
Public works	-	-	355,262	37,300	392,562	-
Administration and personnel services	-	203,411	-	-	203,411	4,105,044
Environmental and personnel services	11,667,286	10,312,998	-	-	21,980,284	-
Basic maintenance and services	-	-	48,741	-	48,741	-
Self-insurance services	-	-	-	-	-	3,770,561
Depreciation	1,256,530	16,890	202,764	-	1,476,184	90,926
Total operating expenses	<u>12,923,816</u>	<u>10,533,299</u>	<u>606,767</u>	<u>37,300</u>	<u>24,101,182</u>	<u>7,966,531</u>
Operating income (loss)	<u>6,314,000</u>	<u>4,945</u>	<u>1,284,085</u>	<u>42,042</u>	<u>7,645,072</u>	<u>(2,420,318)</u>
Nonoperating revenues (expenses):						
Investment income	67,472	413	38,888	842	107,615	-
Interest expense	(322)	(41,620)	(328,913)	-	(370,855)	(12,025)
Taxes and special assessments	44,081	-	955,367	-	999,448	-
Total nonoperating revenues (expenses)	<u>111,231</u>	<u>(41,207)</u>	<u>665,342</u>	<u>842</u>	<u>736,208</u>	<u>(12,025)</u>
Income (loss) before transfers	6,425,231	(36,262)	1,949,427	42,884	8,381,280	(2,432,343)
Transfers out	<u>(131,606)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,606)</u>	<u>-</u>
Change in net position	6,293,625	(36,262)	1,949,427	42,884	8,249,674	(2,432,343)
Net position at beginning of year, as restated	<u>13,072,387</u>	<u>(201,105)</u>	<u>4,358,378</u>	<u>100,301</u>	<u>17,329,961</u>	<u>(15,583,019)</u>
Net position at end of year	<u>\$ 19,366,012</u>	<u>\$ (237,367)</u>	<u>\$ 6,307,805</u>	<u>\$ 143,185</u>	<u>\$ 25,579,635</u>	<u>\$ (18,015,362)</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, 2013**

	Water	Rubbish	Sewer	Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 18,778,944	\$ 10,461,824	\$ 1,843,549	\$ 84,359	\$ 31,168,676	\$ -
Cash received from interfund services, net	-	-	-	-	-	2,111,475
Cash received from others	-	-	-	-	-	407,484
Cash payments to suppliers for goods and services	(9,114,799)	(10,945,921)	(112,668)	(42,246)	(20,215,634)	(1,891,148)
Cash payments to employees for services	(1,711,837)	(182,789)	(229,869)	-	(2,124,495)	(957,471)
Net cash provided by (used for) operating activities	7,952,308	(666,886)	1,501,012	42,113	8,828,547	(329,660)
Cash flows from non-capital financing activities:						
Short-term loans from other funds	-	-	-	-	-	166,481
Repayments of short-term loans from other funds	(75,389)	-	(490,289)	-	(565,678)	-
Repayments of short-term loans to other funds	348,966	743,752	-	-	1,092,718	100,902
Long-term loans to other funds	(67,132)	-	(38,279)	(841)	(106,252)	-
Repayments of long-term loans to other funds	-	83,266	625	-	83,891	-
Repayments of short-term loans to fiduciary funds	-	-	-	-	-	1,312,142
Transfers to other funds	(131,606)	-	-	-	(131,606)	-
Taxes and special assessments	42,158	-	955,367	-	997,525	-
Net cash provided by (used for) non-capital financing activities	116,997	827,018	427,424	(841)	1,370,598	1,579,525
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(5,815,215)	-	-	-	(5,815,215)	-
Capital lease payment	-	-	-	-	-	(105,120)
Principal paid on bonds and notes payable	(479)	(85,000)	(330,000)	-	(415,479)	-
Interest paid on long-term debt	(2,496,661)	(43,320)	(1,330,026)	-	(3,870,007)	(12,025)
Net cash used for capital and related financing activities	(8,312,355)	(128,320)	(1,660,026)	-	(10,100,701)	(117,145)
Cash flows from investing activities:						
Interest received on investments	67,472	413	38,888	842	107,615	-
Net cash provided by investing activities	67,472	413	38,888	842	107,615	-
Net increase (decrease) in cash and cash equivalents	(175,578)	32,225	307,298	42,114	206,059	1,132,720
Cash and cash equivalents, beginning of year	19,801,348	107,595	15,152,311	-	35,061,254	87,286
Cash and cash equivalents, end of year	\$ 19,625,770	\$ 139,820	\$ 15,459,609	\$ 42,114	\$ 35,267,313	\$ 1,220,006
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 6,314,000	\$ 4,945	\$ 1,284,085	\$ 42,042	\$ 7,645,072	\$ (2,420,318)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	1,256,530	16,890	202,764	-	1,476,184	90,926
Changes in assets and liabilities:						
Decrease in special assessments receivable	-	11,529	22,239	-	33,768	-
Decrease (increase) in accounts receivable	(598,878)	(87,949)	(69,542)	119	(756,250)	10,502
Increase (decrease) in accounts payable	508,193	(869,096)	34,788	(3,500)	(329,615)	187,267
Increase (decrease) in accrued liabilities	445,471	236,173	24,758	(1,446)	704,956	(81,939)
Increase (decrease) in compensated absences	(390,991)	(1,462)	(26,041)	-	(418,494)	4,489
Increase in other postemployment benefits obligations	277,977	22,084	27,961	-	328,022	-
Increase in deposit payable	140,006	-	-	4,898	144,904	-
Increase in self-insurance claims	-	-	-	-	-	1,879,413
Net cash provided by (used for) operating activities	\$ 7,952,308	\$ (666,886)	\$ 1,501,012	\$ 42,113	\$ 8,828,547	\$ (329,660)
Non-cash capital and related financing activities:						
Amortization of deferred bond issuance costs	\$ 21,439	\$ -	\$ 39,837	\$ -	\$ 61,276	\$ -
Amortization of discount on bond issue	33,508	-	14,270	-	47,778	-

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**

## Statement of Fiduciary Net Position

June 30, 2013

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 5,727,346	\$ 913,573
Restricted cash and investments	34,993,746	-
Loans receivable	8,549,417	-
Deposit in escrow	1,220,957	-
Advances to other funds	6,537,530	-
Land held for resale	30,019,931	-
Capital assets :		
Nondepreciable	7,740,472	-
Depreciable, net	21,281,225	-
Deferred bond issuance costs	1,816,312	-
Total assets	117,886,936	\$ 913,573
Liabilities		
Accounts payable	344,720	\$ 7,601
Accrued liabilities	852,994	1,633
Accrued interest payable	2,600,783	-
Deposits	371,440	904,339
Long-term liabilities:		
Due within one year	10,694,906	-
Due in more than one year	142,433,538	-
Total liabilities	157,298,381	\$ 913,573
Net Position		
Unrestricted	\$ (39,411,445)	

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, 2013

Additions:

Taxes and special assesments	\$ 16,315,198
Fines, forfeitures, and penalties	495,084
Contribution of capital assets from the City of Compton	594,421
Other revenues	<u>3,272</u>
Total additions	<u>17,407,975</u>

Deductions:

Redevelopment	2,550,245
Debt service - interest	9,325,484
Depreciation	<u>536,525</u>
Total deductions	<u>12,412,254</u>

Change in net position	4,995,721
Net position - beginning, as restated	<u>(44,407,166)</u>
Net position - ending	<u><u>\$ (39,411,445)</u></u>

See Accompanying Notes to Basic Financial Statements.

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## **CITY OF COMPTON, CALIFORNIA**

Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

### **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 board. 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 unit 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, 2013

**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, 2013

**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 Authority 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.

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, 2013

**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.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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, 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.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 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 Authority 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. 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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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.

6. 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.

7. 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.

8. 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, discounts, and deferred amounts on refunding, 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, 2013, the restricted net position was \$79,186,564, of which, \$8,107,899 was restricted by enabling legislation. Restricted assets are reduced by liabilities related to those assets in determining restricted net position.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

- *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.”

9. 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, 2013, 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 2013, 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.

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.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

10. 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.

11. New GASB Pronouncements

Implementation of the following GASB statements is effective in fiscal year 2013.

*GASB Statement No. 60*

Issued in November 2010, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement requires disclosures about SCAs including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. This statement had no impact on the City's financial statements.

*GASB Statement No. 61*

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement had no impact on the City's financial statements.

*GASB Statement No. 62*

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement had no material impact on the City's financial statements.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

*GASB Statement No. 63*

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement had no material impact on the City’s financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

*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 to ensure consistency in financial reporting. Application of this statement is effective for the City’s fiscal year ending June 30, 2014.

*GASB Statement No. 66*

In March 2012, the 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 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Application of this statement is effective for the City’s fiscal year ending June 30, 2014.

*GASB Statement No. 68*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

- Incorporating ad hoc cost-of-living adjustments and other ad hoc post-employment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments to the extent that the conditions in (a) are not met.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the way many governments fund pensions and how they account for and report information about them in financial statements. The statement would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 68 is effective for the City's fiscal year ending 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 ending June 30, 2015.

*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. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

*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 ending June 30, 2015.

*GASB Statement No. 72*

In March 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 ending June 30, 2016.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

*GASB Statement No. 73*

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension 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 ending 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 Plan*, 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.

*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 ending June 30, 2016.

**NOTE 2 – RESTATEMENT OF FINANCIAL STATEMENTS**

The beginning net position for governmental activities and the beginning fund balances for certain governmental funds at July 1, 2012 were restated to report corrections of errors as follows:

1. Transfer of land held for resale in the amount of \$2,311,876, which was purchased using low and moderate income housing monies, from the Successor Agency Private-Purpose Trust Fund to the Compton Housing Authority Capital Projects Fund (see Note 14).
2. Over accrual of expenses.
3. Reclassification of grants monies that were used to construct water infrastructure from the Federal Grants Special Revenue Fund to the Water Enterprise Fund.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

	<u>Governmental</u>
Ending net position, June 30, 2012, as previously stated	\$ 72,744,189
Transfer of land held for resale	2,311,876
Over accrual of expenditures	22,000
Reclassification to Water Enterprise Fund	<u>229,800</u>
Beginning net position, July 1, 2012, as restated	<u>\$ 75,307,865</u>

	<u>Governmental Funds</u>						
	<u>Special Revenue</u>			<u>Capital Projects</u>			Total
	General Fund	Federal Grants	Retirement	Public Finance Authority	Compton Housing Authority	Nonmajor Governmental Funds	
Ending fund balance, June 30, 2012, as previously stated	\$ (37,911,406)	\$ 2,001,751	\$ 12,450,883	\$ 24,443,683	\$ 33,670,174	\$ 72,535	\$ 34,727,620
Transfer of land held for resale	-	-	-	-	2,311,876	-	2,311,876
Over accrual of expenditures	-	22,000	-	-	-	-	22,000
Reclassification to Water Enterprise Fund	-	229,800	-	-	-	-	229,800
Beginning fund balance, July 1, 2012, as restated	<u>\$ (37,911,406)</u>	<u>\$ 2,253,551</u>	<u>\$ 12,450,883</u>	<u>\$ 24,443,683</u>	<u>\$ 35,982,050</u>	<u>\$ 72,535</u>	<u>\$ 37,291,296</u>

The beginning net position at July 1, 2012 for the business-type activities and the Water Enterprise Fund were restated to report corrections of errors for the following:

1. Reclassification of grants monies that were used to construct water infrastructure from the Federal Grants Special Revenue Fund to the Water Enterprise Fund.
2. Addition to capital assets for infrastructure acquired in a prior year.

	<u>Business-Type Activities - Enterprise Funds</u>				
	Water	Rubbish	Sewer	Nonmajor	Total
Ending net position, June 30, 2012, as previously stated	\$ 12,701,081	\$ (201,105)	\$ 4,358,378	\$ 100,301	\$ 16,958,655
Addition of capital assets	601,106	-	-	-	601,106
Reclassification from Federal Grants Special Revenue Fund	(229,800)	-	-	-	(229,800)
Beginning net position, July 1, 2012, as restated	<u>\$ 13,072,387</u>	<u>\$ (201,105)</u>	<u>\$ 4,358,378</u>	<u>\$ 100,301</u>	<u>\$ 17,329,961</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The beginning net position at July 1, 2012 for the Successor Agency Private-Purpose Trust Fund was restated to report correction of errors for the following:

1. Contribution of capital assets from the City in the amount of \$29,240, which was not previously recorded.
2. Land held for resale in the amount of \$2,311,876, which was purchased using low and moderate income housing monies.

	Successor Agency Private- Purpose Trust Fund
Ending net position, June 30, 2012, as previously stated	\$ (42,124,530)
Adjustment to capital assets	29,240
Adjustment to land held for resale	(2,311,876)
Beginning net position, July 1, 2012, as restated	<u>\$ (44,407,166)</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 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	\$ 27,618,676
Construction in progress	4,986,455
Depreciable building and structures, net	15,489,832
Depreciable land improvement, net	149,460
Depreciable equipment, net	1,503,167
Depreciable infrastructure, net	76,445,749
	<u>\$ 126,193,339</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 \$105,720,243 adjustment are as follows:

Bonds payable	\$ (45,222,481)
Mortgage loan payable	(2,748,858)
Notes payable	(3,500,000)
Capital lease obligation	(109,800)
Compensated absences	(4,565,007)
Deferred bond issuance costs	
(amortized over life of debt)	829,025
Other postemployment benefits obligation	(34,827,272)
Pension liability	(9,116,121)
Liabilities resulting from redevelopment agency dissolution	(6,159,729)
	<u>\$ (105,420,243)</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	\$ 168,748
Notes payable	300,000
Capital lease obligation	130,000
	<u>\$ 598,748</u>

Another element of that reconciliation states that “Unamortized bond discount on issue, deferred charges and issuance costs are included in the statement of net position and are amortized as a component of expense in the statement of activities.” The details of this adjustment are as follows:

Amortization of bond discount	\$ (6,711)
Amortization of deferred loss on refunding of bond	(18,665)
Amortization of bond issuance cost	(82,902)
	<u>\$ (108,278)</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Another element of that reconciliation states that “Certain loans are recorded as expenditures in the governmental funds when issued. Repayment of these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an effect on net position.” The details of this adjustment are as follows:

Loans granted	\$ 550,000
Loan forgiveness and repayments received	(576,825)
Loans written-off	(1,933,531)
Change in loans receivable	<u>\$ (1,960,356)</u>

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

**Individual Department and Fund Disclosures**

For the fiscal year ended June 30, 2013, the following departments of the City had expenditures in the General Fund that exceeded the budget appropriations by the indicated amounts:

Fire Department	\$ 634,510
General Services Department	15,886
Public Works - Street Maintenance	44,991
Non-departmental:	
Transfers out	508,080

At June 30, 2013, the following funds had accumulated deficits:

General Fund	\$ 36,381,141
Nonmajor governmental funds:	
Department of Health Service Grant	97,406
Special Assessments	1,959,372
California Department of Parks and Recreation	425,308
Rubbish Enterprise Fund	237,367
Internal Service Funds:	
Central Duplication	421,339
Self-Insurance	16,637,782

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.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 5 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

**Statement of net position:**

Cash and investments	\$ 33,379,036
Restricted cash and investments	68,797,689

**Statement of fiduciary net position:**

Cash and investments	6,640,919
Restricted cash and investments	34,993,746

Total cash and investments	\$ 143,811,390
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Cash and investments at June 30, 2013 are classified as follows:

Cash on hand	\$ 16,150
Deposits with financial institutions	22,817,351
Investments	120,977,889

Total cash and investments	\$ 143,811,390
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**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.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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	N/A	20%	20%	10%	10%
Bankers' acceptances	180 days	180 days	40%	40%	30%	15%
Commercial paper	270 days	270 days	25%	15%	10%	15%
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**	None**
Negotiable certificates of deposit	5 years	5 years	30%	30%	None**	15%
Repurchase agreements	1 year	90 days	None**	None**	None**	15%
Reverse repurchase agreements	92 days	90 days	20%	20%	None**	15%
Time deposits	5 years	5 years	30%	25%	None**	15%
Medium term corporate notes	5 years	5 years	30%	30%	None**	15%
Money market funds	N/A	N/A	20%	20%	10%	None**
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 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.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 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>
Money market funds	\$ 421,035	\$ 421,035
Held by fiscal agent:		
Money market funds	103,791,435	103,791,435
State Investment Pool (LAIF)	16,765,419	16,765,419
	<u>\$ 120,977,889</u>	<u>\$ 120,977,889</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**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</u>	<u>Actual Rating</u>	<u>Not Rated</u>
		<u>Legal Rating</u>	<u>AAA</u>	
Money market funds	\$ 421,035	AAA	\$ 421,035	\$ -
Held by fiscal agent:				
Money market funds	103,791,435	AAA	103,791,435	-
State Investment Pool (LAIF)	<u>16,765,419</u>	N/A	<u>-</u>	<u>16,765,419</u>
	<u>\$ 120,977,889</u>		<u>\$ 104,212,470</u>	<u>\$ 16,765,419</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, 2013.

**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.

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December, 31 2010 until January 1, 2013. During the two-year period, all noninterest-bearing accounts of all banks are covered. Subsequent to January 1, 2013, the City's deposits with financial institutions were uninsured and the collateral was held in accordance with the California Government Code by the pledging financial institution in the City's name.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**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. 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, 2013, is \$21.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2013, had a balance of \$58.8 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 278 days as of June 30, 2013.

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2013 are as follows:

	<b>Special Assessments and Taxes</b>	<b>Accounts</b>	<b>Grants</b>	<b>Loans</b>	<b>Total</b>
Governmental Activities					
General Fund	\$ 2,368,448	\$ 496,799	\$ -	\$ -	\$ 2,865,247
Federal Grants Special Revenue Fund	-	560,352	2,465	5,846,027	6,408,844
Retirement Special Revenue Fund	328,997	-	-	-	328,997
Compton Housing Authority Capital Projects Fund	-	-	-	18,072,702	18,072,702
Nonmajor governmental funds	178,739	31,124	392,515	-	602,378
	<u>\$ 2,876,184</u>	<u>\$ 1,088,275</u>	<u>\$ 394,980</u>	<u>\$ 23,918,729</u>	<u>\$ 28,278,168</u>
		<b>Special Assessments</b>	<b>Accounts</b>	<b>Allowance</b>	<b>Total</b>
Business-type Activities					
Water Enterprise Fund		\$ 1,923	\$ 3,670,162	\$ (684,831)	\$ 2,987,254
Rubbish Enterprise Fund		29,986	1,531,858	(298,744)	1,263,100
Sewer Enterprise Fund		26,715	362,983	(77,797)	311,901
Nonmajor enterprise funds		-	1,249	-	1,249
		<u>\$ 58,624</u>	<u>\$ 5,566,252</u>	<u>\$ (1,061,372)</u>	<u>\$ 4,563,504</u>
Total receivables, net and loans receivable					<u>\$ 32,841,672</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 6 – RECEIVABLES (Continued)**

**Loans receivable**

Loans receivable at June 30, 2013 are as follows:

	<b>Balance</b>
Loans receivable, July 1, 2012	\$ 25,879,085
Addition to Section 108 loan	550,000
Repayment during the year	(576,825)
Reduction of FTHB loans	(1,933,531)
Loans receivable, June 30, 2013	<u>\$ 23,918,729</u>

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 Authority Capital Projects Fund and Federal Grants Special Revenue Fund – Home Investment Partnerships Program (HOME) and Community Development Block Grants Section 108 Loan Guarantees programs.

**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. The amount collected as loans repayment was \$320,203 and the amount treated as grant (written-off) was \$1,933,531. The loans receivable balance as of the year end was \$18,548,792.

**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. As of June 30, 2013, the loans receivable balance was \$2,289,403 for the Federal Grants Special Revenue Fund.

**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 Authority Capital Projects Fund by the Redeveloper on a pro-rata basis following the sale of each unit to a qualified low/moderate income buyer. As of June 30, 2013, the loans receivable balance was \$2,300,000.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 6 – RECEIVABLES (Continued)**

**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 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. During the year, the City granted a loan of \$550,000 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, 2013, the loans receivable balance was \$780,534.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 7 – CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2013 is as follows:

**Governmental activities:**

	<b>Balance at July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustment</b>	<b>Balance at June 30, 2013</b>
Capital assets, not being depreciated:					
Land	\$ 27,662,785	\$ -	\$ -	\$ -	\$ 27,662,785
Construction in progress	13,221,379	741,862	(8,803,677)	(173,109)	4,986,455
Total capital assets, not being depreciated	<u>40,884,164</u>	<u>741,862</u>	<u>(8,803,677)</u>	<u>(173,109)</u>	<u>32,649,240</u>
Capital assets, being depreciated:					
Building and structures	33,592,308	-	-	-	33,592,308
Land improvements	5,836,008	60,314	-	-	5,896,322
Equipment	47,554,124	-	-	-	47,554,124
Infrastructure	174,171,454	8,743,363	-	-	182,914,817
Total capital assets, being depreciated	<u>261,153,894</u>	<u>8,803,677</u>	<u>-</u>	<u>-</u>	<u>269,957,571</u>
Less accumulated depreciation for:					
Building and structures	(17,268,317)	(834,159)	-	-	(18,102,476)
Land improvements	(5,606,398)	(140,464)	-	-	(5,746,862)
Equipment	(44,992,103)	(998,379)	-	-	(45,990,482)
Infrastructure	<u>(100,789,534)</u>	<u>(5,679,534)</u>	<u>-</u>	<u>-</u>	<u>(106,469,068)</u>
Total accumulated depreciation	<u>(168,656,352)</u>	<u>(7,652,536)</u>	<u>-</u>	<u>-</u>	<u>(176,308,888)</u>
Total capital assets, being depreciated, net	<u>92,497,542</u>	<u>1,151,141</u>	<u>-</u>	<u>-</u>	<u>93,648,683</u>
Total capital assets, net	<u>\$ 133,381,706</u>	<u>\$ 1,893,003</u>	<u>\$ (8,803,677)</u>	<u>\$ (173,109)</u>	<u>\$ 126,297,923</u>

Depreciation expense was charged to the following categories:

General government	\$ 1,270,288
Public safety	496,235
Public works	5,494,695
Cultural and recreation services	300,392
Internal Service Funds	90,926
	<u>\$ 7,652,536</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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.

**Business-type Activities:**

	<b>Balance at July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2013</b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 162,097	\$ -	\$ -	\$ 162,097
Construction in progress	18,164,397	9,337,231	(22,398,548)	5,103,080
Total capital assets, not being depreciated	18,326,494	9,337,231	(22,398,548)	5,265,177
Capital assets, being depreciated:				
Building and structures	1,254,963	-	-	1,254,963
Land improvements	157,044	-	-	157,044
Equipment	20,846,043	-	-	20,846,043
Infrastructure	12,385,192	22,398,548	-	34,783,740
Total capital assets, being depreciated	34,643,242	22,398,548	-	57,041,790
Less accumulated depreciation:				
Building and structures	(1,013,916)	(31,374)	-	(1,045,290)
Land improvements	(149,045)	(800)	-	(149,845)
Equipment	(20,526,684)	(54,190)	-	(20,580,874)
Infrastructure	(997,751)	(1,389,820)	-	(2,387,571)
Total accumulated depreciation	(22,687,396)	(1,476,184)	-	(24,163,580)
Total capital assets, being depreciated, net	11,955,846	20,922,364	-	32,878,210
Total capital assets, net	\$ 30,282,340	\$ 30,259,595	\$ (22,398,548)	\$ 38,143,387



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 2013 was \$3.5 million.

Depreciation expense was charged to the following categories:

Water	\$ 1,256,530
Rubbish	16,890
Sewer	<u>202,764</u>
Total Depreciation	<u><u>\$ 1,476,184</u></u>

**NOTE 8 – INTERFUND TRANSACTIONS**

The following table summarizes interfund receivables and payables at June 30, 2013:

	<u><b>Due From Other Funds</b></u>	<u><b>Due To Other Funds</b></u>
<b>Governmental Funds:</b>		
General Fund	\$ 5,051,640	\$ -
Federal Grants Special Revenue Fund	-	291,667
Public Finance Authority Capital Projects Fund	-	152,677
Nonmajor governmental funds	<u>1,300</u>	<u>4,455,776</u>
<b>Total Governmental Funds</b>	5,052,940	4,900,120
<b>Internal Service Funds</b>	<u>13,661</u>	<u>166,481</u>
<b>Total</b>	<u><u>\$ 5,066,601</u></u>	<u><u>\$ 5,066,601</u></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.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Long-term interfund receivables and payables at June 30, 2013 are as follows:

	<u>Advances From Other Funds</u>	<u>Advances To Other Funds</u>
<b>Governmental Funds:</b>		
General Fund	\$ 41,665,653	\$ -
Federal Grants Special Revenue Fund	-	1,143,865
Retirement Special Revenue Fund	-	10,327,505
Public Finance Authority Capital Projects Fund	-	807,050
Compton Housing Authority Capital Projects Fund	-	5,354,374
Nonmajor governmental funds	-	2,461,418
<b>Total Governmental Funds</b>	<u>41,665,653</u>	<u>20,094,212</u>
<b>Enterprise Funds:</b>		
Water Enterprise Fund	-	13,629,192
Sewer Enterprise Fund	-	7,771,417
Nonmajor enterprise funds	-	170,832
<b>Total Enterprise Funds</b>	<u>-</u>	<u>21,571,441</u>
<b>Total</b>	<u><u>\$ 41,665,653</u></u>	<u><u>\$ 41,665,653</u></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. 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. Since restricted monies may not be legally loaned to the General Fund, the City created separate bank accounts for restricted monies during fiscal year 2014.

In addition, the City recorded advances of \$6,537,530 from the Successor Agency Private-Purpose Trust Fund. Of which, \$5,516,641 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. The remaining advances from the Successor Agency Private-Purpose Trust Fund in the amount \$1,020,889 is related to an interfund loan between the former Agency's Redevelopment funds and the Low and Moderate Housing Fund (currently known as the Compton Housing Authority Capital Projects Fund) in prior years.

**Transfers**

	<u>Transfers In</u>		
	Authority Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Transfers Out</b>			
<b>Governmental Activities:</b>			
General Fund	\$ 100,275	\$ -	\$ 100,275
<b>Business-Type Activities:</b>			
Water Enterprise Fund	-	131,606	131,606
<b>Total</b>	<u><u>\$ 100,275</u></u>	<u><u>\$ 131,606</u></u>	<u><u>\$ 231,881</u></u>

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**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, 2013:

<b>Governmental Activities</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</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	(140,949)	-	6,712	(134,237)	-
Less: Deferred on refunding of 1997 "A" Certificates of participation	(391,946)	-	18,664	(373,282)	-
<b>Total bonds payable</b>	<b>45,197,105</b>	<b>-</b>	<b>25,376</b>	<b>45,222,481</b>	<b>-</b>
<b>Mortgage loan payable:</b>					
Energy retrofit/revenue enhancement	2,917,606	-	(168,748)	2,748,858	189,303
<b>Capital lease obligations:</b>					
Tree trimming and other equipments	430,024	-	(235,120)	194,904	171,522
<b>Notes payable:</b>					
Housing Section 108 notes	3,800,000	-	(300,000)	3,500,000	300,000
<b>Other long-term liabilities:</b>					
Claims liability	11,347,038	3,770,561	(1,891,148)	13,226,451	2,232,082
Compensated absences	5,302,147	1,581,663	(2,154,776)	4,729,034	1,942,562
Other postemployment benefits obligation	29,538,645	9,125,970	(3,837,343)	34,827,272	3,868,230
Pension liability	12,608,831	-	(3,492,710)	9,116,121	4,321,060
Due to Los Angeles County	6,159,729	-	-	6,159,729	287,556
<b>Total other long-term liabilities</b>	<b>64,956,390</b>	<b>14,478,194</b>	<b>(11,375,977)</b>	<b>68,058,607</b>	<b>12,651,490</b>
<b>Total governmental activities long-term liabilities</b>	<b>\$ 117,301,125</b>	<b>\$ 14,478,194</b>	<b>\$ (12,054,469)</b>	<b>\$ 119,724,850</b>	<b>\$ 13,312,315</b>

**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, 2013, \$6.3 million of the bonds outstanding are considered defeased.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 City. Total principal and interest remaining on the bonds is \$74,208,622 payable through September 2032. Interest paid for the current year was \$2,319,888. The City was not in compliance with bond requirements during the year ended June 30, 2013 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:

<b>Year Ending June 30,</b>	<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$ -	\$ 2,319,888
2015	-	2,319,888
2016	1,625,000	2,279,623
2017	1,710,000	2,195,888
2018	1,795,000	2,108,263
2019-2023	10,410,000	9,066,190
2024-2028	13,355,000	6,033,257
2029-2033	16,835,000	2,155,625
Total	<u>\$ 45,730,000</u>	<u>\$ 28,478,622</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 \$3,423,218, payable through July 2022. Principal and interest paid during the year was \$297,813.

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

<b>Year Ending June 30,</b>	<b>Mortgage Loan</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$ 189,303	\$ 121,095
2015	211,334	112,173
2016	234,933	102,229
2017	260,192	91,191
2018	287,213	78,982
2019-2023	1,565,883	168,690
Total	<u>\$ 2,748,858</u>	<u>\$ 674,360</u>

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**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, 2013 was \$3,500,000.

The total principal and interest remaining on the note is \$3,776,135, payable through August 2020. Total principal and interest paid during the year was \$352,635.

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

<u>Year Ending June 30,</u>	<u>Housing Section 108 Note</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 300,000	\$ 51,525
2015	300,000	49,875
2016	400,000	47,010
2017	500,000	42,100
2018	500,000	35,200
2019-2021	1,500,000	50,425
Total	<u>\$ 3,500,000</u>	<u>\$ 276,135</u>

**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>
2014	\$ 171,521	\$ 15,217
2015	23,383	528
Total	<u>\$ 194,904</u>	<u>\$ 15,745</u>

The net book value of the leased equipment as of June 30, 2013 was \$130,089.

**Pension Liabilities**

See Note 10 Defined Benefit Pension Plans for further details.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**Due to Los Angeles County**

The results of due diligence review procedures performed on assets transfers from the former Agency to the Housing Authority identified a long-term liability to Los Angeles County in the amount of \$6,159,729. 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, 2013:

<b>Business-type Activities</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>	<b>Amount Due Within One Year</b>
<b>Debt long-term liabilities</b>					
<b>Bonds payable:</b>					
1998 Sewer revenue refunding bonds	\$ 5,315,000	\$ -	\$ (330,000)	\$ 4,985,000	\$ 345,000
2006 Solid waste revenue bonds	945,000	-	(85,000)	860,000	90,000
Water revenue bonds, series 2009	44,040,000	-	-	44,040,000	765,000
Less: Discount on issue of water revenue bonds, series 2009	(938,290)	-	33,508	(904,782)	-
Sewer revenue bonds, series 2009	18,710,000	-	-	18,710,000	335,000
Less: Discount on issue of sewer revenue bonds, series 2009	(399,561)	-	14,270	(385,291)	-
	<u>67,672,149</u>	<u>-</u>	<u>(367,222)</u>	<u>67,304,927</u>	<u>1,535,000</u>
Water utility note	479	-	(479)	-	-
<b>Other long-term liabilities:</b>					
Other postemployment benefits obligation	1,153,494	566,030	(238,008)	1,481,516	164,551
Compensated absences	<u>1,096,488</u>	<u>108,998</u>	<u>(527,492)</u>	<u>677,994</u>	<u>258,965</u>
<b>Total business-type activities long-term liabilities</b>	<u>\$ 69,922,610</u>	<u>\$ 675,028</u>	<u>\$ (1,133,201)</u>	<u>\$ 69,464,437</u>	<u>\$ 1,958,516</u>

**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, 2013, \$4.2 million of the bonds outstanding are considered defeased.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 \$6,596,668. Principal and interest paid for the current year and total taxes and special assessments revenues were \$605,538 and \$955,367, respectively.

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, 2013, the outstanding bond balance is \$4,985,000. The annual requirements to amortize the 1998 Sewer Refunding Bonds, including interest payments, are listed below.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 345,000	\$ 258,241
2015	365,000	239,591
2016	380,000	219,569
2017	405,000	198,472
2018	425,000	176,166
2019-2023	2,485,000	504,041
2024	580,000	15,588
Total	<u>\$ 4,985,000</u>	<u>\$ 1,611,668</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 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 \$1,035,200. Principal and interest paid for the current year and the net expenses were \$128,320 and \$21,835, respectively.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**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, 2013 the outstanding bond balance is \$860,000. 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>
2014	\$ 90,000	\$ 39,120
2015	95,000	34,680
2016	100,000	30,000
2017	105,000	25,080
2018	110,000	19,920
2019-2021	360,000	26,400
Total	<u>\$ 860,000</u>	<u>\$ 175,200</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 150%. As of June 30, 2013 the pledged revenues equaled 308% of debt service payments due and payable. Total principal and interest remaining on the bonds are \$87,574,052. Repayment of the bond principal will commence in 2014. Interest paid and total net revenues of the Water operations for the current year were \$2,472,735 and \$7,618,150, respectively.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 765,000	\$ 2,461,263
2015	820,000	2,435,438
2016	845,000	2,405,244
2017	890,000	2,371,600
2018	810,000	2,336,588
2019-2023	5,240,000	10,994,919
2024-2028	6,890,000	9,346,500
2029-2033	9,215,000	7,017,750
2034-2038	12,445,000	3,792,150
2039-2040	6,120,000	372,600
Total	<u>\$ 44,040,000</u>	<u>\$ 43,534,052</u>

**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.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 \$37,167,895. Repayment of the principal loan will commence in 2014. Interest paid for the current year and sewer service charges, net of the operating and maintenance expenses, were \$1,049,806 and \$1,481,942, respectively.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 335,000	\$ 1,044,781
2015	345,000	1,033,719
2016	360,000	1,020,931
2017	370,000	1,006,781
2018	385,000	991,200
2019-2023	2,220,000	4,659,828
2024-2028	2,920,000	3,961,405
2029-2033	3,910,000	2,974,200
2034-2038	5,270,000	1,607,100
2039-2040	2,595,000	157,950
Total	<u>\$ 18,710,000</u>	<u>\$ 18,457,895</u>

**Notes Payable - Water Utility:**

The City's Water Utility Enterprise Fund borrowed \$818,071 for utility improvements under provisions of the State of California Safe Drinking Water contract. As of June 30, 2013, the outstanding note payable balance was \$0. Payments on the note are due semiannually. The term of the note is for 19.6 years at an interest rate of 8.10%.

**Noncompliance with Debt Covenants and Security 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 90 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, 2013 and June 30, 2014, 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 2013 and 2014 on April 29, 2015 and will submit the required continuing disclosure information upon completion of the audits.

**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, 2013

**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 at June 30, 2013 is as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Claims liabilities, July 1, 2011	\$ 6,885,111	\$ 2,882,732	\$ 9,767,843
Inurred 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	1,089,791	2,166,467	3,256,258
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,293,913)</u>	<u>(383,150)</u>	<u>(1,677,063)</u>
Claims liabilities, June 30, 2012	6,680,989	4,666,049	11,347,038
Inurred 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>

**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 plans: safety – fire and safety – police. CalPERS provides retirement and disability benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries. PERS 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 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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

contribute at an actuarially determined rate: the current rate is 20.700% for miscellaneous employees and 51.732% for safety - fire employees of annual covered payroll.

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

<b>Valuation Date</b>	<b>Entry Age Normal Cost Actuarial Accrued Liability (A)</b>	<b>Actuarial Value of Assets (B)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (A-B)</b>	<b>Funded Ratio (B/A)</b>	<b>Annual Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll [(A-B)/C]</b>
6/30/2013	\$ 173,153,644	\$ 117,268,967	\$ 55,884,677	67.73%	\$ 12,933,325	432.10%

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 the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Annual pension cost:** For fiscal year 2012-2013, the City's annual pension cost of \$2,452,557 for miscellaneous, \$1,157,042 for safety – fire, and \$532,116 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, 2010 valuation, and the funded status, was based on the June 30, 2013 valuation.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**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	None for the valuation date as of June 30, 2013 and 24 years for the valuation date as of June 30, 2010
Asset valuation method	Market value for June 30, 2013 and 15 years smoothed market for June 30, 2010
Discount rate	7.50% (net of administrative expenses) for June 30, 2013 7.75% (net of administrative expenses) for June 30, 2010
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment for June 30, 2013 3.55% to 14.45% depending on age, service and type of employment for June 30, 2010
Inflation	2.75% for June 30, 2013 and 3.00% for June 30, 2010
Payroll growth	3.00% for June 30, 2013 and 3.25% for June 30, 2010
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, 2013. A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% for June 30, 2010.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**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</b>					<b>Percentage</b>	<b>Net Pension</b>
<b>Year</b>	<b>Safety - Fire</b>	<b>Safety - Police</b>	<b>Miscellaneous</b>		<b>of APC</b>	<b>Obligation</b>
					<b>Contributed</b>	
6/30/2011	\$ 1,222,761	\$ 98,995	\$ 3,324,376		100%	-
6/30/2012	1,348,108	519,774	2,882,205		100%	-
6/30/2013	1,157,042	532,116	2,452,557		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, 2013, the Safety Fire and Safety Police Side Funds' balances were \$6,744,213 and \$2,371,908, respectively. The Safety Fire and Safety Police Side Funds will be amortized over the next 4 years and 1 year, respectively.

**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 services (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, 2013:

	<b>Police</b>	<b>Fire</b>	<b>Miscellaneous</b>	<b>Total</b>
Eligible Active Employees	-	64	237	301
Enrolled Eligible Retirees	264	140	456	860

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 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, 2013

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Effective July 1, 2012, the City's contribution rate was \$1,306 per month for each retiree. For the year ended June 30, 2013, the City contributed \$4,075,351 to the 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, 2013, based on the 2011 actuarial valuation (the most recent actuarial valuation), was \$36,308,788. 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)	\$ 9,820,000
Interest costs	1,299,000
ARC adjustment	<u>(1,427,000)</u>
Annual OPEB cost	9,692,000
Contribution made	<u>(4,075,351)</u>
Increase in net OPEB obligation	5,616,649
Net OPEB obligation - beginning	<u>30,692,139</u>
Net OPEB obligation - ending	<u><u>\$ 36,308,788</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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>
6/30/2013	\$ 9,692,000	42%	\$ 36,308,788
6/30/2012	9,205,000	41%	30,692,139
6/30/2011	11,453,000	31%	25,247,219

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, 2013

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The funded status based on the June 30, 2011 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>
\$ 116,939,000	\$ -	\$ 116,939,000	0.00%	\$ 26,315,000	444.38%

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 4.25% discount rate, a 3% annual inflation rate, and 5% to 8.3% medical trend rates. The UAAL is being amortized as a level percent of payroll over 26 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, 2013

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

Center (DEC) in May 2013. This claimed amount was later refined by the DEC after its staff review to \$2,850,495. The City has provided to the DEC the supporting documentation for \$1,088,804 of the questioned expenditures. The City is still in the process of assembling the supporting documentation for the remaining \$1,761,691 questioned expenditures. However, the City believes that documentation will be available to support all remaining questioned expenditures.

The City has also raised the procedural issue of whether the applicable statute of limitations for action by HUD would bar enforcement of any repayment of the HOME funds questioned. These funds were provided to sub-recipients for activities and specific projects, which clearly occurred and which have been successful in aiding the community and its citizens. All but the most recent activity questioned involved expenditures incurred more than 10 years ago. The activities covered by the audit extend back to 1993, a period of 17 years prior to commencement of the audit in August 2010. The average age of the activities and initiation of drawdowns questioned was 16 years ago. Initiation of even the most recent activity expenditures questioned occurred more than five years before the audit report was issued. The City believes the federal statute of limitation is 5 years and that questioned expenditures were incurred outside of that period. The City has been carrying on active negotiations with HUD to resolve the audit claims for a number of months, continuing into 2015. Based upon submissions to HUD, the City believes the amounts HUD has questioned will be reduced very substantially from the amounts of the original questioned expenditures. No adjustments have been recorded in the financial statements for these matters.

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.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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, 2013, total governmental fund encumbrance balances for the City are as follows:

**Governmental Funds:**

Federal Grants Special Revenue Fund	\$ 370,783
Public Finance Authority Capital Projects Fund	551,357
Nonmajor governmental funds	2,618,369
<b>Total Governmental Funds</b>	<b>\$ 3,540,509</b>

In addition, the General Fund also had an encumbrance balance of \$2,003,626 at June 30, 2013. However, the City has not restricted, committed, or assigned these encumbrances.

**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, 2013, the City’s General Fund had an increase in fund balance of \$1,530,265 with an ending fund deficit of \$36,381,141. Additionally, the General Fund has a net due from other funds of \$5,051,640 and an obligation from advances from other funds of \$41,665,653. The General Fund’s cash balance was \$2,011,622 at June 30, 2013. Furthermore, the General Fund has accounts payable of \$1,360,791 and accrued liabilities of \$3,317,852 indicating significant liquidity problems at June 30, 2013.

Management’s Plans to Improve Operations and Limit City Obligations

As of the issuance date of these financial statements, management has implemented the following measures to reduce General Fund expenditures and increase its revenue in future periods:

- Reduced employee costs through a negotiated furlough ending on June 30, 2014.
- Implemented a competitive bidding process for all contracts to reduce contract costs.
- Reviewed existing contracts and negotiated a trash contract, which resulted in a one-time payment to the City of \$1.0 million during the fiscal year 2014 and a casino contract, which resulted in the City receiving in fiscal year 2014 approximately \$1.8 million in annual payments to the City instead of an approximate \$240,000 annual payment received in recent years.
- The budget process for the fiscal year 2014 identified City Council priorities and appropriated funds to execute those priorities. Other projects or services that were of less ranking in the priority list were not funded in the budget.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

- Performed audits of business licenses and other fees collected from businesses operating within the City, which resulted in an increase in the City’s business license fees revenues from \$1.3 million in fiscal year 2012 to \$1.8 million in fiscal year 2013.
- The City Council approved rate increases for City services during fiscal year 2014. The various City departments are becoming more aggressive in ensuring that the City collects revenues and charges due to the City. The Fire department, Building & Safety department, Code Enforcement Unit and the Planning department are in the forefront of ensuring that the City collects charges and fees approved by the City Council.

In addition, City Council took action on June 17, 2014 and adopted Resolution 23,970 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 2013, the City repaid an additional \$343,518. As a result, the ending loan balance at June 30, 2013 was \$41,665,653.

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

On December 29, 2011, the California Supreme Court upheld AB X1 26 that provides for the dissolution of 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.

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.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 Authority as 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.

Of the \$6,159,729 available for distribution under the LMIHF DDR, the Successor Agency remitted \$287,556 during fiscal year 2014 and \$544,173 during fiscal year 2015 to the County of Los Angeles. On October 22, 2014 the City received an approval from the California Department of Finance (DOF) to repay

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

the remaining amount of \$5,328,000 over a five-year period (installment payment) starting on August 1, 2014. However, since the City paid off \$4,105,700 and \$544,173 in fiscal year 2015 as mentioned above, the City received a verbal approval from the DOF to extend the installment payment by one year. As such, \$5,328,000 will be paid over a five-year period, as follows:

- \$700,000 on August 1, 2015
- \$1,000,000 on August 1, 2016
- \$1,000,000 on August 1, 2017
- \$1,300,000 on August 1, 2018
- \$1,328,000 on August 1, 2019

When the City completes its payment plan, the DOF will issue a Finding of Completion (FOC). This amount has been recorded on the governmental activities Statement of Net Position as a long-term liability to Los Angeles County.

The unallowable transfers totaling \$4,105,700 as indicated in the SCO's review above were included as part of balances available for distribution to taxing entities from the result of OFA DDR. A payment of this liability of \$4,105,700 to Los Angeles County was made on February 12, 2015. Accordingly, a long-term advance to the City and a long-term payable to Los Angeles County in the Successor Agency trust fund was \$5,516,641 at June 30, 2013.

As mentioned above, since the Successor Agency has not paid the full amount of unencumbered cash available for distribution to taxing entities to the County of Los Angeles Auditor-Controller, the DOF has not issued a FOC, which 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: 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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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.

**Land Held for Resale – Successor Agency**

Land held for resale of the former Agency in the amount of \$32,331,807 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. On April 9, 2014, DOF approved the transfer of land held for resale in the amount of \$2,311,876 to the City, a housing successor agency. This transfer of land held for resale was retroactively reflected on the financial statements as land held for resale were purchased using low and moderate income housing monies and as such should be transferred to the City, a housing successor agency during the dissolution. Land held for resale at June 30, 2013 was \$30,019,931.

**Notes Receivables - Successor Agency**

Details of the Successor Agency's notes receivable as of June 30, 2013 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, 2013.

**Loans receivable - Successor Agency**

The loans receivable at June 30, 2013 are as follows:

<b>Borrower</b>	<b>Balance at June 30, 2012</b>	<b>Repayments</b>	<b>Balance at June 30, 2013</b>
Gateway Opportunity Fund (Prism Realty Corporation)	\$5,978,037	\$ (74,352)	\$ 5,903,685
Compton Commercial Development Renaissance Plaza, LLC	2,789,921	(144,189)	2,645,732
Total loans receivable	<u>\$8,767,958</u>	<u>\$ (218,541)</u>	<u>\$ 8,549,417</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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 connection with the major renovation of the Compton Renaissance Plaza Shopping Center, the former Agency provided a loan of \$2,850,000 to a property developer – Compton Commercial Development Renaissance Plaza, LLC. The developer will renovate or cause the renovation of the existing 86,489 square foot vacant building at the northeast corner of Compton Boulevard between Alameda Street and Willowbrook Avenue. The loan has an interest rate of 3% per annum and shall be for a period of 10 years.

**Capital Assets - Successor Agency**

The following is a summary of the changes in capital assets of the Successor Agency for the year ended June 30, 2013.

	<b>Balance at June 30, 2012 As Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2013</b>
Capital assets, not being depreciated:				
Land	\$ 1,190,859	\$ -	\$ -	\$ 1,190,859
Construction in progress	732,270	5,817,343	-	6,549,613
	<u>1,923,129</u>	<u>5,817,343</u>	<u>-</u>	<u>7,740,472</u>
Capital assets, being depreciated:				
Building and structures	22,757,534	594,421	-	23,351,955
Land improvements	1,331,980	-	-	1,331,980
Equipment	113,987	19,829	-	133,816
Total capital assets, being depreciated	<u>24,203,501</u>	<u>614,250</u>	<u>-</u>	<u>24,817,751</u>
Less accumulated depreciation for:				
Building and structures	(1,646,287)	(467,040)	-	(2,113,327)
Land improvements	(1,252,597)	(58,559)	-	(1,311,156)
Equipment	(101,117)	(10,926)	-	(112,043)
Total accumulated depreciation	<u>(3,000,001)</u>	<u>(536,525)</u>	<u>-</u>	<u>(3,536,526)</u>
Total capital assets, being depreciated, net	<u>21,203,500</u>	<u>77,725</u>	<u>-</u>	<u>21,281,225</u>
Total capital assets, net	<u>\$ 23,126,629</u>	<u>\$ 5,895,068</u>	<u>\$ -</u>	<u>\$ 29,021,697</u>

Depreciation expense for the year ended June 30, 2013 was \$536,525.

As discussed in Note 7, the transfers of capital assets from the former Agency to the Successor Agency are pending approval of 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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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.

**Long-term debt – Successor Agency**

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2013.

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Amount Due Within One Year
<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	27,500,491	3,047,823	-	30,548,314	-
2006 series "A" refunding tax allocation bonds - tax exempt	16,610,000	-	(8,090,000)	8,520,000	8,520,000
Less: Deferred loss on refunding	(326,333)	-	326,333	-	-
Add: Bond premium	278,233	-	(278,233)	-	-
2010 series "A", "B" and "C" Community Redevelopment Agency second lien tax allocation bonds	99,920,000	-	(830,000)	99,090,000	855,000
Less: Discount on issue	(707,629)	-	23,588	(684,041)	-
<b>Total bonds payable</b>	<u>153,412,292</u>	<u>3,047,823</u>	<u>(8,848,312)</u>	<u>147,611,803</u>	<u>10,694,906</u>
<b>Other long-term liabilities</b>					
Tax sharing indebtedness	1,000,000	-	(1,000,000)	-	-
Due to Los Angeles County	5,516,641	-	-	5,516,641	-
<b>Total other long-term liabilities</b>	<u>6,516,641</u>	<u>-</u>	<u>(1,000,000)</u>	<u>5,516,641</u>	<u>-</u>
<b>Total Successor Agency     long-term liabilities</b>	<u>\$ 159,928,933</u>	<u>\$ 3,047,823</u>	<u>\$ (9,848,312)</u>	<u>\$ 153,128,444</u>	<u>\$ 10,694,906</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 in 2014 and with the final payment due in 2024. During the grace period before the loan payment commences, the interest on the bond 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, 2013 was \$30,548,314.

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, 2013

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest*</u>
2014	\$ 1,319,906	\$ 4,480,094
2015	1,221,016	4,578,984
2016	1,129,550	4,670,450
2017	1,044,928	4,755,072
2018	966,628	4,833,372
2019-2023	3,849,634	25,150,366
2024	605,868	5,194,132
Total	<u>\$ 10,137,530</u>	<u>\$ 53,662,470</u>

\* Accretion in the amount of \$30,548,314 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, 2013, \$18.9 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. Total principal and interest remaining on the bonds is \$8,733,000 payable through August 2013. The Successor Agency had debt service payments totaling \$8,718,250 during the fiscal year ended June 30, 2013.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 8,520,000</u>	<u>\$ 213,000</u>

**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, 2013 for all of the 2010 Series was \$99,090,000.



**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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 \$188,457,643. The bonds are payable as follows - Series A (August 2011 through 2042), Series B (August 2011 through 2042) and Series C (August 2011 through 2042). The Successor Agency had debt service payments totaling \$6,670,779 during the fiscal year ended June 30, 2013.

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 855,000	\$ 5,815,880
2015	2,265,000	5,790,229
2016	2,390,000	5,667,938
2017	2,520,000	5,532,199
2018	2,670,000	5,388,465
2019-2023	15,950,000	24,320,748
2024-2028	28,500,000	18,006,409
2029-2033	19,400,000	10,764,975
2034-2038	11,880,000	5,713,500
2039-2043	12,660,000	2,367,300
Total	<u>\$ 99,090,000</u>	<u>\$ 89,367,643</u>

**Property Tax Sharing Obligation**

The former Agency received revenues from property taxes collected on its behalf by the Los Angeles County. A portion of the property tax revenue is required to be deposited in a trust fund to be established by and administered for the Compton Unified School District unless the amount is spent on a mutually beneficial and agreed project between the former Agency and the Compton Unified School District. There was a dispute between the former Agency and the Compton Unified School District on the amount of the property tax share, which has not been spent on a mutually agreed project. Subsequent to dissolution of the former Agency, the Successor Agency and the Compton Unified School entered into a settlement for the amount of \$1,000,000 in January 2013. This settlement was paid by the Successor Agency on June 28, 2013.

The former Agency has an agreement with Los Angeles County regarding the County's share of property taxes relating to a portion of the former Agency's redevelopment areas. The agreement indicated that this tax share (amounting to \$20.6 million as of the year-end) shall be utilized and will not be payable to the County if the former Agency executes mutually agreed projects. Subsequent to dissolution of the former Agency, this agreement ceased to exist. No amount has been included as indebtedness of the Successor Agency in these financial statements.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**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**

a. AB 471- Local Government: Redevelopment: Successor Agencies to Redevelopment Agencies

AB 471 was signed into law as an urgent statute on February 18, 2014 to amend the existing law related to the successor agencies to redevelopment agencies. The following is a summary of changes to the law by AB 471:

1. Allows ROPS to schedule expenditures beyond the ROPS cycle to indicate that a lender requires cash on hand beyond the ROPS cycle.
2. When payment is due during the ROPS period, but an invoice or other billing has not been received, allows the successor agency to use reasonable estimates and projections to support the payment amount; provided the successor agency submits supporting documentation of the basis of the estimate or projection to DOF and the County Auditor-Controller.
3. Allows ROPS to include appropriation of moneys from bonds subject to passage during the ROPS cycle when an enforceable obligation requires the agency to issue bonds and use the proceeds to pay for project expenditures.
4. Allows Infrastructure Financing Districts (IFD) to finance a project in, or which overlaps with a redevelopment or former redevelopment project area if the successor agency has received a FOC. Such districts were prohibited by pre-existing law. The debts or obligations of the IFD would be subordinate to the enforceable obligations of the former redevelopment agency. The city forming the IFD may contribute any portion of its "net available revenue" to the district. The term "net available revenue" generally means periodic distributions to the city from the Redevelopment Property Tax Trust Fund available to the city after all preexisting legal commitments and statutory obligations funded from the revenue are made, with some specific funds excluded from the definition.
5. Requires that on July 1, 2014, and twice yearly thereafter until July 1, 2018, funds are to be allocated to cover the "housing entity administrative cost allowance" of the "local housing authority" that assumed the housing duties of the former redevelopment agency, before distribution to local agencies and school entities. The "housing entity administrative cost allowance" means up to 1% of the property tax allocated to the Redevelopment Obligation Retirement Fund for the successor agency for the fiscal year, but not less than \$150,000 per fiscal year. After approval of the ROPS by the oversight board and DOF, the successor agency shall remit the housing entity administrative cost allowance to the local housing authority on each January 2 and July 1. If there are insufficient funds in the Redevelopment Obligation Retirement Fund to fully pay the administrative cost allowance, the unfunded amount shall be listed on each subsequent ROPS until paid in full.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

6. Modifies the Long-Range Property Management Plan process allowing the transfer to a city of property identified in an approved redevelopment plan for disposition or liquidation by including properties listed in a community plan or a five-year implementation plan for such transfer.
7. Beginning in fiscal year 2013-14, the maximum loan repayment amount to a city or county that created a former redevelopment agency is based on 1/2 of the increase between the amount distributed to the taxing entities in that fiscal year and the amount distributed to the taxing entities in the 2012-13 base year. The legislation clarifies that in calculating the loan repayment amount, the amounts distributed to taxing entities during the 2012-13 base year shall not include amounts distributed to taxing entities as a result of the DDR process.

b. Tax Revenue Anticipation Notes

In July 2013 and 2014, the City issued the 2013-14 Tax and Revenue Anticipation Notes, Series A and the 2014-15 Tax and Revenue Anticipation Notes, Series A in the aggregate principal amounts of \$10,600,000 and \$12,210,000, 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 3.75% for the 2013-14 Tax and Revenue Anticipation Notes, Series A and 2.75% for the 2014-15 Tax and Revenue Anticipation Notes, Series A. The 2013-14 Tax and Revenue Anticipation Notes, Series A have a maturity date of June 1, 2014 and were paid in full by the City by the maturity date. 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. 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. On June 16, 2015, the City Council authorized Tax and Revenue Anticipation Notes not to exceed \$16,000,000 to be issued by the end of July 2015.

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## **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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
Taxes and special assessments	\$ 24,119,973	\$ 24,569,973	\$ 27,173,000	\$ 2,603,027
Licenses and permits	2,872,221	2,961,221	3,845,518	884,297
Intergovernmental revenues	8,016,250	8,016,250	9,671,896	1,655,646
Fines, forfeitures, and penalties	1,656,165	1,656,165	1,606,039	(50,126)
Use of money and property	593,827	2,414,155	1,135,488	(1,278,667)
Charges for services	5,421,920	5,811,920	5,991,239	179,319
Other	114,221	114,221	114,222	1
Total revenues	42,794,577	45,543,905	49,537,402	3,993,497
Expenditures:				
General government:				
City attorney	1,395,418	1,355,904	1,107,456	248,448
City clerk	1,105,965	1,105,966	907,367	198,599
City controller	1,757,205	1,757,005	1,212,428	544,577
City council	849,524	849,524	543,117	306,407
City manager	3,040,626	3,286,417	3,187,141	99,276
City treasurer	503,070	506,524	437,514	69,010
Total general government	8,651,808	8,861,340	7,395,023	1,466,317
Management services:				
General services	2,944,181	2,944,812	2,960,698	(15,886)
Non-departmental	3,696,462	1,530,026	1,351,516	178,510
Human resources	616,144	616,144	364,096	252,048
Total management services	7,256,787	5,090,982	4,676,310	414,672
Public safety:				
Fire	10,685,304	10,671,160	11,305,670	(634,510)
Municipal Law	3,444,487	3,438,363	3,003,669	434,694
Los Angeles County Sheriff	18,054,419	18,054,419	17,575,407	479,012
Total public safety	32,184,210	32,163,942	31,884,746	279,196
Public works:				
Public works - street maintenance	244,076	243,321	288,312	(44,991)
Public works - engineering	1,092,904	589,810	201,834	387,976
Total public works	1,336,980	833,131	490,146	342,985

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Environmental and human services:				
Building and safety	997,320	1,086,320	958,616	\$ 127,704
Careerlink	31,055	31,055	15,993	15,062
Planning and economic development	656,752	656,002	502,272	153,730
Parks and recreation	2,520,131	2,520,131	1,715,111	805,020
Total environmental and human services	4,205,258	4,293,508	3,191,992	1,101,516
Total expenditures	53,635,043	51,242,903	47,638,217	3,604,686
Excess (deficiency) of revenues over (under) expenditures	(10,840,466)	(5,698,998)	1,899,185	7,598,183
Other financing uses:				
Transfers out	-	-	(508,080)	(508,080)
Net change in fund balance	(10,840,466)	(5,698,998)	1,391,105	7,090,103
Fund balance (deficit) at beginning of year	(37,911,406)	(37,911,406)	(37,911,406)	-
Fund balance (deficit) at end of year	\$ (48,751,872)	\$ (43,610,404)	\$ (36,520,301)	\$ 7,090,103

See Accompanying Notes to the 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
Revenues:				
Intergovernmental revenues	\$ 15,275,398	\$ 15,507,082	\$ 15,585,998	\$ 78,916
Use of money and property	2,962,043	2,962,043	22,650	(2,939,393)
Charges for services	806,630	806,630	-	(806,630)
Other	4,352,508	6,353,756	506,751	(5,847,005)
Total revenues	23,396,579	25,629,511	16,115,399	(9,514,112)
Expenditures:				
Current:				
Public safety	539,276	618,694	593,551	25,143
Environmental and human services	20,048,090	22,910,402	14,413,663	8,496,739
Debt service:				
Principal	300,000	300,000	300,000	-
Interest	52,635	52,635	52,488	147
Capital outlay	324,465	41,818	80,504	(38,686)
Total expenditures	21,264,466	23,923,549	15,440,206	8,483,343
Excess (deficiency) of revenues over (under) expenditures	2,132,113	1,705,962	675,193	(1,030,769)
Fund balance at beginning of year, as restated	2,253,551	2,253,551	2,253,551	-
Fund balance at end of year	\$ 4,385,664	\$ 3,959,513	\$ 2,928,744	\$ (1,030,769)

See Accompanying Notes to the 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amount	Positive (Negative)
Revenues:				
Taxes and special assessments	\$ 13,166,476	\$ 16,042,476	\$ 20,583,580	\$ 4,541,104
Intergovernmental revenues	270,000	270,000	304,874	34,874
Use of money and property	1,000	1,000	50,869	49,869
Other	229,106	229,106	-	(229,106)
Total revenues	13,666,582	16,542,582	20,939,323	4,396,741
Expenditures:				
Current:				
General government	2,082,634	2,082,635	956,776	1,125,859
Public safety	5,340,430	5,340,430	4,878,981	461,449
Public works	37,135	37,135	12,496	24,639
Management services	4,741,531	7,616,611	8,520,498	(903,887)
Environmental and human services	1,465,771	1,465,771	1,012,212	453,559
Total expenditures	13,667,501	16,542,582	15,380,963	1,161,619
Excess (deficiency) of revenues over (under) expenditures	(919)	-	5,558,360	5,558,360
Fund balance at beginning of year,	12,450,883	12,450,883	12,450,883	-
Fund balance at end of year	\$ 12,449,964	\$ 12,450,883	\$ 18,009,243	\$ 5,558,360

See Accompanying Notes to the Required Supplementary Information.

**CITY OF COMPTON, CALIFORNIA**

Required Supplementary Information  
Schedules of Funding Progress  
For the Fiscal Year Ended June 30, 2013

**1. California Public Employees' Retirement System (PERS) - 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>
6/30/2011	\$ 167,117,156	\$130,053,396	\$ 37,063,760	77.82%	\$17,963,289	206.33%
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%

**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>
6/30/2007	\$ 113,725,000	\$ -	\$ 113,725,000	0.00%	\$19,855,000	572.78%
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%

See Accompanying Notes to the Required Supplementary Information.

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**CITY OF COMPTON, CALIFORNIA**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2013

**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 \$298,748 and \$81,498, respectively, were included in the budgetary comparison schedule for the General Fund under general government expenditures. The General Fund's capital outlay expenditure in the amount of \$20,313 was also included in the budgetary comparison schedule for the General Fund under public safety expenditure. In addition, a transfer in from the Tax Revenue Anticipation Notes Fund to the General Fund in the amount of \$407,805 and interest expenditures in the amount of \$268,645 paid by the Tax Revenue Anticipation Notes, which is blended with the General Fund in the GAAP financial statements, is excluded from the budgetary comparison schedule for the General Fund.

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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, 2013

**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, 2013

	Special Revenue Funds		
	County Transportation	Gasoline Tax	Department of Health Service Grant
<b>Assets</b>			
Cash and investments	\$ 4,795,727	\$ 426,910	\$ -
Taxes and special assessments receivable	-	-	-
Accounts receivable	-	29,691	-
Grants receivable	-	-	-
Due from other funds	1,300	-	-
Advances to other funds	-	-	1,483
Total assets	<u>\$ 4,797,027</u>	<u>\$ 456,601</u>	<u>\$ 1,483</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 162,386	\$ 6,350	\$ -
Accrued liabilities	131,123	12,093	-
Unearned revenue	-	-	-
Due to other funds	550,849	-	98,889
Total liabilities	<u>844,358</u>	<u>18,443</u>	<u>98,889</u>
<b>Fund balances:</b>			
Restricted for:			
Road improvements	3,611,175	438,158	-
Transit systems	341,494	-	-
Police services	-	-	-
Recycling and clean air	-	-	-
Unassigned	-	-	(97,406)
Total fund balances (deficit)	<u>3,952,669</u>	<u>438,158</u>	<u>(97,406)</u>
Total liabilities and fund balances	<u>\$ 4,797,027</u>	<u>\$ 456,601</u>	<u>\$ 1,483</u>

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

Special Revenue Funds		Capital Projects Funds		Total
Special Assessments	Other	California Department of Transportation Grant	California Department of Parks and Recreation	
\$ -	\$ 556,520	\$ 2,611,811	\$ 2,023	\$ 8,392,991
151,616	27,123	-	-	178,739
-	-	1,433	-	31,124
-	51,379	341,136	-	392,515
-	-	-	-	1,300
-	1,022,048	1,383,414	54,473	2,461,418
<u>\$ 151,616</u>	<u>\$ 1,657,070</u>	<u>\$ 4,337,794</u>	<u>\$ 56,496</u>	<u>\$ 11,458,087</u>
\$ 136,336	\$ 84,701	\$ 376,166	\$ 39,314	\$ 805,253
31,095	6,182	3,393	-	183,886
-	290,067	-	-	290,067
1,943,557	882,071	537,920	442,490	4,455,776
<u>2,110,988</u>	<u>1,263,021</u>	<u>917,479</u>	<u>481,804</u>	<u>5,734,982</u>
-	-	3,420,315	-	7,469,648
-	-	-	-	341,494
-	43,703	-	-	43,703
-	350,346	-	-	350,346
(1,959,372)	-	-	(425,308)	(2,482,086)
<u>(1,959,372)</u>	<u>394,049</u>	<u>3,420,315</u>	<u>(425,308)</u>	<u>5,723,105</u>
<u>\$ 151,616</u>	<u>\$ 1,657,070</u>	<u>\$ 4,337,794</u>	<u>\$ 56,496</u>	<u>\$ 11,458,087</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, 2013

	Special Revenue Funds		
	County Transportation	Gasoline Tax	Department of Health Service Grant
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental revenues	2,822,273	1,453,994	-
Use of money and property	110,395	-	7
Charges for services	-	-	-
Others	-	-	-
Total revenues	<u>2,932,668</u>	<u>1,453,994</u>	<u>7</u>
Expenditures:			
Current:			
General government	72,154	-	-
Public safety	-	-	-
Public works	1,094,222	993,071	-
Management services	-	-	-
Environmental and human services	597,450	-	-
Total expenditures	<u>1,763,826</u>	<u>993,071</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,168,842</u>	<u>460,923</u>	<u>7</u>
Other financing sources:			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,168,842	460,923	7
Fund balances (deficit) at beginning of year	<u>2,783,827</u>	<u>(22,765)</u>	<u>(97,413)</u>
Fund balances (deficit) at end of year	<u><u>\$ 3,952,669</u></u>	<u><u>\$ 438,158</u></u>	<u><u>\$ (97,406)</u></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, 2013

Special Revenue Funds		Capital Project Funds		
Special Assessments	Other	California Department of Transportation Grant	California Department of Parks and Recreation	Total
\$ 4,353,182	\$ -	\$ -	\$ -	\$ 4,353,182
-	608,483	4,355,256	15,958	9,255,964
-	5,034	13,181	317	128,934
-	-	13,003	-	13,003
-	12,379	-	-	12,379
4,353,182	625,896	4,381,440	16,275	13,763,462
-	-	-	-	72,154
-	154,685	-	-	154,685
3,787,243	866	344,343	-	6,219,745
-	26,178	-	-	26,178
-	594,798	-	-	1,192,248
3,787,243	776,527	880,670	43,161	8,244,498
565,939	(150,631)	3,500,770	(26,886)	5,518,964
-	131,606	-	-	131,606
565,939	(19,025)	3,500,770	(26,886)	5,650,570
(2,525,311)	413,074	(80,455)	(398,422)	72,535
\$ (1,959,372)	\$ 394,049	\$ 3,420,315	\$ (425,308)	\$ 5,723,105

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**CITY OF COMPTON, CALIFORNIA**  
Description of Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2013

**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, 2013

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 38,527	\$ 3,587	\$ 42,114
Accounts receivable	<u>1,249</u>	<u>-</u>	<u>1,249</u>
Total current assets	39,776	3,587	43,363
Noncurrent assets:			
Advances to other funds	<u>49,474</u>	<u>121,358</u>	<u>170,832</u>
Total assets	<u>89,250</u>	<u>124,945</u>	<u>214,195</u>
<b>Liabilities</b>			
Current liabilities:			
Deposits	-	68,834	68,834
Other postemployment benefits obligation	<u>242</u>	<u>-</u>	<u>242</u>
Total current liabilities	<u>242</u>	<u>68,834</u>	<u>69,076</u>
Long-term liabilities:			
Other postemployment benefits obligation	<u>1,934</u>	<u>-</u>	<u>1,934</u>
Total liabilities	<u>2,176</u>	<u>68,834</u>	<u>71,010</u>
<b>Net Position</b>			
Net position:			
Unrestricted	<u>87,074</u>	<u>56,111</u>	<u>143,185</u>
Total net position	<u>\$ 87,074</u>	<u>\$ 56,111</u>	<u>\$ 143,185</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, 2013

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 79,207	\$ 135	\$ 79,342
Operating expenses:			
Public works	<u>37,300</u>	<u>-</u>	<u>37,300</u>
Operating income	<u>41,907</u>	<u>135</u>	<u>42,042</u>
Nonoperating revenues:			
Investment income	<u>244</u>	<u>598</u>	<u>842</u>
Change in net position	42,151	733	42,884
Net position at beginning of year	<u>44,923</u>	<u>55,378</u>	<u>100,301</u>
Net position at end of year	<u>\$ 87,074</u>	<u>\$ 56,111</u>	<u>\$ 143,185</u>

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

	<u>Golf Course</u>	<u>Recreation</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 79,327	\$ 5,032	\$ 84,359
Cash payments to suppliers for goods and services	<u>(40,800)</u>	<u>(1,446)</u>	<u>(42,246)</u>
Net cash provided by operating activities	<u>38,527</u>	<u>3,586</u>	<u>42,113</u>
Cash flows from non-capital financing activities:			
Long-term loans to other funds	<u>(244)</u>	<u>(597)</u>	<u>(841)</u>
Cash flows from investing activities:			
Interest received on investments	<u>244</u>	<u>598</u>	<u>842</u>
Net increase in cash and cash equivalents	38,527	3,587	42,114
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 38,527</u>	<u>\$ 3,587</u>	<u>\$ 42,114</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 41,907	\$ 135	\$ 42,042
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	119	-	119
Decrease in accounts payable	(3,500)	-	(3,500)
Decrease in accrued liabilities	-	(1,446)	(1,446)
Increase in deposit payable	<u>-</u>	<u>4,898</u>	<u>4,898</u>
Net cash provided by operating activities	<u>\$ 38,526</u>	<u>\$ 3,587</u>	<u>\$ 42,113</u>

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**CITY OF COMPTON, CALIFORNIA**

Description of Internal Service Funds  
For the Fiscal Year Ended June 30, 2013

**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, 2013

	Equipment Rental	Central Duplication	Self- Insurance	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 438,757	\$ -	\$ 781,249	\$ 1,220,006
Due from other funds	-	-	13,661	13,661
Inventories	34,784	-	-	34,784
Total current assets	<u>473,541</u>	<u>-</u>	<u>794,910</u>	<u>1,268,451</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	44,109	-	-	44,109
Depreciable, net	60,475	-	-	60,475
Total noncurrent assets	<u>104,584</u>	<u>-</u>	<u>-</u>	<u>104,584</u>
Total assets	<u>578,125</u>	<u>-</u>	<u>794,910</u>	<u>1,373,035</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	101,677	51,655	33,935	187,267
Accrued liabilities	8,856	13,986	19,584	42,426
Due to other funds	-	166,481	-	166,481
Self-insurance claims	-	-	2,232,082	2,232,082
Capital lease	-	85,104	-	85,104
Compensated absences	9,775	1,046	20,525	31,346
Total current liabilities	<u>120,308</u>	<u>318,272</u>	<u>2,306,126</u>	<u>2,744,706</u>
Long-term liabilities:				
Advances from fiduciary funds	-	-	5,516,641	5,516,641
Self-insurance claims	-	-	10,994,369	10,994,369
Compensated absences	3,117	103,067	26,497	132,681
Total long-term liabilities	<u>3,117</u>	<u>103,067</u>	<u>16,537,507</u>	<u>16,643,691</u>
Total liabilities	<u>123,425</u>	<u>421,339</u>	<u>18,843,633</u>	<u>19,388,397</u>
<b>Net Position</b>				
Net position:				
Net investment in capital assets	104,584	(85,104)	-	19,480
Unrestricted (deficit)	<u>350,116</u>	<u>(336,235)</u>	<u>(18,048,723)</u>	<u>(18,034,842)</u>
Total net position	<u>\$ 454,700</u>	<u>\$ (421,339)</u>	<u>\$ (18,048,723)</u>	<u>\$ (18,015,362)</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, 2013

	<u>Equipment Rental</u>	<u>Central Duplication</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating revenues:				
Charges to other funds	\$ 2,196,285	\$ 241,555	\$ 2,700,889	\$ 5,138,729
Other	-	-	407,484	407,484
Total operating revenues	<u>2,196,285</u>	<u>241,555</u>	<u>3,108,373</u>	<u>5,546,213</u>
Operating expenses:				
Administration and personnel service	1,805,291	367,634	1,932,119	4,105,044
Self-insurance service	-	-	3,770,561	3,770,561
Depreciation	<u>12,096</u>	<u>78,830</u>	<u>-</u>	<u>90,926</u>
Total operating expenses	<u>1,817,387</u>	<u>446,464</u>	<u>5,702,680</u>	<u>7,966,531</u>
Operating income (loss)	<u>378,898</u>	<u>(204,909)</u>	<u>(2,594,307)</u>	<u>(2,420,318)</u>
Nonoperating expenses:				
Interest expense	<u>(1,108)</u>	<u>(10,917)</u>	<u>-</u>	<u>(12,025)</u>
Change in net position	377,790	(215,826)	(2,594,307)	(2,432,343)
Net position at beginning of year	<u>76,910</u>	<u>(205,513)</u>	<u>(15,454,416)</u>	<u>(15,583,019)</u>
Net position at end of year	<u><u>\$ 454,700</u></u>	<u><u>\$ (421,339)</u></u>	<u><u>\$ (18,048,723)</u></u>	<u><u>\$ (18,015,362)</u></u>



# CITY OF COMPTON, CALIFORNIA

## Internal Service Funds Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2013

	Equipment Rental	Central Duplication	Self- Insurance	Total
Cash flows from operating activities:				
Cash received from interfund services, net	\$ 655,362	\$ 293,210	\$ 1,162,903	\$ 2,111,475
Cash received from others	-	-	407,484	407,484
Cash payments to suppliers for goods and services	-	-	(1,891,148)	(1,891,148)
Cash payments to employees for services	(206,258)	(417,260)	(333,953)	(957,471)
Net cash provided by (used for) operating activities	449,104	(124,050)	(654,714)	(329,660)
Cash flows from non-capital financing activities:				
Short-term loans from other funds	-	166,481	-	166,481
Repayments of short-term loans to other funds	16,060	48,307	36,535	100,902
Repayments of short-term loans to fiduciary funds	-	-	1,312,142	1,312,142
Net cash provided by non-capital financing activities	16,060	214,788	1,348,677	1,579,525
Cash flows from capital and related financing activities:				
Capital lease payment	(25,299)	(79,821)	-	(105,120)
Interest paid on long-term debt	(1,108)	(10,917)	-	(12,025)
Net cash used for capital and related financing activities	(26,407)	(90,738)	-	(117,145)
Net increase in cash and cash equivalents	438,757	-	693,963	1,132,720
Cash and cash equivalents, beginning of year	-	-	87,286	87,286
Cash and cash equivalents, end of year	<u>\$ 438,757</u>	<u>\$ -</u>	<u>\$ 781,249</u>	<u>\$ 1,220,006</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 378,898	\$ (204,909)	\$ (2,594,307)	\$ (2,420,318)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	12,096	78,830	-	90,926
Changes in assets and liabilities:				
Decrease in accounts receivable	-	-	10,502	10,502
Increase in accounts payable	101,677	51,655	33,935	187,267
Increase (decrease) in accrued liabilities	(41,817)	(57,126)	17,004	(81,939)
Increase (decrease) in compensated absences	(1,750)	7,500	(1,261)	4,489
Increase in self-insurance claims	-	-	1,879,413	1,879,413
Net cash provided by (used for) operating activities	<u>\$ 449,104</u>	<u>\$ (124,050)</u>	<u>\$ (654,714)</u>	<u>\$ (329,660)</u>

**APPENDIX C-3**  
**CITY OF COMPTON UNAUDITED ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

# **Financial Report**

## **June 30, 2014**

City of Compton

August 31, 2014

**TO: THE HONORABLE MAYOR AND COUNCIL MEMBERS**

**FROM: CITY MANAGER**

**BY: CITY CONTROLLER**

**SUBJECT: FINANCIAL REPORT – FISCAL YEAR ENDED JUNE 30, 2014**

## SUMMARY

The Financial Report for the fiscal year ended June 30, 2014 provides an overview of the City's revenues from the beginning of the 2013/2014 Fiscal Year to June 30, 2014, expenditures for the same period to June 30, 2014 and the fund balances as of June 30, 2014.

The City-wide total revenue of **\$153.22 million** as of end of June 2014 represents **62%** of the adjusted City-wide revenues budget. The City-wide expenditures as of the end of June 2014 amounted to **\$157.64 million**, which was **59%** of the City-wide adjusted expenditures budget. The difference of **\$4.42 million** between the City-wide revenue collections and actual expenditures for the period to June 2014 represents mainly the use of accumulated fund balances.

General Fund revenues as of June 2014 amounted to **\$52.33 million**, while the total of General Fund expenditures was **\$50.79 million** representing surplus of revenues over expenditures of **\$1.54 million**. The City collected **112%** of the General Fund adjusted revenues budget and spent **99%** of the General Fund adjusted expenditures budget as of the end of June 2014.

As indicated on page 4 of this report, the City issued a temporary financing obligation (TRANS) to finance the General Fund expenditures during the first half of the fiscal year when the City received lesser amounts of General Fund revenues.

For the second fiscal year in a row, the City recorded a fiscal year surplus in the General Fund. The Surplus for the 2013/2014 fiscal year is **\$1.54 million** while the fiscal year surplus for the prior year (2012/2013) was **\$1.43 million**.

## REVENUE COLLECTIONS

The General Fund total revenues from the beginning of the fiscal year to June 30, 2014 amounted to **\$52,331,383**. The revenues recorded in this Fund include Property Tax, Sales Tax, Franchise Fees, Utility Users Tax, Licenses and Permit Fees, Motor Vehicle License Fee, Fines and Forfeitures, and Charges for Current Services.

### Snapshot Analysis

#### Year-to-Date Amounts

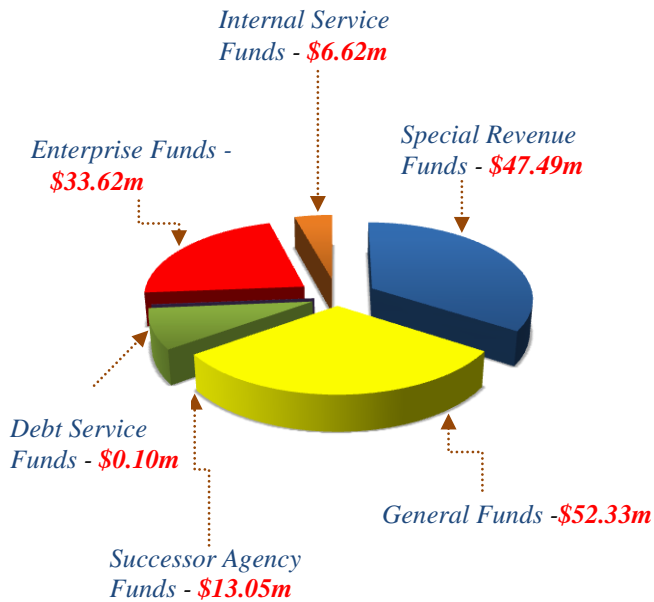
City-Wide		
Revenues	\$	153.22m
Expenditures		157.64m
<b>Difference</b>	<b>\$</b>	<b>4.42m</b>

General Fund		
Revenues	\$	52.33m
Expenditures		50.79m
<b>Surplus</b>	<b>\$</b>	<b>1.54m</b>

#### General Fund



Revenues Chart



The Special Revenue Funds received **\$47,487,308** while the Successor Agency Funds had total revenues of **\$13,052,119** as of the end of June 2014.

The Debt Service Funds, consisting of the General City's 2008 Lease Revenues Bonds Fund and the 1987 Revenues Bonds Fund had revenues of **\$104,766** as of the end of June 2014.

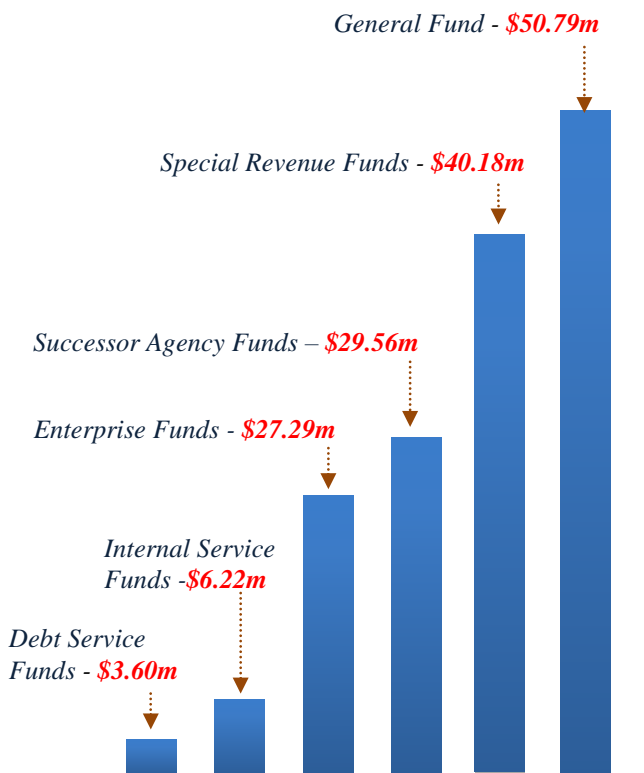
The Enterprise Funds had total revenues of **\$33,622,786** as of end of June 2014. The Enterprise Funds comprise the Water Fund, Sewer Fund, Rubbish Fund, Recreation Programs Fund, Golf Course Fund and the Enterprise Funds' Bonds.

The Internal Service Funds include such funds as the Equipment Rental Fund, Central Duplicating Fund, Worker's Compensation Fund, and the General Liability Insurance Fund. These funds account for goods and services provided to other departments. The total revenue for these funds as of end of June 2014 was **\$6,623,285**.

The General Fund actual revenue collection of **112%** represents **12%** above the anticipated revenue amount for the fiscal year.

## EXPENDITURES

Expenditures Chart



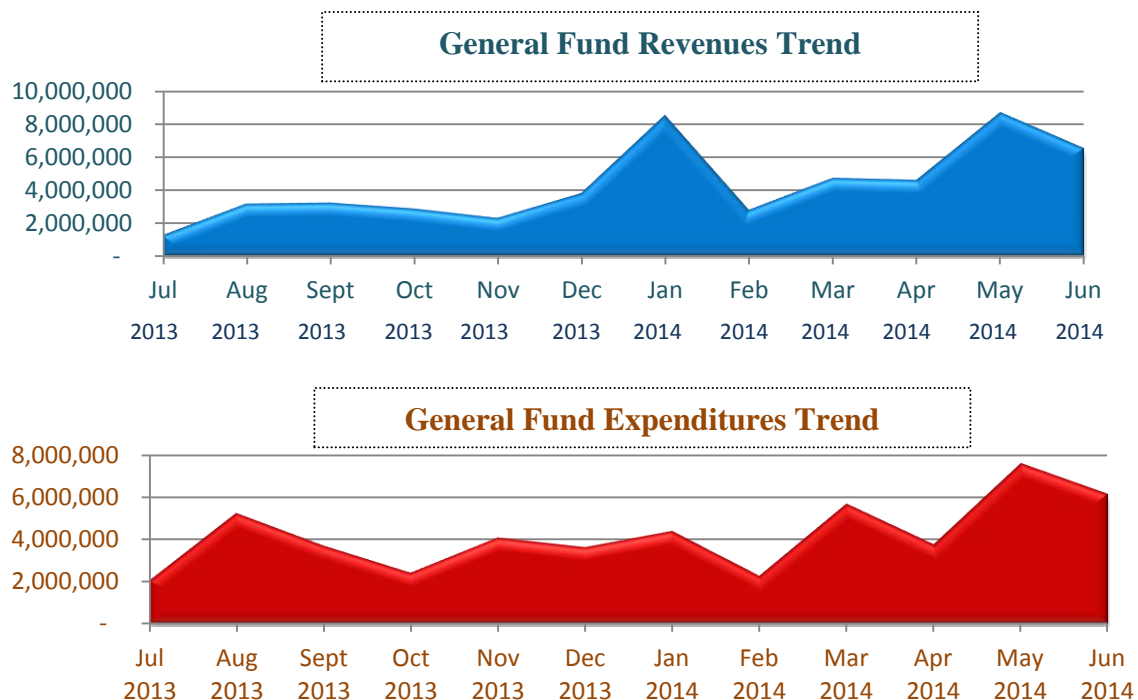
The Expenditure Summary in **Appendix D** shows General Fund expenditures of **\$50.79 million** as of the end of June 2014, Special Revenue Funds expenditure of **\$40.18 million**, Successor Agency Funds expenditure of **\$29.56 million**, Debt Service Funds expenditure of **\$3.60 million**, Enterprise Funds expenditure of **\$27.29 million**, and Internal Service Funds expenditure of **\$6.22 million**. Also, the "Costs by Department" reports (**Appendix E and Appendix F**) provide summary of departmental expenditures for the month of June 2014 and percentages of the total expenditures compared to the budgeted amounts.

Most of the expenditure categories were below the budgeted amounts for the period ended June 30, 2014. However, the high expenditure percentage of **117%** (**Appendix F**) for the Non-Departmental was due to General Liability expenditures that were charged out to the various funds responsible for incurring the general liability expenditures. According to the analysis provided by the City's Risk Management Unit, **98%** (**\$1.54 million**) of the general liability claims and expenses during the fiscal year to June 2014 were related to and were charged to the General Fund. The Non-Departmental expenditure also includes the amount of **\$537,875** representing interest, issue discount and expenses related to the **\$10.6 million TRANS** issued during the fiscal year.

The overtime costs of the following departments exceeded the budgeted overtime appropriations by the indicated amounts as of June 30, 2014: - Public Works (\$91,644), City Clerk (\$4,189), City Council (\$7,280) and Building & Safety Department (\$6,106). The Fire Department exceeded its General Fund allocation by 2%, Parks & Recreation Department exceeded it by 5% and CareerLink by 12% due to personnel salaries. However, the total expenditures of the three departments were within their overall budget appropriations for the fiscal year (**Appendices “E” and “F”**). Apart from Non-Departmental Unit, the total expenditures of all the City departments and agencies were within their respective overall budget appropriations for the fiscal year (**Appendix “F”**).

## REVENUES AND EXPENDITURES TREND – GENERAL FUND

Analysis of the trend of General Fund revenues and expenditures indicated that General Fund total operating revenue from the beginning of the fiscal year to June 2014 exceeded the operating expenditures by **\$1.54 million**. The graphs of the monthly revenue collections and actual expenditures are shown below.



## ISSUANCE OF TRANS TO BRIDGE THE CASH FLOW GAP

The City issued a **\$10.6 million Tax and Revenue Anticipation Notes (TRANS)** with net proceeds of **\$10.4 million** to provide cash for financing General Fund operations for the first half of the fiscal year. As in prior years, the months of July 2013 through December 2013 experienced lesser revenue collections compared to the revenues of the second half of the fiscal year. The City utilized proceeds of the TRANS to remain current in paying its monthly bills during the first half of the fiscal year. The TRANS was repaid (principal and interest) in **June, 2014** utilizing the General Fund secured revenues accumulated in a lock box from July 2013 to May 2014.

## FUND BALANCES

The Fund Balances Summary Report in **Appendix G** provides the beginning fund balances (unaudited) of each of the major funds and the fund balances (unaudited) as of end of June 2014.

The General Fund had accumulated unaudited **negative** fund balance of **\$35.07 million** as of June 30, 2014. The reduction in the General Fund deficit is due to adjustment recommended by the City's Independent Auditors following the completion of the 2012 financial statements. The adjustment was to write back to General Fund, a portion of the amounts paid by the various Departments for the operations of the Internal Service Funds. The Special Revenue Funds ended the fiscal year with a cumulative fund balance of **\$33.00 million**. The total ending fund balance of Successor Agency Funds was **\$68.32 million**, the Debt Service Funds balance was **\$18.98 million**, the Enterprise Funds balance was **\$8.21 million**, and the Internal Service Funds (which included Equipment Rental Fund, Central Duplicating Fund, Worker's Compensation Fund, and General Liability Insurance Fund) had a combined deficit fund balance of **\$15.72 million**.

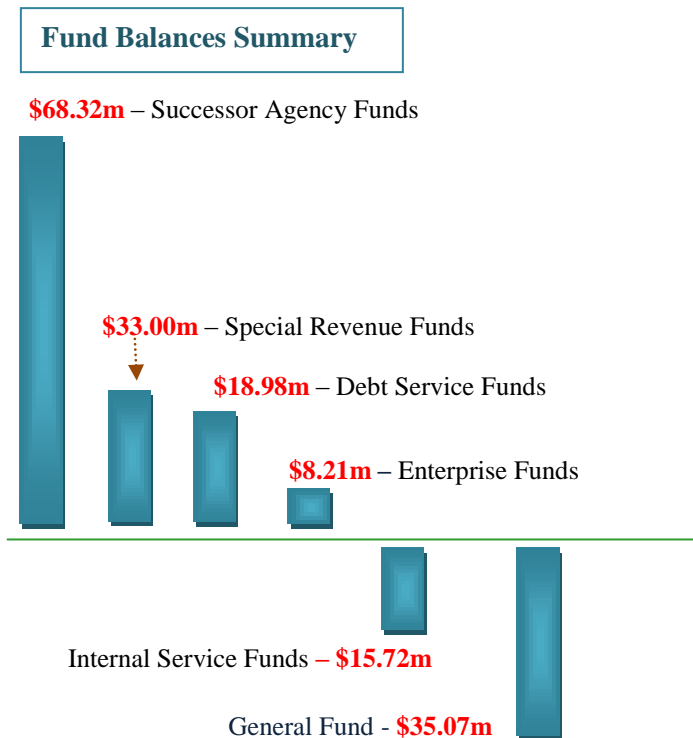
The fund balances shown above represent cumulative amounts. Therefore, the General Fund deficit balance of **\$35.07 million** as of June 2014 included the cumulative deficit of **\$43.11 million** from prior years less adjustment recommended by the Independent Auditors for the Internal Fund payments of **(\$6.50 million)** less the current year surplus of **\$1.54 million** recorded as of June 30, 2014.

### Inter-fund Repayment Plan:

On December 20, 2011, the City Council approved Resolution No. **23,447** delineating a 20-year repayment schedule to enable the General Fund erase the prior years' accumulated deficit and to repay the amounts owed to other Funds. On June 17, 2014, the City Council approved (with Resolution No. **23,970**) a revised plan which reduced the repayment period from 20 years to 15 years in line with recommendations of the City's Independent Auditors. The repayment plan entailed that there will be surplus in General Fund (actual revenues will be higher than expenditures) in each of the next 15 fiscal years thereby reducing the accumulated deficit and providing cash for the General Fund to repay the amounts owed to other Funds. For the 2013-2014 fiscal year, the repayment amount in accordance with the approved plan is **\$200,000**.

### Repayment of Park Properties - \$5,328,000:

As contained in Council Resolution No. **23,970**, the amount owed to other funds included the amount of **\$5,328,000** for Park properties purchased by the City from the City's former Community Redevelopment Agency (CRA) for which the City has not had enough funds to make the payment. Sequel to the dissolution of CRA and establishment of Successor Housing Agency, the City notified the State Department of Finance (DOF) about the repayment plan detailed in Council Resolution No. **23,970**. Subsequently, the City notified the DOF of its intention to pay the \$5,328,000 within 5 years.



**General Liability Insurance Fund:**

In 2011, the City Council approved with Resolution No. **23,323** (dated **5/24/2011**) that the City's former Community Redevelopment Agency (CRA) should repay the amount of **\$7.7 million** owed to the General Liability Insurance Fund. The amount represents CRA's share of general liability claims paid on behalf of the Agency by the General Liability Insurance Fund. The Agency did not pay its share of the liability claims since 1987. The City Council had earlier directed in 1991 (with Resolution No. **16,651** of **7/23/1991**) that the Agency should pay the accumulated liability claims when the Agency has enough funds. Pursuant to the 2011 Council Resolution No. **23,323**, the Agency repaid a total amount of **\$3.1 million** prior to the dissolution of CRA. This amount of **\$3.1million** for General Liability claims and **\$2.4 million** for other expense reimbursements made by the Agency to the City are under review by the DOF to determine if the reimbursements (totaling **\$5.5million**) should be refunded back to the Agency. DOF indicated that the repayments were made to the City within one year prior to Assembly Bill **AB X1 26**. The law that disbanded CRA (**AB X1 26**) came into effect in January 2012 after the payments were made by CRA. Further, the general liability claims occurred over the past several years starting from 1987, before **AB X1 26** came into effect. However, in line with DOF stance in other Cities, the above two payments (amounting to **\$5.5 million**) made by CRA prior to January 2012 were being reviewed / questioned by the DOF.

**Department of Finance (DOF) Review of amount Due from Successor Agency to Successor Housing Agency - \$5,589,180:**

The DOF is also reviewing the amount of **\$5,589,180** due from the City of Compton Successor Agency (formerly Community Redevelopment Agency) to the City of Compton Successor Housing Agency (formerly Low / Moderate Income Housing Fund). The City of Compton Successor Agency will repay the **\$5,589,180** owed to the City of Compton Successor Housing Agency by incorporating the amount in its Recognized Obligation Payment Schedule (ROPS). In its latest correspondence, the DOF validated and accepted the total amount of **\$5,045,007** out of the **\$5,589,189** owed. The Successor Agency will have to provide further documents to enable the DOF validate the remaining amount of **\$544,173**. The City Council has elected to manage the projects and operations of the Successor Housing Agency.

**Status of Clearance of HUD Audit Issues - \$2.85 million:**

The Successor Agency is also in the process of resolving the amount of **\$2.85 million** with HUD. The amount mainly relates to HOME projects and expenditures from 1997 to 2010 for which HUD required supporting documentation. The City's outside Attorney is working with City Management to resolve the issues.

**Internal Revenue Service Completed its Audit:**

The Internal Revenue Service (IRS) completed its audit of the payments made by the City to vendors, contractors, and temporary service providers as well as salary payments made to City employees and Council members. The review covered tax years 2011 and 2012 and lasted for about 18 months. The IRS final report indicated that the City only had to remit the total amount of **\$45,148** to IRS representing Medicare withholding tax for City employees and Council members. The withholding tax was paid on **8/25/2014** as stipulated by IRS to ensure that the audit was officially closed. The Medicare withholding tax expenditure is budgeted as a line item in the City's approved budget.



## APPENDICES

The following detailed schedules are included in this Financial Report as appendices:

- 1) **Revenues Summary (Appendix A)** – showing total budgeted revenues for the fiscal year 2013-2014, the actual revenues collected for the month of June 2014, the cumulative collections for the period ended June 30, 2014, and percentages of the actual collections compared to the budgeted amounts. These amounts are summarized based on the six major fund classifications.
- 2) **General Fund Revenues (Appendix B)** - this schedule provides detailed classification of revenue collections posted to the General Fund.
- 3) **Enterprise Funds Revenues (Appendix C)** – the schedule provides details of revenue receipts for Water, Rubbish, Sewer, Recreation Programs and Golf Course Funds.
- 4) **Expenditures Summary (Appendix D)** – this shows the budgeted expenditures for the 2013-2014 fiscal year, the actual expenditures for the month of June 2014, the cumulative expenditures for the period ended June 30, 2014, and the percentages of the cumulative expenditures compared to the budgeted amounts.
- 5) **Costs By Department (Appendix E and Appendix F)** – show total expenditures by Department as of the end of June 2014, for General Fund (**Appendix E**) and for the entire City (**Appendix F**).
- 6) **Summary of Fund Balances – Major Funds (Appendix G)** – the focus of this schedule is to show the beginning fund balances (unaudited) of the major funds of the City and the ending fund balances as of the end of June 2014.
- 7) **Budget Comparison (Appendix H)** – shows the summary of revenues compared to total budget based on the major budget categories.
- 8) **Grants Appropriation Balances (Appendix I)** – indicates the Grant fund appropriations not yet spent as of June 2014.

## RECOMMENDATION

It is recommended that the Honorable Mayor and City Council receive and file the Financial Report for the fiscal year ended June 30, 2014.

Thank you.

**G. HAROLD DUFFEY,  
CITY MANAGER**

**STEPHEN AJOBIEWE,  
CITY CONTROLLER**

## Appendix A

Revenues Summary						
Account Number	Fund Name	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual June 2014	Actual Year-To-Date 06/30/2014	Percentage Collection
<b>General Fund</b>						
1001	General Fund	\$ 44,354,094	\$ 46,638,245	\$ 6,493,252	\$ 52,219,113	112%
1003	Hazardous Materials Fund	176,340	176,340	-	112,270	64%
	Subtotal	44,530,434	46,814,585	6,493,252	52,331,383	112%
<b>Special Revenue Funds</b>						
2100	Retirement Fund	18,733,729	18,798,997	7,127,849	20,744,550	110%
2502	Street Lighting City Wide	4,279,446	4,279,446	118,311	4,371,401	102%
2820	Local Housing Authority	10,922,755	10,922,755	791,050	10,030,837	92%
	All others	16,169,006	19,674,893	1,993,974	12,340,520	63%
	Subtotal	50,104,936	53,676,091	10,031,184	47,487,308	88%
<b>Successor Agency Funds</b>						
1201	Successor Agency - Admin Fund	17,022,285	17,022,285	68,040	13,019,687	76%
1205	Successor Agency - Low Cost Housing	-	-	-	32,426	N/A
3002	Successor Agency - Tax Alloc. Bond	15,500,000	15,500,000	-	1	0%
3070	Successor Agency - 2010A Bond	19,072,516	19,072,516	-	3	0%
3080	Successor Agency - 2010B Bond	18,941,418	18,941,418	-	2	0%
3090	Successor Agency - 2010C Bond	6,464,886	6,464,886	-	-	0%
	Subtotal	77,001,105	77,001,105	68,040	13,052,119	17%
<b>Debt Service Funds</b>						
3030	Revenue Bonds 2008	2,319,888	5,465,810	-	104,766	2%
9203	Revenue Bonds 1987	85,700	85,700	-	-	0%
	Subtotal	2,405,588	5,551,510	-	104,766	2%
<b>Enterprise Funds</b>						
5000	Water Fund	15,270,500	15,270,500	1,345,733	15,557,628	102%
5001	Richland Farms	48,000	48,000	198	10,662	22%
5003	Water Bond Fund 2009	16,679,522	16,679,522	300,909	4,912,799	29%
5100	Rubbish Fund	11,325,366	11,325,366	913,174	10,186,327	90%
5116	Sewer Fund	933,541	933,541	25,000	954,318	102%
5117	Sewer Bond Series 2009	14,808,889	14,808,889	171,344	1,930,983	13%
5200	Golf Course	83,200	83,200	6,287	69,263	83%
5300	Recreation Programs	24,000	24,000	-	806	3%
	Subtotal	59,173,018	59,173,018	2,762,645	33,622,786	57%
<b>Internal Service Funds</b>						
6000	Equipment Rental	2,246,453	2,246,453	178,769	2,187,790	97%
6200	Central Duplicating	525,678	525,678	27,370	299,169	57%
6300	Worker's Compensation	2,095,982	2,095,982	169,451	2,566,841	122%
6400	Liability Insurance Fund	1,906,927	1,906,927	-	1,569,485	82%
	Subtotal	6,775,040	6,775,040	375,590	6,623,285	98%
	<b>Grand Total</b>	<b>\$ 239,990,121</b>	<b>\$ 248,991,349</b>	<b>\$ 19,730,711</b>	<b>\$ 153,221,647</b>	<b>62%</b>

## Appendix B

General Fund Revenues					
General Fund	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual June 2014	Actual Year-To-Date 6/30/2014	Percentage Collection
<u>Code Property Taxes</u>					
3010 Property Taxes Current	\$ 3,009,272	3,009,272	\$ 85,368	\$ 3,441,635	114%
3020 Property Taxes Unsecured	30,504	30,504	-	-	0%
3030 Prior Year-Secured	-	-	46,418	621,843	N/A
3040 Prior Year-Unsecured	3,496	3,496		1,388	40%
3060 Aircraft	21,532	21,532	21,514	22,727	106%
Subtotal	<b>3,064,804</b>	<b>3,064,804</b>	<b>153,300</b>	<b>4,087,593</b>	<b>133%</b>
<u>Sales and Use Taxes</u>					
3110 Sales and Use Taxes	6,979,689	6,979,689	1,107,931	7,741,982	111%
3111 Sales and Use Taxes -PSAF	258,903	258,903	79,354	290,622	112%
Subtotal	<b>7,238,592</b>	<b>7,238,592</b>	<b>1,187,285</b>	<b>8,032,604</b>	<b>111%</b>
<u>Franchise and Utility Users Taxes</u>					
3121 Gas Franchise	300,428	300,428	48,991	273,543	91%
3122 Electric Franchise	299,021	299,021	-	318,937	107%
3124 Other Water Franchise	5,400	5,400	-	7,211	134%
3125 Rubbish Franchise	800,000	800,000	166,683	1,040,635	130%
3126 Other Franchise	185,100	185,100	89,693	355,987	192%
3127 Towing Franchise	15,165	15,165	2,627	12,164	80%
3140 Transient Occupancy	137,905	137,905	23,136	114,496	83%
3150 Property Transfer Fee	160,278	160,278	13,670	194,212	121%
3160 Telephone Users	1,594,807	1,594,807	309,084	1,678,903	105%
3161 Gas Users	1,577,750	1,577,750	325,260	1,556,317	99%
3162 Electric Users	4,868,116	4,868,116	757,488	4,752,690	98%
3163 City Water Users	1,489,964	1,489,964	125,348	1,455,665	98%
3164 Other Water Users	548,967	548,967	118,833	629,739	115%
3165 Cellular Phone Users	2,713,443	2,713,443	413,421	2,702,668	100%
Subtotal	<b>14,696,344</b>	<b>14,696,344</b>	<b>2,394,234</b>	<b>15,093,167</b>	<b>103%</b>
<u>License and Permits</u>					
3210 Building Permits	447,713	447,713	36,157	582,593	130%
3220 Plumbing Permits	62,925	62,925	5,000	71,982	114%
3230 Electrical Permits	74,704	74,704	6,808	81,206	109%
3240 Other Construction Permits	51,485	51,485	20,157	158,825	308%
3242 Economic Enterprise Zone	40,015	40,015	6,345	60,311	151%
3243 Tobacco Permit	58,543	58,543	7,700	55,999	96%
3245 Business License	1,247,414	1,270,414	317,298	1,712,867	135%
3246 Business License Rental	85,512	85,512	10,683	89,955	105%
3248 Revenue License Fee-Casino	840,000	1,442,189	384,142	2,005,057	139%
3250 Certificate of Occupancy	46,806	46,806	2,968	52,782	113%
3264 Burglar Alarm Permit	7,100	7,100	5,410	14,231	200%
3265 Fire Permit Fee	45,000	90,000	24,511	193,115	215%
3266 Tank Removal Over/Haul	26,780	26,780	4,241	36,687	137%
3267 Blue Line Farmers Market	-	-	-	893	N/A
3275 Conditional Use Variance	15,000	15,000	(1,500)	28,950	193%
3280 Miscellaneous Licenses	85,393	85,393	6,710	77,416	91%
Subtotal	<b>\$ 3,134,390</b>	<b>\$ 3,804,579</b>	<b>\$ 836,630</b>	<b>\$ 5,222,869</b>	<b>137%</b>

		Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual June 2014	Actual Year-To-Date 6/30/2014	Percentage Collection
	<b>General Fund</b>					
	<b><u>Fines, Forfeitures and Permits</u></b>					
3315	Parking Citations	\$ 1,100,000	\$ 1,100,000	\$ 115,435	\$ 1,199,676	109%
3320	Other Court Fees	257,764	257,764	56,060	290,384	113%
3321	Vehicle Impound	54,600	54,600	6,300	39,880	73%
3332	False Alarm Program	20	20	-	-	0%
3340	Forfeitures and Penalties	45	45	-	-	0%
3350	Census Grant Revenue	-	-	-	-	N/A
	Subtotal	<b>1,412,429</b>	<b>1,412,429</b>	<b>177,795</b>	<b>1,529,940</b>	<b>108%</b>
	<b><u>Use of Money and Property</u></b>					
3410	Interest Income	12,900	12,900	4,335	23,846	185%
3420	Rents & Concessions	85,400	85,400	7,944	88,601	104%
3421	Rents and Concessions Comm	1,000	1,000	-	1,226	123%
3425	Rents & Concessions-Bullis Rd	75,000	75,000	5,799	97,105	129%
3428	Rents & Concessions-Bullis Rd	-	-	-	-	N/A
	Subtotal	<b>174,300</b>	<b>174,300</b>	<b>18,078</b>	<b>210,778</b>	<b>121%</b>
	<b><u>Revenues from Other Agencies</u></b>					
3511	Motor Vehicle License	8,001,250	8,001,250	-	8,233,467	103%
3521	State Homeowners Prior Year	21,360	21,360	3,351	22,338	105%
3570	Court Subpeona Reimbursements	1,740	1,740	45	2,766	159%
	Subtotal	<b>8,024,350</b>	<b>8,024,350</b>	<b>3,396</b>	<b>8,258,571</b>	<b>103%</b>
	<b><u>Charges From Current Services</u></b>					
3602	Current Services Provided-Water	4,300,000	4,300,000	385,331	4,623,968	108%
3603	Current Services Provided-CRA	150,000	150,000	-	78,393	52%
3610	Environmental Review	12,500	12,500	1,955	20,285	162%
3612	Subdivision Fees	1,500	1,500	-	1,575	105%
3615	Sale of Maps and Publications	150	150	-	225	150%
3616	Banner Processing Fees	1,000	1,000	-	2,325	233%
3617	Other Filing & Certificates	1,200	1,200	-	-	0%
3618	City Provided Medical	900,500	900,500	233,969	1,326,682	147%
3621	Record Sealing Fees	-	-	-	41	N/A
3622	Special Police Department	30	30	-	-	0%
3623	Special Fire Department	6,500	6,500	1,981	6,466	99%
3630	EMS Subscriptions	-	-	-	50	N/A
3633	Quimby Act Fees	-	-	-	221,995	N/A
3640	Plan Checking Fees	539,335	539,335	60,796	576,781	107%
3641	Administration Fee-Payroll	520	520	1	236	45%
3662	Nuisance Abatement	-	-	-	-	N/A
3665	Weed & Lot Abatement	135	135	-	-	0%
3666	Substandard Abatement	95,377	95,377	9,965	204,853	215%
3670	Refuse Collection Charges	-	-	-	6,265	N/A
3684	Advertisement Charges	281,616	281,616	24,000	273,421	97%
3700	Swim & Slide Pool Collections	7,080	7,080	6,125	14,764	209%
3712	Cleaning Deposit	-	-	-	-	N/A
3721	P&R Room Rentals	2,200	2,200	175	6,682	304%
3842	Other Penalties-Returned Check	200	200	-	140	70%
3848	Miscellaneous - Water	-	-	-	-	N/A
3870	Collection Fees	-	-	-	-	N/A
3881	Reproduction Charge	8,150	8,150	1,379	14,432	177%
3884	Administration Fee	-	-	-	-	N/A
3890	Misc Charges for Current Services	26,020	26,020	3,028	31,686	122%
	Subtotal	<b>\$ 6,334,013</b>	<b>\$ 6,334,013</b>	<b>\$ 728,705</b>	<b>\$ 7,411,264</b>	<b>117%</b>

	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual June 2014	Actual Year-To-Date 6/30/2014	Percentage Collection
<b>General Fund</b>					
<u>Others</u>					
3910 Sale of Real or Personal Prop	\$ -	\$ -	\$ -	\$ -	N/A
3920 Contribution From Other Funds(Crossing Guard)	114,222	114,222	550,380	550,380	482%
3959 Overage / Shortage	-	-	(1)	(76)	N/A
3565 Other Federal Grant - Fire Department	-	-	-	-	N/A
3571 Legal Recovery	25,000	25,000	438,029	522,542	2090%
3980 Miscellaneous Revenue	135,000	1,092,912	5,423	1,299,481	119%
3982 Public Works Misc Revenue	650	650	-	-	0%
3989 Continued Appropriation - Prior Year Open P.Os	-	253,249	-	-	0%
Subtotal	<b>274,872</b>	<b>1,486,033</b>	<b>993,831</b>	<b>2,372,327</b>	<b>160%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 44,354,094</b>	<b>\$ 46,235,445</b>	<b>\$ 6,493,252</b>	<b>\$ 52,219,113</b>	<b>113%</b>

## Appendix C

Enterprise Funds Revenues					
Enterprise Fund	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual June 2014	Actual Year-To-Date 06/30/2014	Percentage Collection
<b><u>Water</u></b>					
3801 Residential Revenue	\$ 10,000,000	\$ 10,000,000	\$ 1,008,649	\$ 11,716,834	117%
3802 Commercial Revenue	2,200,000	2,200,000	170,185	1,906,245	87%
3803 Industrial Revenue	1,005,000	1,005,000	54,534	628,485	63%
3805 City Dept to be Billed	340,000	340,000	26,807	304,254	89%
3806 Other Government Agencies	690,000	690,000	53,546	681,785	99%
3807 Private Fire Protection	75,000	75,000	6,086	73,287	98%
3821 Residential Connections	-	-	-	-	N/A
3822 Commercial Connections	-	-	-	-	N/A
3828 Other Emergency Connections	1,500	1,500	-	-	0%
3833 Contrib for Install of Service	5,000	5,000	-	830	17%
3841 Turn on Charges	100,000	100,000	17,710	158,416	158%
3842 Other Penalties-Returned Check	-	-	-	35	N/A
3843 Resetting Meters	20,000	20,000	1,650	17,100	86%
3848 Miscellaneous Water Revenue	15,000	15,000	-	1,215	8%
3870 Collection Fess	740,000	740,000	-	-	0%
3890 Misc. Charges For Current Services	20,000	20,000	4,726	56,414	282%
3892 Scrap Metal Sale	-	-	-	3,624	N/A
3980 Miscellaneous Revenue	59,000	59,000	1,840	9,104	15%
3989 Continued Appropriation - Prior Year P.Os	-	-	-	-	N/A
Subtotal	15,270,500	15,270,500	1,345,733	15,557,628	102%
<b><u>Richland Farms</u></b>					
3130 Richland Farm Spec Assessment	48,000	48,000	198	10,662	22%
Subtotal	48,000	48,000	198	10,662	22%
<b><u>Water Bond Fund 2009</u></b>					
3410 Interset Income	350	350	-	2	1%
3808 Water Capital Project Revenue	2,260,000	2,260,000	300,909	4,427,797	196%
3970 Revenue From Prior Years	14,419,172	14,419,172	-	485,000	3%
3989 Continued Appropriation - Prior Year's P.Os	-	-	-	-	N/A
Subtotal	16,679,522	16,679,522	300,909	4,912,799	29%
<b><u>Rubbish Fund</u></b>					
3410 Interest Income	1	1	-	-	0%
3670 Refuse Collection Charges	10,630,653	10,630,653	819,698	9,333,746	88%
3722 Residential Bin Service	52,647	52,647	3,718	64,562	123%
3884 Administration Fees	234,631	234,631	44,399	266,396	114%
3941 Principal & Interest - Hub City Contribution	159,647	159,647	21,993	131,960	83%
3942 Other Revenue	-	-	-	3,605	N/A
3980 Miscellaneous Rev	247,787	247,787	23,366	386,058	156%
3989 Continued Appropriation - Prio Year's P.Os	-	-	-	-	N/A
Subtotal	\$ 11,325,366	\$ 11,325,366	\$ 913,174	\$ 10,186,327	90%

<b>Enterprise Fund</b>	<b>Original Budget FY 2013-2014</b>	<b>Adjusted Budget FY 2013-2014</b>	<b>Actual June 2014</b>	<b>Actual Year-To-Date 06/30/2014</b>	<b>Percentage Collection</b>
<b><u>Sewer</u></b>					
3410 Interest Income	\$ 241	\$ 241	\$ 214	\$ 1,084	450%
3761 Assessments	933,300	933,300	24,786	953,234	102%
3989 Continued Appropriation - Prior Year P.Os	-	-	-	-	N/A
Subtotal	933,541	933,541	25,000	954,318	102%
<b><u>Sewer Bond Series 2009</u></b>					
3410 Interest Income	223	223	-	2	1%
3809 Sewer Capital	2,475,018	2,475,018	171,344	1,930,981	78%
3970 Revenue From Prior Year	12,333,648	12,333,648	-	-	0%
3989 Continued Appropriation - Prior Year P.Os	-	-	-	-	N/A
Subtotal	14,808,889	14,808,889	171,344	1,930,983	13%
<b><u>Golf Course</u></b>					
3710 Golf Fees	83,200	83,200	6,287	69,263	83%
Subtotal	83,200	83,200	6,287	69,263	83%
<b><u>Recreation Programs</u></b>					
3740 Recreation Program Charges	24,000	24,000	-	806	3%
3989 Continued Appropriation - Prior Year P.Os	-	-	-	-	N/A
Subtotal	24,000	24,000	-	806	3%
<b>Grand Total</b>	<b>\$ 59,173,018</b>	<b>\$ 59,173,018</b>	<b>\$ 2,762,645</b>	<b>\$ 33,622,786</b>	<b>57%</b>

## Appendix D

Expenditures Summary						
Account Number	Fund Name	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual June 2014	Actual Year-To-Date 06/30/2014	Percentage Spent
<b>General Fund</b>						
1001	General Fund	\$ 48,680,428	\$ 50,915,579	\$ 5,726,726	\$ 50,717,394	100%
1003	Hazardous Materials Fund	176,340	176,340	22,026	70,729	40%
	Subtotal	48,856,768	51,091,919	5,748,752	50,788,123	99%
<b>Special Revenue Funds</b>						
2100	Retirement Fund	18,733,729	18,798,997	1,043,910	15,943,282	85%
2502	Street Lighting City Wide	4,279,446	4,279,446	552,640	4,516,015	106%
2820	Local Housing Authority	10,922,755	10,922,755	803,476	10,063,304	92%
	All others	16,169,006	19,928,142	2,139,711	9,658,217	48%
	Subtotal	50,104,936	53,929,340	4,539,737	40,180,818	75%
<b>Successor Agency Funds</b>						
1201	Successor Agency - Admin Fund	17,022,285	22,614,808	78,388	1,053,473	5%
1205	Successor Agency - Low Cost Housing	-	-	-	-	N/A
3002	Successor Agency - Tax Alloc. Bond	15,500,000	15,500,000	-	14,532,999	94%
3070	Successor Agency - 2010A Bond	19,072,516	21,712,438	-	3,453,900	16%
3080	Successor Agency - 2010B Bond	18,941,418	21,067,258	214,741	9,122,662	43%
3090	Successor Agency - 2010C Bond	6,464,886	7,149,239	-	1,394,392	20%
	Subtotal	77,001,105	88,043,743	293,129	29,557,426	34%
<b>Debt Service Funds</b>						
3030	Revenue Bonds 2008	2,319,888	6,666,060	99,863	3,529,876	53%
9203	Revenue Bonds 1987	85,700	73,200	6,100	73,200	100%
	Subtotal	2,405,588	6,739,260	105,963	3,603,076	53%
<b>Enterprise Funds</b>						
5000	Water Fund	15,270,500	15,279,273	2,033,262	10,843,538	71%
5001	Richland Farms	48,000	48,000	-	-	0%
5003	Water Bond Fund 2009	16,679,522	16,694,522	54,672	3,985,124	24%
5100	Rubbish Fund	11,325,366	11,325,366	1,688,351	10,680,595	94%
5116	Sewer Fund	933,541	933,541	16,787	490,854	53%
5117	Sewer Bond Series 2009	14,808,889	14,808,889	17,312	1,246,241	8%
5200	Golf Course	83,200	83,200	7,000	45,500	55%
5300	Recreation Programs	24,000	24,000	-	-	0%
	Subtotal	59,173,018	59,196,791	3,817,384	27,291,852	46%
<b>Internal Service Funds</b>						
6000	Equipment Rental	2,246,453	2,246,453	138,117	1,789,044	80%
6200	Central Duplicating	525,678	525,678	14,256	139,975	27%
6300	Worker's Compensation	2,095,982	2,201,528	130,944	2,393,818	109%
6400	Liability Insurance Fund	1,906,927	2,151,177	322,647	1,894,192	88%
	Subtotal	6,775,040	7,124,836	605,964	6,217,029	87%
	<b>Grand Total</b>	<b>\$ 244,316,455</b>	<b>\$ 266,125,889</b>	<b>\$ 15,110,929</b>	<b>\$ 157,638,324</b>	<b>59%</b>



## Appendix E

<b>Costs by Department - General Fund Only</b> <b>As of June 30, 2014</b>					
Department Name	Dept No	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual Year-To-Date 06/30/2014	Percentage Spent
City Council/ Mayor	40	\$ 797,524	\$ 594,572	\$ 588,960	99%
City Attorney	42	1,583,151	1,732,014	1,210,082	70%
City Treasurer	44	557,619	504,819	474,508	94%
City Clerk	47	655,793	607,271	528,028	87%
Elections	48	-	80,000	-	N/A
City Manager	51	2,393,529	2,223,840	2,011,617	90%
Personnel Dept	56	572,046	671,089	496,659	74%
General Services	60	3,693,232	3,797,603	3,715,296	98%
Non-Departmental	61	560,697	995,697	2,904,305	292%
City Controller	65	1,632,708	1,735,766	1,465,506	84%
Municipal Law	67	3,283,051	3,311,086	2,890,407	87%
Los Angeles County Sheriff	68	18,434,351	18,434,351	18,280,301	99%
Fire	69	10,316,647	11,764,829	12,047,268	102% **
Public Works - Street Maintenance	72	-	102,400	2,090	2%
Building & Safety Dept	77	1,228,768	1,154,718	1,021,969	89%
Planning & Economic Dev.	78	684,582	694,581	432,313	62%
Careerlink	81	81,900	312,696	349,603	112% **
Parks & Recreation	84	2,204,830	2,198,247	2,298,482	105% **
<b>Total</b>		<b>\$ 48,680,428</b>	<b>\$ 50,915,579</b>	<b>\$ 50,717,394</b>	<b>100%</b>

\*\* - The adjusted appropriations were exceeded due to personnel costs.

## Appendix F

Costs by Department - All Funds As of June 30, 2014						
Department Name	Dept No	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual Year-To-Date 06/30/2014	Percentage Spent	
City Council/ Mayor	40	\$ 1,182,048	\$ 1,076,165	\$ 844,980	79%	
City Attorney	42	6,873,390	6,939,453	6,588,737	95%	
City Treasurer	44	825,693	772,893	669,593	87%	
City Clerk	47	1,007,879	1,353,358	832,030	61%	
Elections	48	-	80,000	-	0%	
City Manager	51	4,674,827	4,497,341	3,317,610	74%	
Personnel Dept	56	1,054,857	1,116,900	692,641	62%	
General Services	60	4,382,913	4,487,284	4,352,954	97%	
Non-Departmental	61	10,681,335	10,681,335	12,488,658	117% <sup>sk sk</sup>	
City Controller	65	2,243,534	2,376,592	1,938,578	82%	
Municipal Law	67	4,154,766	4,279,074	3,747,338	88%	
Los Angeles County Sheriff	68	18,434,351	18,555,479	18,378,632	99%	
Fire	69	16,370,368	19,801,960	17,027,803	86%	
Public Works- Engineering	71	20,079,996	20,079,996	5,262,170	26%	
Public Works - Street Maintenance	72	7,494,034	11,455,570	9,116,670	80%	
Building & Safety Dept	77	1,566,426	1,492,376	1,270,291	85%	
Planning & Economic Dev.	78	3,819,005	3,929,004	552,352	14%	
Local Housing Authority	79	10,922,755	10,922,755	10,063,304	92%	
Careerlink	81	675,400	971,464	377,520	39%	
Parks & Recreation	84	4,980,404	5,144,869	3,939,681	77%	
Water Dept	85-90	43,135,365	43,348,154	25,656,176	59%	
Successor Agency	91	79,757,109	79,757,109	30,520,606	38%	
<b>Total</b>		<b>\$ 244,316,455</b>	<b>\$ 253,119,131</b>	<b>\$ 157,638,324</b>	<b>62%</b>	

**\*\*** - The high expenditure percentage was due to General Liability expenditures that were charged out to the various funds responsible for incurring the general liability expenditures. According to the analysis provided by the Risk Management Unit, 98% (\$1.54 million) of the general liability claims and expenses incurred during the fiscal year were related to and were charged to General Fund under the Non-Departmental Unit. The high expenditure also include total amount of \$537,875 representing interest, discount and issue expenses related to the \$10.6 million TRANS issued during the fiscal year.

## Appendix G

Summary of Fund Balances - Major Funds Period Ended June 30, 2014				
Fund Name		Unaudited Balance 6/30/2013	Unaudited Balance 06/30/2014	
<b>General Fund</b>				
1001	General Fund	\$ (36,383,385)	\$	(34,881,666)
1003	Hazardous Materials Fund	(231,988)		(190,447)
	Subtotal	(43,106,341)		(35,072,113)
<b>Special Revenue Funds</b>				
2100	Retirement Fund	16,669,324		21,470,592
2502	Street Lighting City Wide	(1,127,344)		(1,371,173)
2820	Local Housing Authority	(427,961)		(460,428)
	All others	10,681,662		13,363,965
	Subtotal	25,696,466		33,002,956
<b>Successor Agency Funds</b>				
1201	Successor Agency - Administrative Fee Fund	39,782,268		35,210,083
1205	Successor Agency - Low Cost Housing	15,131,379		15,163,805
3002	Successor Agency - Tax Allocation Bond	10,007,150		4,649,531
3070	Successor Agency - Bonds Series 2010A	10,414,752		9,427,221
3080	Successor Agency - Bonds Series 2010B	9,121,670		2,959,458
3090	Successor Agency -Bond Series 2010C	370,755		912,569
	Subtotal	84,827,974		68,322,667
<b>Debt Service Funds</b>				
3030	Revenue Bonds 2008	22,421,498		18,996,388
9203	Revenue Bonds 1987	54,405		(18,795)
	Subtotal	22,475,903		18,977,593
<b>Enterprise Funds</b>				
5000	Water - Main Fund	11,491,593		16,205,683
5001	Water - Richland Farms	152,112		162,774
5003	Water - 2009 Bond Fund	(11,858,620)		(10,930,945)
5010	Water - Self Ins. Trust	90		90
5100	Rubbish Fund	(520,115)		(1,014,383)
5116	Sewer Fund	1,793,731		2,257,195
5117	Sewer Bond Series 2009	1,166,363		1,851,105
5118	Sewer Administration Fund	(490,289)		(490,289)
5200	Golf Course	85,727		109,490
5300	Recreation Programs	55,508		56,314
	Subtotal	1,876,100		8,207,034
<b>Internal Service Funds</b>				
6000	Equipment Rental	443,750		842,496
6200	Central Duplicating	(414,827)		(255,633)
6300	Worker's Compensation	(6,670,591)		(6,497,568)
6400	Liability Insurance Fund	(9,485,060)		(9,809,767)
	Subtotal	\$ (16,126,728)	\$	(15,720,472)

**Appendix H**

Budget Comparison FY 2013-2014 Revenues For The Period Ended June 30, 2014				
	Original Budget FY 2013-2014	Adjusted Budget FY 2013-2014	Actual Year-To-Date Revenues	Percentage of Collection
General Fund	\$ 44,530,434	\$ 46,814,585	\$ 52,331,383	112%
Special Revenue Funds	50,104,936	53,676,091	47,487,308	88%
Successor Agency Funds	77,001,105	77,001,105	13,052,119	17%
Debt Service Funds	2,405,588	5,551,510	104,766	2%
Enterprise Funds	59,173,018	59,173,018	33,622,786	57%
Internal Services Funds	6,775,040	6,775,040	6,623,285	98%
	<b>\$ 239,990,121</b>	<b>\$ 248,991,349</b>	<b>\$ 153,221,647</b>	<b>62%</b>

## Appendix I

<b>Grants Appropriation Balances</b> <b>Amount of Budget Appropriations Not Yet Spent as of June 30, 2014</b>		
<b>Fund No.</b>	<b>Description</b>	<b>Unspent Appropriation</b>
1061	JAG Grant	\$ 241,903
1063	JAG Grant - 2011	39,560
1064	JAG Grant - 2012	97,402
1066	JAG Grant - 2013	97,721
1067	State and Community Correction Grant	246,236
1069	Alondra Regional Park	2,735,939
1518	DOT Community Improvement Project Grant	316,765
1520	MTA Transportation Improvement Grant	771,720
1521	Local Street and Roads Improvement Grant	368,622
1523	Rosecrans Traffic Signal Upgrade	680,135
1526	Compton Creek Regional Bike Trail Grant	500,000
1674	Neighborhood Stabilization NSP 1 Grant	641,473
1675	Neighborhood Stabilization NSP 3 Grant	1,428,454
1900	Proposition C	69,366
2000	Proposition A	153,991
2604	TDA Sidewalk/Bikeways Grant	48,059
2620	EPA Water Line Rehabilitation Project Grant	540,707
2624	EPA Water Storage Tank Project - 2009	485,000
2625	Air Quality Management / Clean Air Act	187,020
2655	CA Beverage Container Recycle Grant	84,999
2674	Tree Planting Grant	9,000
2677	LA County Leuders Park Grant	247,500
2679	Sebrie Park Baseball Rehab	175,000
2779	Energy Efficiency/Conservation Grant	73,835
2800	Community Development Block Grant	950,688
2801	Emergency Shelter Grant	108,089
2805	HOME Program Grant	2,492,986
2818	Section 108	3,748,563
	Total Unspent Grants Appropriations	\$ 17,540,733

**APPENDIX C-4**  
**CITY OF COMPTON UNAUDITED FINANCIAL REPORT**  
**FOR THE MONTH OF JUNE 2015**

# **Financial Report**

**For The Fiscal Year Ended  
June 30, 2015**

City of Compton

August 24, 2015

**TO: THE HONORABLE MAYOR AND COUNCIL MEMBERS**

**FROM: CITY MANAGER**

**BY: CITY CONTROLLER**

**SUBJECT: FINANCIAL REPORT – FISCAL YEAR ENDED JUNE 30, 2015**

## SUMMARY

The Financial Report for the Fiscal Year ended June 30, 2015 provides an overview of the City's revenues from the beginning of the 2014/2015 fiscal year to June 30, 2015, expenditures for the same period to June 30, 2015 and the fund balances as of June 30, 2015.

The City-wide total revenue of **\$156.31 million** for the Fiscal Year ended June 2015 represented **66%** of the City-wide revenues budget. The City-wide expenditures amounted to **\$160.61 million**, which was **67%** of the City-wide expenditures budget. The difference of **\$4.30 million** between the City-wide revenue collections and actual expenditures represented the use of prior years' accumulated bond proceeds for the intended projects.

General Fund revenues for the Fiscal Year ended June 30, 2015 amounted to **\$59.55 million** representing **103%** of the General Fund revenues budget. The total of the General Fund expenditures was **\$58.16 million**, which was **96%** of the General Fund expenditures budget. The General Fund revenues exceeded the expenditures by **\$1.39 million** representing the surplus revenues for the fiscal year. The 2014/2015 Fiscal Year surplus of **\$1.39 million** further reduced the accumulated deficits in the General Fund and provided cash to repay the amounts owed by General Fund to other funds.

## REVENUE COLLECTIONS

The General Fund total revenues for the 2014/2015 Fiscal Year amounted to **\$59,547,403**. The revenues recorded in this Fund include Property Tax, Sales Tax, Franchise Fees, Utility Users Tax, Licenses and Permit Fees, Motor Vehicle License Fee, Fines and Forfeitures, and Charges for Current Services.

The revenues received regarding the Special Revenue Funds amounted to **\$44,211,614** while the City's Successor Agency received total revenue of **\$8,020,482** during the 2014/2015 Fiscal Year.

### Snapshot Analysis

#### Year-to-Date Amounts

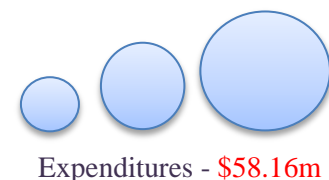
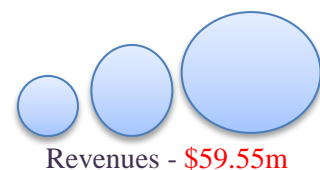
##### City-Wide

Revenues	\$156.31m
Expenditures	\$160.61m
<b>Difference</b>	<b>\$ 4.30m</b>

##### General Fund

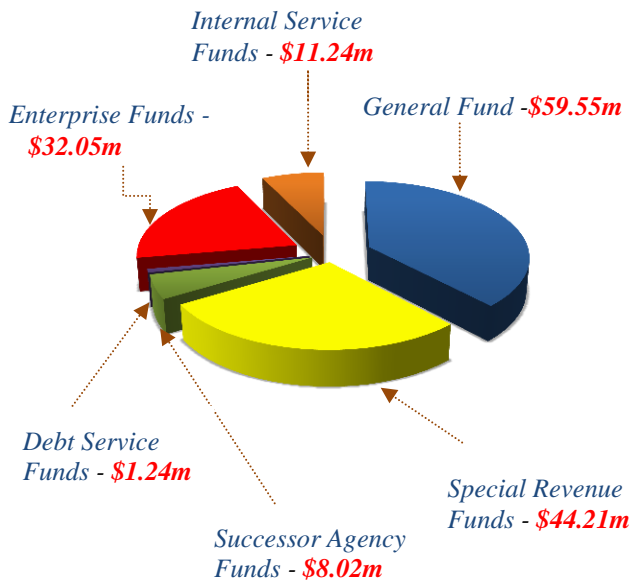
Revenues	\$ 59.55m
Expenditures	\$ 58.16m
<b>Surplus</b>	<b>\$ 1.39m</b>

##### General Fund





### Revenues Chart



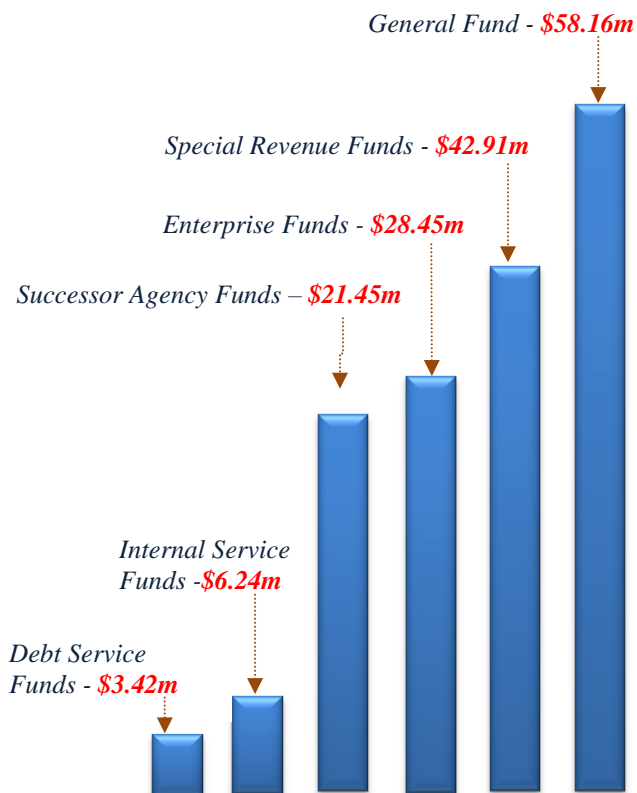
The Debt Service Funds, consisting of the General City's 2008 Lease Revenues Bonds Fund and the 1987 Revenues Bonds Fund had revenues of **\$1,244,846** during the fiscal year.

The total revenues received regarding the Enterprise Funds was **\$32,046,567**. The Enterprise Funds comprise the Water Fund, Sewer Fund, Rubbish Fund, Recreation Programs Fund, Golf Course Fund and the Enterprise Funds' Bonds.

The Internal Service Funds comprise the Equipment Rental Fund, Central Duplicating Fund, Worker's Compensation Fund, and the General Liability Insurance Fund. These funds account for goods and services provided to other departments. The total revenue for these funds during the 2014/2015 Fiscal Year was **\$11,239,488**.

The General Fund actual revenue collection of **\$59.55 million** exceeded the fiscal year projection by **3%**.

### Expenditures Chart



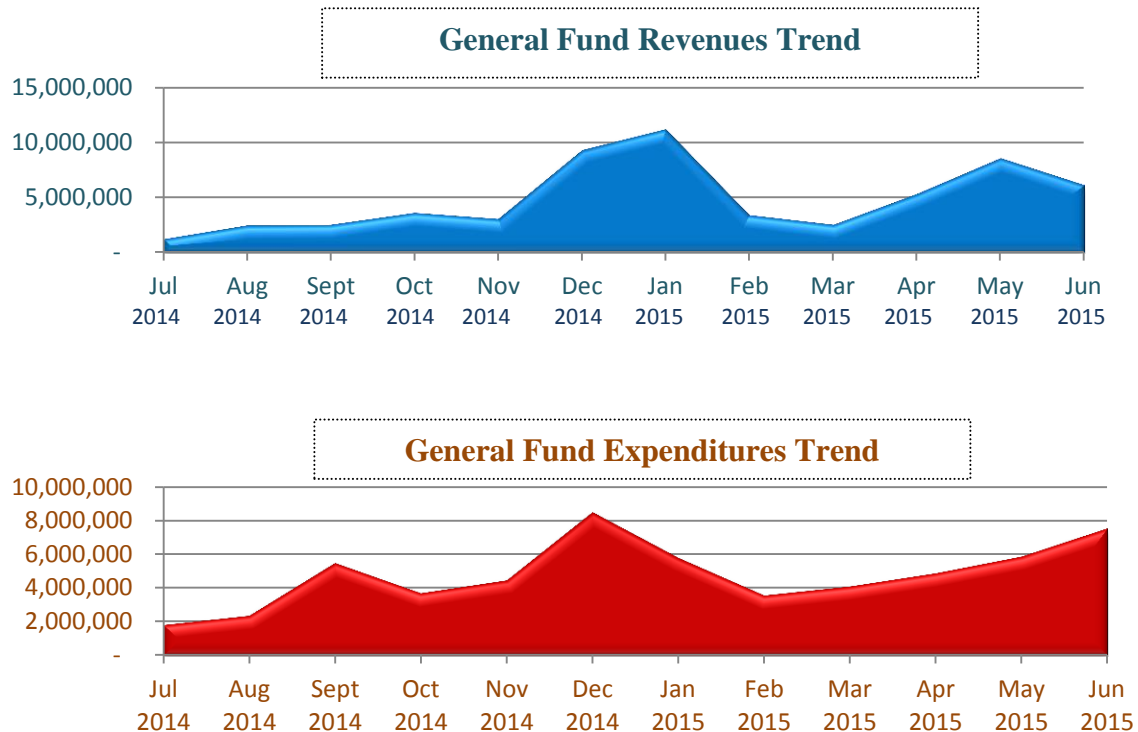
### EXPENDITURES

The Expenditure Summary in **Appendix D** shows General Fund expenditures of **\$58.16 million** for the 2014/2015 Fiscal Year, Special Revenue Funds expenditure of **\$42.91 million**, Successor Agency Funds expenditure of **\$21.45 million**, Debt Service Funds expenditure of **\$3.42 million**, Enterprise Funds expenditure of **\$28.45 million**, and Internal Service Funds expenditure of **\$6.24 million**. The "Costs by Department" reports (**Appendix E** and **Appendix F**) provide summary of departmental expenditures for the Fiscal Year ended June 2015 and percentages of the total expenditures compared to the budgeted amounts.

Apart from Fire Department (**see Appendices E**), the total of each department's expenditure was below or within the budgeted amount. The Fire Department exceeded its total General Fund salary allocation by **16%** mainly due to overtime costs.

## REVENUES AND EXPENDITURES TREND – GENERAL FUND

Analysis of the trend of General Fund revenues and expenditures shows that General Fund total revenue collections exceeded expenditure by **\$1.39 million** during the 2014/2015 Fiscal Year. The graphs of the monthly revenue collections and actual expenditures are shown below.



## ISSUANCE OF TRANS TO CLOSE THE CASH FLOW GAP

The City issued **\$12.21 million Tax and Revenue Anticipation Notes (TRANS)** with net proceeds of **\$12.00 million** to provide cash for financing General Fund operations for the first half of the fiscal year. As in prior years, the City collected lesser amounts of revenues in the first half of the fiscal year but collected more revenues in the second half of the year. The City utilized proceeds of the TRANS to remain current in paying its monthly bills during the first half of the fiscal year. The TRANS was repaid (principal and interest) in **June 2015** utilizing the General Fund secured revenues accumulated in a lock-box from July 2014 to June 2015.

## FUND BALANCES

The Fund Balances Summary Report in **Appendix G** provides the fund balances of each of the major funds as of June 30, 2015. After completion of the audit of the 2012 financial statements, the fund balance of the Successor Agency was converted to reflect the business-type accounting method incorporating the bond liabilities and assets hitherto treated under the fund accounting method. This treatment is in line with requirements of **AB X1 26**. The General Fund balance was adjusted based on recommendations of the Independent Auditors to write back excess contributions made by the General Fund Departments to the Internal Service Funds.

Based on the above, the General Fund had accumulated deficit fund balance of **\$33.45 million** as of June 30, 2015. The Special Revenue Funds had a cumulative fund balance of **\$26.11 million**. The total ending fund balance of Successor Agency Funds was negative **\$46.90 million**, the Debt Service Funds balance was **\$16.73 million**, the Enterprise Funds balance was **\$27.33 million**, and the Internal Service Funds had a combined deficit fund balance of **\$10.72 million**.

The fund balances shown above represent cumulative amounts reflecting the audited balances as of June 30, 2012 plus fiscal year surpluses from fiscal year 2012/2013 to date. Therefore, the General Fund deficit balance of **\$33.45 million** as of June 2015 included the audited cumulative deficit of **\$37.91 million** as of June 30, 2012 plus the cumulative net surplus of **\$4.46 million** recorded from fiscal year 2012/2013 to June 30, 2015.

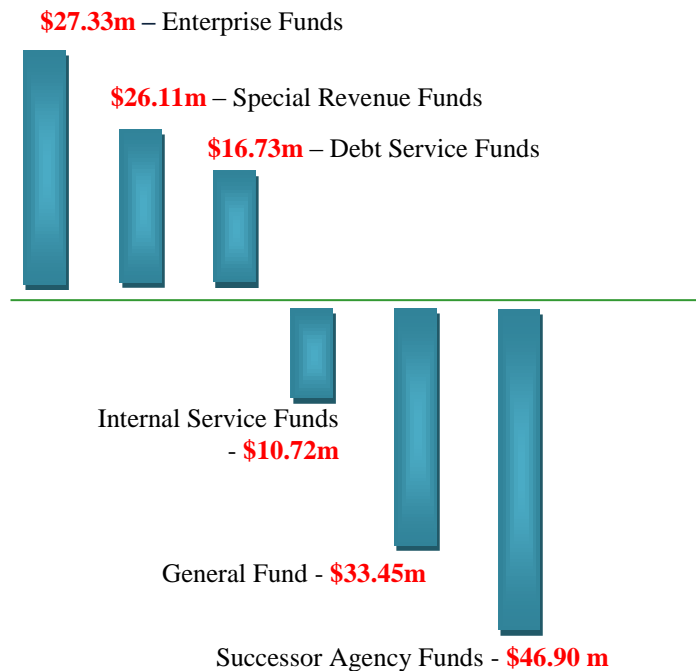
### Inter-fund Repayment Plan:

On December 20, 2011, the City Council approved Resolution No. **23,447** delineating a 20-year repayment schedule to enable the General Fund erase the prior years' accumulated deficit and to repay the amounts owed to other Funds. On July 17, 2014, the City Council approved (with Resolution No. **23,970**) a revised plan which reduced the repayment period from 20 years to 15 years in line with recommendations of the City's Independent Auditors. The repayment plan entailed that there will be surplus in General Fund (actual revenues will be higher than expenditures) during each of the next 15 fiscal years thereby reducing the accumulated deficit and providing cash for the General Fund to repay the amounts owed to other Funds. For the 2014-2015 fiscal year, the repayment amount in accordance with the approved plan was **\$1.3 million**.

### Repayment of Park Properties - \$5,328,000:

As contained in Council Resolution No. **23,970**, the amount owed to other funds included the amount of **\$5,328,000** for Park properties purchased by the City from the City's former Community Redevelopment Agency (CRA) for which the City did not have enough funds to make the payment. Sequel to the dissolution of CRA and establishment of Successor Housing Agency, the City notified the State Department of Finance (DOF) about the repayment plan detailed in Council Resolution No. **23,970**. The DOF accepted the City's request to pay the \$5,328,000 within 5 years.

### Fund Balances Summary



**General Liability Insurance Fund:**

In 2011, the City Council approved (with Resolution No. **23,323** of **5/24/2011**) that the City's former Community Redevelopment Agency (CRA) should repay the amount of **\$7.7 million** owed to the General Liability Insurance Fund. The amount represents CRA's share of general liability claims paid on behalf of the Agency by the General Liability Insurance Fund. The Agency did not pay its share of the liability claims since 1987. The City Council had earlier directed in 1991 (with Resolution No. **16,651** of **7/23/1991**) that the Agency should pay the accumulated liability claims when the Agency has enough funds. Pursuant to the 2011 Council Resolution No. **23,323**, the Agency repaid a total amount of **\$4.1 million** prior to the dissolution of CRA. This amount of **\$4.1million** for General Liability claims and **\$1.4 million** for other expense reimbursements made by the Agency to the City were reviewed by the State Controller's Office and the State Department of Finance (DOF). The DOF indicated that the repayments were made to the City within one year prior to Assembly Bill **AB X1 26**. The law that disbanded CRA (**AB X1 26**) came into effect in January 2012 after the payments were made by CRA. Further, the general liability claims occurred over the past several years starting from 1987, before **AB X1 26** came into effect. However, the State Controller's Office notified the City that the amount of **\$4.1 million** should be repaid. The City paid the **\$4.1 million** to the Los Angeles County as requested by the DOF.

**Department of Finance (DOF) Review of amount Due from Successor Agency to Successor Housing Agency - \$5,589,180:**

The DOF also reviewed the amount of **\$5,589,180** due from the City of Compton Successor Agency (formerly Community Redevelopment Agency) to the City of Compton Successor Housing Agency (formerly Low / Moderate Income Housing Fund). The City of Compton Successor Agency will repay the **\$5,589,180** owed to the City of Compton Successor Housing Agency by incorporating the amount in its Recognized Obligation Payment Schedule (ROPS). In its correspondence, the DOF validated and accepted the total amount of **\$5,045,007** out of the **\$5,589,180** owed. The DOF indicated that the remaining balance of **\$544,173** should be repaid by the City. The City paid the **\$544,173** to the Los Angeles County as requested by the DOF.

**Status of Clearance of HUD Audit Issues - \$2.85 million:**

The Successor Agency was also in the process of resolving the amount of **\$2.85 million** with HUD. The amount mainly relates to HOME projects and expenditures from 1997 to 2010 for which HUD required supporting documentation.

**The Internal Revenue Service (IRS) Audit:**

The Internal Revenue Service (IRS) completed its audit of the payments made by the City to its various vendors, contractors, and temporary service providers as well as salary payments made to the City's employees and Council members. The review covered tax years 2011 and 2012 and lasted for about 18 months. The IRS final report indicated that the City only had to remit the total amount of **\$45,148** to IRS. The amount represented Medicare withholding tax for City employees and Council members. The withholding tax was paid on **8/25/2014** as stipulated by IRS to ensure that the audit was officially closed. The Medicare withholding tax expenditure was budgeted as a line item in the City's approved budget.

## APPENDICES

The following detailed schedules are included in this Financial Report as appendices:

- 1) **Revenues Summary (Appendix A)** – showing total budgeted revenues for the fiscal year 2014-2015, the actual revenues collected for the month of June 2015, the cumulative collections for the Fiscal Year ended June 30, 2015, and percentages of the actual collections compared to the budgeted amounts. These amounts were summarized based on the six major fund classifications.
- 2) **General Fund Revenues (Appendix B)** - this schedule provides detailed classification of revenue collections posted to the General Fund.
- 3) **Enterprise Funds Revenues (Appendix C)** – the schedule provides details of revenue receipts for Water, Rubbish, Sewer, Recreation Programs and Golf Course Funds.
- 4) **Expenditures Summary (Appendix D)** – this shows the budgeted expenditures for the 2014-2015 fiscal year, the actual expenditures for the month of June 2015, the cumulative expenditures for the Fiscal Year ended June 30, 2015, and the percentages of the cumulative expenditures compared to the budgeted amounts.
- 5) **Costs By Department (Appendix E and Appendix F)** – show total expenditures by Department during the 2014/2015 Fiscal Year, for General Fund (**Appendix E**) and for the entire City (**Appendix F**).
- 6) **Summary of Fund Balances – Major Funds (Appendix G)** – the focus of this schedule is to show the fund balances (unaudited) of the major funds of the City as of the end of June 2015.
- 7) **Budget Comparison (Appendix H)** – shows the summary of revenues compared to total budget based on the major budget categories.
- 8) **Grants Appropriation Balances (Appendix I)** – indicates the Grant fund appropriations not yet spent at the end of June 2015.

## RECOMMENDATION

It is recommended that the Honorable Mayor and City Council receive and file the Financial Report for the Fiscal Year ended June 30, 2015.

Thank you.

**JOHNNY FORD,  
CITY MANAGER**

**STEPHEN AJOBIEWE,  
CITY CONTROLLER**

## Appendix A

Revenues Summary						
Account Number	Fund Name	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual June 2015	Actual Year-To-Date 6/30/2015	Percentage Collection
<b>General Fund</b>						
1001	General Fund	\$ 48,558,341	\$ 57,373,486	\$ 6,128,277	\$ 59,538,003	104%
1003	Hazardous Materials Fund	180,000	180,000	-	9,400	5%
	Subtotal	48,738,341	57,553,486	6,128,277	59,547,403	103%
<b>Special Revenue Funds</b>						
2100	Retirement Fund	19,438,665	19,439,780	446,717	14,682,100	76%
2502	Street Lighting City Wide	4,207,331	4,207,331	55,389	4,276,717	102%
2820	Local Housing Authority	10,129,603	10,170,103	808,032	8,807,685	87%
	All others	20,068,169	23,446,593	7,895,998	16,445,112	70%
	Subtotal	53,843,768	57,263,807	9,206,136	44,211,614	77%
<b>Successor Agency Funds</b>						
1201	Successor Agency - Admin Fund	15,327,308	16,147,564	12,016	8,012,045	50%
1205	Successor Agency - Low Cost Housing	-	-	-	8,433	N/A
3002	Successor Agency - Tax Alloc. Bond	5,800,000	5,800,000	-	2	0%
3070	Successor Agency - 2010A Bond	18,012,197	19,712,197	-	-	0%
3080	Successor Agency - 2010B Bond	9,341,963	9,354,834	-	2	0%
3090	Successor Agency - 2010C Bond	5,801,805	5,801,805	-	-	0%
	Subtotal	54,283,273	56,816,400	12,016	8,020,482	14%
<b>Debt Service Funds</b>						
3030	Revenue Bonds 2008	3,520,085	4,329,299	-	1,159,946	27%
9203	Revenue Bonds 1987	84,950	84,950	-	84,900	100%
	Subtotal	3,605,035	4,414,249	-	1,244,846	28%
<b>Enterprise Funds</b>						
5000	Water Fund	16,140,593	16,722,431	1,163,536	14,508,100	87%
5001	Richland Farms	-	-	-	2,600	N/A
5003	Water Bond Fund 2009	15,045,000	15,045,000	302,853	3,628,727	24%
5100	Rubbish Fund	11,313,770	11,313,770	882,511	11,027,461	97%
5116	Sewer Fund	934,170	934,170	9,782	936,852	100%
5117	Sewer Bond Series 2009	10,808,786	10,808,786	141,522	1,885,766	17%
5200	Golf Course	78,500	78,500	4,290	55,436	71%
5300	Recreation Programs	24,000	24,000	1,009	1,625	7%
	Subtotal	54,344,819	54,926,657	2,505,503	32,046,567	58%
<b>Internal Service Funds</b>						
6000	Equipment Rental	1,649,110	1,687,110	258,790	2,374,850	141%
6200	Central Duplicating	278,000	278,000	21,707	316,382	114%
6300	Worker's Compensation	2,445,982	2,445,982	188,044	2,239,296	92%
6400	Liability Insurance Fund	2,283,557	2,283,557	-	6,308,960	276%
	Subtotal	6,656,649	6,694,649	468,541	11,239,488	168%
	<b>Grand Total</b>	<b>\$ 221,471,885</b>	<b>\$ 237,669,248</b>	<b>\$ 18,320,473</b>	<b>\$ 156,310,400</b>	<b>66%</b>

## Appendix B

General Fund Revenues							
		Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual June 2015	Actual Year-To-Date 6/30/2015	Percentage Collection	
<b>General Fund</b>							
Code	<u>Property Taxes</u>						
3010	Property Taxes Current	\$ 3,278,239	\$ 3,278,239	\$ 79,511	\$ 3,028,103	92%	
3020	Property Taxes Unsecured	9,731	9,731	-	506,636	5206%	
3030	Prior Year-Secured	575,000	8,002,260	-	8,382,501	105%	
3040	Prior Year-Unsecured	26	26	-	1,903	7319%	
3060	Aircraft	21,963	21,963	-	7,427	34%	
	Subtotal	<b>3,884,959</b>	<b>11,312,219</b>	<b>79,511</b>	<b>11,926,570</b>	<b>105%</b>	
<u>Sales and Use Taxes</u>							
3110	Sales and Use Taxes	7,550,000	7,550,000	1,472,412	7,809,861	103%	
3111	Sales and Use Taxes -PSAF	259,161	259,161	51,617	273,637	106%	
	Subtotal	<b>7,809,161</b>	<b>7,809,161</b>	<b>1,524,029</b>	<b>8,083,498</b>	<b>104%</b>	
<u>Franchise and Utility Users Taxes</u>							
3121	Gas Franchise	303,432	303,432	49,730	249,861	82%	
3122	Electric Franchise	299,320	299,320	-	335,099	112%	
3124	Other Water Franchise	7,210	7,210	-	-	0%	
3125	Rubbish Franchise	1,055,488	1,055,488	78,154	953,038	90%	
3126	Other Franchise	185,285	185,285	24,144	290,083	157%	
3127	Towing Franchise	12,165	12,165	1,655	11,073	91%	
3140	Transient Occupancy	137,915	137,915	19,728	100,349	73%	
3150	Property Transfer Fee	168,912	168,912	86,587	213,193	126%	
3160	Telephone Users	1,595,604	1,595,604	185,363	1,582,704	99%	
3161	Gas Users	1,578,539	1,578,539	228,744	1,506,568	95%	
3162	Electric Users	4,948,116	4,948,116	800,665	5,641,279	114%	
3163	City Water Users	1,439,964	1,439,964	110,563	1,409,374	98%	
3164	Other Water Users	539,501	539,501	107,087	663,932	123%	
3165	Cellular Phone Users	2,577,772	2,577,772	293,206	2,285,082	89%	
	Subtotal	<b>14,849,223</b>	<b>14,849,223</b>	<b>1,985,626</b>	<b>15,241,635</b>	<b>103%</b>	
<u>License and Permits</u>							
3201	Film Permits	-	-	-	2,690	N/A	
3210	Building Permits	501,213	601,213	42,348	521,300	87%	
3220	Plumbing Permits	69,270	69,270	4,861	27,292	39%	
3230	Electrical Permits	75,855	75,855	7,416	42,494	56%	
3240	Other Contruction Permits	110,444	160,444	18,729	387,951	242%	
3242	Economic Enterprise Zone	55,294	55,294	-	15,795	29%	
3243	Tobacco Permit	56,769	56,769	5,500	51,025	90%	
3245	Business License	1,413,029	1,413,029	231,367	1,665,190	118%	
3246	Business License Rental	82,276	82,276	11,058	82,260	100%	
3248	Revenue License Fee-Casino	1,900,000	2,000,000	306,899	2,107,742	105%	
3250	Certificate of Occupancy	47,193	47,193	5,645	60,219	128%	
3264	Burglar Alarm Permit	9,017	9,017	3,020	22,475	249%	
3265	Fire Permit Fee	150,851	150,851	29,581	230,266	153%	
3266	Tank Removal Over/Haul	36,478	36,478	2,495	32,462	89%	
3267	Blue Line Farmers Market	900	900	-	-	0%	
3268	Expedited Planning Service	-	-	-	4,305	N/A	
3275	Conditional Use Variance	20,477	20,477	13,700	50,425	246%	
3280	Miscellaneous Licenses	77,548	77,548	9,685	124,953	161%	
	Subtotal	<b>\$ 4,606,614</b>	<b>\$ 4,856,614</b>	<b>\$ 692,304</b>	<b>\$ 5,428,844</b>	<b>112%</b>	



General Fund	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual June 2015	Actual Year-To-Date 6/30/2015	Percentage Collection
<b><u>Fines, Forfeitures and Permits</u></b>					
3315 Parking Citations	\$ 1,136,793	\$ 1,136,793	\$ 290,242	\$ 1,166,207	103%
3320 Other Court Fees	259,052	259,052	76,222	301,516	116%
3321 Vehicle Impound	31,896	31,896	2,800	35,900	113%
3332 False Alarm Program	20	20	-	-	0%
3340 Forfeitures and Penalties	45	45	-	-	0%
3350 Census Grant Revenue	-	-	-	-	N/A
Subtotal	<b>1,427,806</b>	<b>1,427,806</b>	<b>369,264</b>	<b>1,503,623</b>	105%
<b><u>Use of Money and Property</u></b>					
3410 Interest Income	15,236	15,236	-	19,097	125%
3420 Rents & Concessions	89,400	89,400	7,444	91,746	103%
3421 Rents and Concessions Comm	1,226	1,226	-	-	0%
3425 Rents & Concessions-Bullis Rd	75,444	75,444	5,243	57,363	76%
3428 Rents & Concessions-Bullis Rd	-	-	-	-	N/A
Subtotal	<b>181,306</b>	<b>181,306</b>	<b>12,687</b>	<b>168,206</b>	93%
<b><u>Revenues from Other Agencies</u></b>					
3511 Motor Vehicle License	8,212,071	8,212,071	-	8,722,409	106%
3521 State Homeowners Prior Year	20,933	20,933	-	19,379	93%
3569 Other State Grant	-	-	-	90	N/A
3570 Court Subpoena Reimbursements	2,960	2,960	427	2,248	76%
Subtotal	<b>8,235,964</b>	<b>8,235,964</b>	<b>427</b>	<b>8,744,126</b>	106%
<b><u>Charges From Current Services</u></b>					
3602 Current Services Provided-Water	4,300,000	4,300,000	358,333	4,300,000	100%
3603 Current Services Provided-CRA	75,000	75,000	-	1,008	1%
3610 Environmental Review	20,824	20,824	3,550	48,886	235%
3612 Subdivision Fees	1,075	1,075	-	6,750	628%
3615 Sale of Maps and Publications	225	225	375	950	422%
3616 Banner Processing Fees	2,525	2,525	-	2,350	93%
3617 Other Filing & Certificates	1,200	1,200	-	1,700	142%
3618 City Provided Medical	1,125,863	1,125,863	220,490	1,423,670	126%
3621 Record Sealing Fees	41	41	-	-	N/A
3622 Special Police Department	-	-	-	-	N/A
3623 Special Fire Department	4,315	4,315	215	3,242	75%
3630 EMS Subscriptions	50	50	-	-	N/A
3633 Quimby Act Fees	-	-	-	-	N/A
3640 Plan Checking Fees	539,874	539,874	145,958	546,524	101%
3641 Administration Fee-Payroll	192	192	4	545	284%
3643 Admin Fees - Code Enforcement	-	-	1,643	8,568	
3662 Nuisance Abatement	-	-	-	-	N/A
3665 Weed & Lot Abatement	135	135	-	-	0%
3666 Substandard Abatement	365,448	365,448	3,387	127,946	35%
3670 Refuse Collection Charges	6,265	6,265	-	-	0%
3684 Advertisement Charges	281,616	281,616	16,000	321,462	114%
3700 Swim & Slide Pool Collections	9,415	9,415	7,946	18,272	194%
3712 Cleaning Deposit	-	-	-	-	N/A
3721 P&R Room Rentals	6,565	6,565	7,698	32,356	493%
3842 Other Penalties-Returned Check	200	200	25	125	63%
3848 Miscellaneous - Water	-	-	-	-	N/A
3870 Collection Fees	-	-	-	-	N/A
3881 Reproduction Charge	11,814	11,814	1,469	12,840	109%
3884 Administration Fee	-	-	-	-	N/A
3890 Misc Charges for Current Services	26,280	26,280	2,482	32,846	125%
Subtotal	<b>\$ 6,778,922</b>	<b>\$ 6,778,922</b>	<b>\$ 769,575</b>	<b>\$ 6,890,040</b>	102%



	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual June 2015	Actual Year-To-Date 6/30/2015	Percentage Collection
<b>General Fund</b>					
<u>Others</u>					
3910 Sale of Real or Personal Prop	\$ -	\$ -	\$ -	\$ -	N/A
3920 Contribution From Other Funds(Crossing Guard)	114,222	114,222	576,840	713,027	624%
3959 Overage / Shortage	-	-	100	87	N/A
3565 Other Federal Grant - Fire Department	-	-	-	-	N/A
3571 Legal Recovery	534,514	534,514	49,546	165,222	31%
3980 Miscellaneous Revenue	135,000	635,000	68,368	673,125	106%
3982 Public Works Misc Revenue	650	650	-	-	0%
3989 Continued Appropriation - Prior Year Open P.Os	-	637,885	-	-	N/A
Subtotal	<b>784,386</b>	<b>1,922,271</b>	<b>694,854</b>	<b>1,551,461</b>	81%
<b>TOTAL GENERAL FUND</b>	<b>\$ 48,558,341</b>	<b>\$ 57,373,486</b>	<b>\$ 6,128,277</b>	<b>\$ 59,538,003</b>	104%

## Appendix C

Enterprise Funds Revenues					
Enterprise Fund	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual June 2015	Actual Year-To-Date 6/30/2015	Percentage Collection
<b><u>Water</u></b>					
3801 Residential Revenue	\$ 11,560,000	\$ 11,560,000	\$ 771,661	\$ 9,496,250	82%
3802 Commercial Revenue	2,000,000	2,000,000	144,216	1,948,508	97%
3803 Industrial Revenue	645,494	645,494	43,258	605,853	94%
3804 Multi-Family Water Revenue	-	-	64,499	858,461	N/A
3805 City Dept to be Billed	350,000	350,000	7,418	89,743	26%
3806 Other Government Agencies	695,400	695,400	77,734	895,461	129%
3807 Private Fire Protection	65,836	65,836	6,790	82,255	125%
3810 48 Hours Notice	-	-	5,340	94,125	
3821 Residential Connections	-	-	16,158	107,812	N/A
3822 Commercial Connections	-	-	876	5,701	N/A
3823 Industrial Connections	-	-	-	1,195	N/A
3824 Multi-Family Water Services	-	-	619	619	
3827 Private Fire Protection Service Connection	-	-	127	127	
3833 Contrib for Install of Service	-	-	-	8,175	N/A
3840 Shut - Offs	-	-	14,315	105,215	
3841 Turn on Charges	114,933	114,933	-	111,248	97%
3842 Other Penalties-Returned Check	35	35	-	-	0%
3843 Resetting Meters	15,146	15,146	-	7,735	51%
3848 Miscellaneous Water Revenue	3,000	3,000	200	3,805	127%
3870 Collection Fess	-	-	-	-	N/A
3890 Misc. Charges For Current Services	38,907	38,907	6,129	66,878	172%
3892 Scrap Metal Sale	-	-	-	200	N/A
3980 Miscellaneous Revenue	10,000	10,000	4,196	18,734	187%
3989 Continued Appropriation - Prior Year P.Os	-	581,838	-	-	
3990 Surplus of Prior Year	641,842	641,842	-	-	0%
Subtotal	16,140,593	16,722,431	1,163,536	14,508,100	87%
<b><u>Richland Farms</u></b>					
3130 Richland Farm Spec Assessment	-	-	-	2,600	N/A
Subtotal	-	-	-	2,600	N/A
<b><u>Water Bond Fund 2009</u></b>					
3410 Interset Income	50	50	-	-	0%
3808 Water Capital Project Revenue	4,000,000	4,000,000	302,853	3,628,727	91%
3970 Revenue From Prior Years	11,044,950	11,044,950	-	-	0%
3989 Continued Appropriation - Prior Year's P.Os	-	-	-	-	N/A
Subtotal	15,045,000	15,045,000	302,853	3,628,727	24%
<b><u>Rubbish Fund</u></b>					
3410 Interest Income	1	1	-	-	0%
3670 Refuse Collection Charges	10,554,880	10,554,880	826,936	10,311,946	98%
3722 Residential Bin Service	52,733	52,733	20,056	157,748	299%
3841 Turn On Charges	-	-	-	35	N/A
3884 Administration Fees	318,540	318,540	22,486	247,346	78%
3941 Principal & Interest - Hub City Contribution	163,495	163,495	11,033	121,367	74%
3942 Other Revenue	-	-	-	-	N/A
3980 Miscellaneous Rev	224,121	224,121	2,000	189,019	84%
3989 Continued Appropriation - Prio Year's P.Os	-	-	-	-	N/A
Subtotal	\$ 11,313,770	\$ 11,313,770	\$ 882,511	\$ 11,027,461	97%

<b>Enterprise Fund</b>	<b>Original Budget FY 2014-2015</b>	<b>Adjusted Budget FY 2014-2015</b>	<b>Actual June 2015</b>	<b>Actual Year-To-Date 6/30/2015</b>	<b>Percentage Collection</b>
<u><b>Sewer</b></u>					
3410 Interest Income	\$ 870	\$ 870	\$ -	\$ 1,521	175%
3761 Assessments	933,300	933,300	9,782	935,331	100%
3989 Continued Appropriation - Prior Year P.Os	-	-	-	-	N/A
Subtotal	934,170	934,170	9,782	936,852	100%
<u><b>Sewer Bond Series 2009</b></u>					
3410 Interest Income	120	120	-	2	2%
3809 Sewer Capital	1,875,018	1,875,018	141,522	1,885,764	101%
3970 Revenue From Prior Year	8,933,648	8,933,648	-	-	0%
3989 Continued Appropriation - Prior Year P.Os	-	-	-	-	N/A
Subtotal	10,808,786	10,808,786	141,522	1,885,766	17%
<u><b>Golf Course</b></u>					
3710 Golf Fees	78,500	78,500	4,290	55,436	71%
Subtotal	78,500	78,500	4,290	55,436	71%
<u><b>Recreation Programs</b></u>					
3740 Recreation Program Charges	24,000	24,000	1,009	1,625	7%
3989 Continued Appropriation - Prior Year P.Os	-	-	-	-	N/A
Subtotal	24,000	24,000	1,009	1,625	7%
<b>Grand Total</b>	<b>\$ 54,344,819</b>	<b>\$ 54,926,657</b>	<b>\$ 2,505,503</b>	<b>\$ 32,046,567</b>	<b>58%</b>

## Appendix D

Expenditures Summary						
Account Number	Fund Name	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual June 2015	Actual Year-To-Date 6/30/2015	Percentage Spent
<b>General Fund</b>						
1001	General Fund	\$ 53,035,986	\$ 60,701,672	\$ 7,549,137	\$ 57,592,613	95%
1003	Hazardous Materials Fund	180,000	180,000	5,148	72,352	40%
3015	General Fund TRANS	-	-	-	490,745	N/A
	Subtotal	53,215,986	60,881,672	7,554,285	58,155,710	96%
<b>Special Revenue Funds</b>						
2100	Retirement Fund	16,725,167	16,846,144	1,402,009	13,906,812	83%
2502	Street Lighting City Wide	4,207,331	4,228,002	588,624	4,459,477	105%
2820	Local Housing Authority	10,129,603	10,170,103	835,176	9,599,203	94%
	All others	22,137,698	25,065,079	4,501,671	14,942,946	60%
	Subtotal	53,199,799	56,309,328	7,327,480	42,908,438	76%
<b>Successor Agency Funds</b>						
1201	Successor Agency - Admin Fund	15,327,308	16,147,564	(9,342)	154,221	1%
1205	Successor Agency - Low Cost Housing	-	-	-	-	N/A
3002	Successor Agency - Tax Alloc. Bond	5,800,000	5,800,000	-	5,800,000	100%
3070	Successor Agency - 2010A Bond	18,012,197	19,712,197	607,554	2,750,189	14%
3080	Successor Agency - 2010B Bond	9,341,963	9,354,834	1,941,057	8,220,801	88%
3090	Successor Agency - 2010C Bond	5,801,805	5,801,805	660,283	4,522,833	78%
	Subtotal	54,283,273	56,816,400	3,199,552	21,448,044	38%
<b>Debt Service Funds</b>						
3030	Revenue Bonds 2008	3,520,086	4,329,300	118,617	3,342,648	77%
9203	Revenue Bonds 1987	84,950	84,950	6,100	73,200	86%
	Subtotal	3,605,036	4,414,250	124,717	3,415,848	77%
<b>Enterprise Funds</b>						
5000	Water Fund	16,140,593	16,722,431	2,088,933	12,964,179	78%
5001	Richland Farms	-	-	-	-	N/A
5003	Water Bond Fund 2009	15,045,000	15,045,000	1,108,620	3,487,197	23%
5100	Rubbish Fund	11,313,770	11,313,770	806,894	9,714,275	86%
5116	Sewer Fund	934,170	934,170	165,148	501,270	54%
5117	Sewer Bond Series 2009	10,808,786	10,808,786	548,848	1,695,601	16%
5200	Golf Course	78,500	78,500	33,211	76,520	97%
5300	Recreation Programs	24,000	24,000	-	6,987	29%
	Subtotal	54,344,819	54,926,657	4,751,654	28,446,029	52%
<b>Internal Service Funds</b>						
6000	Equipment Rental	1,649,110	1,558,988	283,828	1,171,084	75%
6200	Central Duplicating	278,000	278,000	8,777	110,520	40%
6300	Worker's Compensation	2,445,982	2,445,982	247,844	2,751,016	112%
6400	Liability Insurance Fund	2,283,557	2,283,557	465,425	2,203,701	97%
	Subtotal	6,656,649	6,566,527	1,005,874	6,236,321	95%
	<b>Grand Total</b>	<b>\$ 225,305,562</b>	<b>\$ 239,914,834</b>	<b>\$ 23,963,562</b>	<b>\$ 160,610,390</b>	<b>67%</b>

## Appendix E

Total Expenditures by Department - General Fund Only					
As of June 30, 2015					
Department Name	Dept No	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual Year-To-Date 6/30/2015	Percentage Spent
City Council/ Mayor	40	\$ 894,564	\$ 989,392	\$ 772,130	78%
City Attorney	42	1,822,351	1,860,251	1,301,145	70%
City Treasurer	44	507,019	507,020	501,159	99%
City Clerk	47	948,293	707,637	589,002	83%
Elections	48	242,500	242,500	157,112	65%
City Manager	51	2,792,004	7,700,650	7,497,723	97%
Personnel Dept	56	858,039	950,039	629,215	66%
General Services	60	3,210,335	3,300,296	3,134,555	95%
Non-Departmental	61	3,760,697	4,982,741	3,903,573	78%
City Controller	65	1,697,516	1,851,121	1,763,693	95%
Los Angeles County Sheriff	68	19,000,000	19,172,000	19,136,972	100%
Fire	69	10,593,023	11,198,023	12,492,464	112%
Building & Safety Dept	77	3,413,544	3,298,951	2,500,938	76%
Planning & Economic Dev.	78	661,755	1,191,294	726,629	61%
Careerlink	81	296,797	296,797	287,782	97%
Parks & Recreation	84	2,337,549	2,452,960	2,198,521	90%
<b>Total</b>		<b>\$ 53,035,986</b>	<b>\$ 60,701,672</b>	<b>\$ 57,592,613</b>	<b>95%</b>

## Appendix F

Total Expenditures by Department - All Funds					
As of June 30, 2015					
Department Name	Dept No	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual Year-To-Date 6/30/2015	Percentage Spent
City Council/ Mayor	40	\$ 1,290,671	\$ 1,385,499	\$ 1,082,080	78%
City Attorney	42	7,174,219	7,224,919	6,741,241	93%
City Treasurer	44	769,867	769,867	725,020	94%
City Clerk	47	1,191,203	1,193,046	894,717	75%
Elections	48	242,500	242,500	157,112	65%
City Manager	51	6,154,513	11,712,763	10,274,818	88%
Personnel Dept	56	1,443,839	1,535,839	852,293	55%
General Services	60	5,906,818	5,996,779	5,035,803	84%
Non-Departmental	61	12,153,465	12,645,493	10,318,254	82%
City Controller	65	2,438,352	2,591,956	2,314,534	89%
Los Angeles County Sheriff	68	19,000,000	19,172,000	19,136,972	100%
Fire	69	17,146,437	18,560,652	18,229,299	98%
Public Works- Engineering	71	19,485,676	22,054,330	9,768,980	44%
Public Works - Street Maintenance	72	11,188,045	10,664,003	9,006,164	84%
Building & Safety Dept	77	4,243,812	4,129,219	3,304,286	80%
Planning & Economic Dev.	78	2,781,286	3,800,825	941,132	25%
Local Housing Authority	79	10,129,603	10,170,103	9,599,203	94%
Careerlink	81	448,006	448,006	414,802	93%
Parks & Recreation	84	4,533,828	4,893,937	4,151,740	85%
Water Dept	85-90	43,285,150	43,890,258	26,203,905	60%
Successor Agency	91	54,298,272	56,832,840	21,458,035	38%
<b>Total</b>		<b>\$ 225,305,562</b>	<b>\$ 239,914,834</b>	<b>\$ 160,610,390</b>	<b>67%</b>

## Appendix G

Summary of Fund Balances - Major Funds As of Fiscal Year Ended June 30, 2015			Unaudited Balance 6/30/2015
Fund Name			
<b>General Fund</b>			
1001	General Fund		\$ (33,325,803)
1003	Hazardous Materials Fund		(120,385)
	Subtotal		(33,446,188)
<b>Special Revenue Funds</b>			
2100	Retirement Fund		17,263,011
2502	Street Lighting City Wide		(1,516,486)
2820	Local Housing Authority		(215,818)
	All others		10,579,802
	Subtotal		26,110,509
<b>Successor Agency Funds</b>			
1201	Successor Agency - Administrative Fee Fund		(11,531,525)
1205	Successor Agency - Low Cost Housing		8,895,135
3002	Successor Agency - Tax Allocation Bond		(26,252,845)
3070	Successor Agency - Bonds Series 2010A		20,450,278
3080	Successor Agency - Bonds Series 2010B		(19,610,101)
3090	Successor Agency -Bond Series 2010C		(18,854,144)
	Subtotal		(46,903,202)
<b>Debt Service Funds</b>			
3030	Revenue Bonds 2008		16,739,541
9203	Revenue Bonds 1987		(7,253)
	Subtotal		16,732,288
<b>Enterprise Funds</b>			
5000	Water - Main Fund		17,342,005
5001	Water - Richland Farms		237,266
5003	Water - 2009 Bond Fund		2,692,466
5010	Water - Self Ins. Trust		50,093
5100	Rubbish Fund		(107,500)
5116	Sewer Fund		2,938,114
5117	Sewer Bond Series 2009		4,523,319
5118	Sewer Administration Fund		(535,789)
5200	Golf Course		134,343
5300	Recreation Programs		50,957
	Subtotal		27,325,274
<b>Internal Service Funds</b>			
6000	Equipment Rental		2,046,262
6200	Central Duplicating		(49,772)
6300	Worker's Compensation		(7,009,289)
6400	Liability Insurance Fund		(5,704,508)
	Subtotal		\$ (10,717,307)

## Appendix H

Budget Comparison FY 2014-2015 Revenues For The Fiscal Year Ended June 30, 2015				
	Original Budget FY 2014-2015	Adjusted Budget FY 2014-2015	Actual Year-To-Date Revenues	Percentage of Collection
General Fund	\$ 48,738,341	\$ 57,553,486	\$ 59,547,403	103%
Special Revenue Funds	53,843,768	57,263,807	44,211,614	77%
Successor Agency Funds	54,283,273	56,816,400	8,020,482	14%
Debt Service Funds	3,605,035	4,414,249	1,244,846	28%
Enterprise Funds	54,344,819	54,926,657	32,046,567	58%
Internal Services Funds	6,656,649	6,694,649	11,239,488	168%
	<b>\$ 221,471,885</b>	<b>\$ 237,669,248</b>	<b>\$ 156,310,400</b>	<b>66%</b>



## Appendix I

<b>Grants Appropriation Balances</b> <b>Amount of Budget Appropriations Not Yet Spent as of June 30, 2015</b>		
<b>Fund No.</b>	<b>Description</b>	<b>Unspent Appropriation</b>
1061	JAG Grant	\$ 81,285
1062	JAG Grant 2010	21,136
1063	JAG Grant - 2011	9,178
1064	JAG Grant - 2012	114,453
1066	JAG Grant - 2013	7,924
1067	State and Community Correction Grant	121,007
1070	JAG Grant - 2014	59,051
1518	DOT Community Improvement Project Grant	541,248
1520	MTA Transportation Improvement Grant	1,245,183
1521	Local Street and Roads Improvement Grant	787,678
1523	Rosecrans Traffic Signal Upgrade	680,105
1525	CAL Fire Grant	100,000
1674	Neighborhood Stabilization NSP 1 Grant	266,735
1900	Proposition C	790,425
2000	Proposition A	154,098
2604	TDA Sidewalk/Bikeways Grant	-
2624	EPA Water Storage Tank Project - 2009	731,201
2625	Air Quality Management / Clean Air Act	40,030
2655	CA Beverage Container Recycle Grant	15,884
2672	Used Oil Payment Program OPP1 Grant	23,364
2674	Tree Planting Grant	4,997
2799	Compton Creek Regional BikeTrail	49,500
2800	Community Development Block Grant	1,062,452
2801	Emergency Shelter Grant	38,389
2805	HOME Program Grant	1,412,717
2818	Section 108	38,830
<b>Total Unspent Grants Appropriations as of June 30, 2015</b>		<b>\$ 8,396,870</b>

**APPENDIX D**  
**FORM OF OPINION OF NOTE COUNSEL**

July \_\_, 2016

City of Compton, California  
Compton, California

IFS Securities, Inc.  
Atlanta, Georgia

Re: \$15,595,000 City of Compton, California 2016-17 Tax and Revenue Anticipation  
Notes

Ladies and Gentlemen:

We have acted as Note Counsel to our client, the City of Compton, California (the “**City**”), in connection with the issuance by the City of \$15,595,000 in aggregate principal amount City of Compton, California 2016-17 Tax and Revenue Anticipation Notes dated July \_\_, 2016 (the “**Notes**”). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion. Capitalized terms used but not defined herein have the meanings given them in the Note Purchase Agreement dated June 24, 2016 by and between the City and IFS Securities, Inc., as underwriter.

As to questions of fact material to our opinion, we have relied upon (a) representations of the City made directly to us, (b) certified proceedings and other certifications of public officials furnished to us, (c) certifications of the City contained in the Certificate as to Non-Arbitrage and Other Federal Tax Matters (the “**Non-Arbitrage Certificate**”) dated the date hereof by the City (d) certifications of the City contained in the Limited Offering Memorandum, the Resolution, the Trust Agreement, and the Accompanying Document, and (e) the opinion of counsel to the City, dated the date hereof, without undertaking to verify such representations, certifications and opinions by independent investigation.

In our capacity as Note Counsel, we have not been engaged or undertaken to express and we do not express any opinion other than as may be expressly set forth herein.

Based upon the foregoing and subject to the qualifications that follow, it is our opinion as Note Counsel that, under existing law on the date hereof:

1. The City is a charter city, duly organized and validly existing under and pursuant to the Constitution and laws of the State of California.
2. The issuance and sale of the Notes have been duly authorized by the City and the Notes have been duly authorized and executed by the City, and are valid and binding obligations of the City.

3. The Resolution and the Accompanying Document have been duly authorized, executed and delivered by the City and the covenants of the City are valid and binding obligation of the City enforceable against the City in accordance with their terms.

4. The principal of and interest on the Notes are payable from the taxes, income, revenue, cash receipts and other moneys of the City (including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the City, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the Notes is set aside for and used for said special purpose)) received or accrued by the City for the General Fund of the City during the Fiscal Year 2016-17 that are lawfully available for payment of the Notes and the interest thereon (the "Unrestricted Revenues"), and to the extent of any deficiency, from Unrestricted Revenues not previously deposited in the Repayment Fund, as described in the Note Resolution and the Accompanying Document.

5. Interest on the Notes is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Notes is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

6. Interest on the Notes is exempt from State of California personal income taxes.

The opinions expressed in this opinion letter are subject to the following:

The rights of the owners of the Notes and the enforceability of the Notes are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In this opinion letter issued in our capacity as Note Counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of statements made in connection with any offer or sale of the Notes or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Notes, except those specifically addressed herein.

In rendering this opinion letter, specifically Opinion 1, 2 and 3, we have relied upon the opinion of Craig J. Cornwell, acting as City Attorney, dated the date hereof, as to the due

authorization and execution by and enforceability against the City as to the Notes and the Resolution.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

BUTLER SNOW LLP

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

## **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is dated and made as of July 1, 2016 by and between the City of Compton (the “City”) and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”) in connection with the issuance of the \$15,595,000 City of Compton 2016-17 Tax and Revenue Anticipation Notes (the “2016-17 TRANs”). All capitalized terms not otherwise defined in this Disclosure Agreement, shall have the respective meanings set forth in the Accompanying Document, dated as of July 1, 2016 (the “Accompanying Document”) executed by the City. In connection therewith, the City and the Dissemination Agent agree as follows:

### **ARTICLE I THE DISCLOSURE AGREEMENT**

Section 1.1 Purpose. This Disclosure Agreement is being entered into and delivered by the City and the Dissemination Agent for the benefit of the Owner of the 2016-17 TRANs, or if the 2016-17 TRANs are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system (collectively, the “Holders”) and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2016-17 TRANs (including persons holding 2016-17 TRANs through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2016-17 TRANs for federal income tax purposes (collectively, the “Beneficial Owners”) of the 2016-17 TRANs.

Section 1.2 Listed Event Notices. If a Listed Event (defined herein) occurs, the City shall provide or cause to be provided by the Dissemination Agent, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to the Municipal Securities Regulatory Board (the “MSRB”) through its Electronic Municipal Market Access System (EMMA), a service of the MSRB, now the only nationally recognized municipal securities information depository, and to the Trustee. For purposes of this Disclosure Agreement, “Business Day” means any day of the year other than Saturday or Sunday or any other day on which banks in New York, New York, Seattle, Washington, or Los Angeles, California are not authorized or obligated by law or executive order to close and on which the New York Stock Exchange is not closed. The following events are each a “Listed Event” with respect to the 2016-17 TRANs:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Modifications to rights of Holders, if material;
4. Bond calls, if material and tender offers;
5. Defeasances;
6. Rating changes;

7. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the 2016-17 TRANS, or other material events affecting the tax status of the 2016-17 TRANS;

8. Release, substitution or sale of property securing repayment of the 2016-17 TRANS, if material;

9. Bankruptcy, insolvency, receivership or similar event of the City (such event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;

10. Substitution of credit or liquidity providers, or their failure to perform;

11. Unscheduled draws on debt service reserves;

12. Unscheduled draws on credit enhancement;

13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

15. Any amendment or waiver of a provision of this Disclosure Agreement.

The City notes that items 6, 8, 10, 11 and 12 are not applicable to the 2016-17 TRANS. The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Trustee (defined herein) under the Trust Agreement, dated as of July 1, 2016 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), the Trustee has actual notice of an occurrence which, if material, would require the City to provide a Listed Event Notice hereunder; provided, however, that the failure of the Trustee to advise the City shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Disclosure Agreement or the Trust Agreement.

Section 1.3 Additional Disclosure Obligations. The City acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of



1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under some circumstances, compliance with this Disclosure Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

Section 1.4 Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Section 1.5 No Previous Non-Compliance. The City represents that in the previous five years it has not failed to comply in any material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule except as otherwise disclosed in the Limited Offering Memorandum dated June 24, 2016 relating to the 2016-17 TRANs.

## **ARTICLE II OPERATING RULES**

Section 2.1 CUSIP Numbers. Whenever providing information to the MSRB, including but not limited to Listed Event Notices the City shall indicate the full name of the 2016-17 TRANs and the 9-digit CUSIP number for such 2016-17 TRANs as to which the provided information relates.

Section 2.2 Transmission of Information and Notices. Unless otherwise required by law and, in the City's sole determination, subject to technical and economic feasibility, the City shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of the City's information and notices.

Section 2.3 Fiscal Year. The City's Fiscal Year currently begins July 1 and ends on the next succeeding June 30, and the City shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its Fiscal Year.

Section 2.4 Filing with Certain Dissemination Agents. The City may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Disclosure Agreement, and revoke or modify any such designation.

## **ARTICLE III TERMINATION, AMENDMENT AND ENFORCEMENT**

Section 3.1 Effective Date; Termination. The obligations of the City and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2016-17 TRANs. If such termination occurs

prior to the final maturity of the 2016-17 TRANs, the City shall give notice of such termination in the same manner as for a Listed Event under Section 1.2 hereof.

Section 3.2 No applicability. This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the City and the Dissemination Agent (1) receive an opinion of Butler Snow LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Agreement, or any of the provisions hereof, do not or no longer apply to the 2016-17 TRANs, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

Section 3.3 Amendment.

(a) This Disclosure Agreement may be amended by the City and the Dissemination Agent without the consent of the Holders of the 2016-17 TRANs (except to the extent required under clause 3.3(a)(4)(ii) hereof), if all of the following conditions are satisfied:

1. such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby;

2. this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

3. the City and the Dissemination Agent shall have received an opinion of Butler Snow LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause 3.3(a)(2) above;

4. either (i) the City and the Dissemination Agent shall have received an opinion of Butler Snow LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the 2016-17 TRANs or (ii) the amendment is approved by the Holders of the 2016-17 TRANs in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders; and

5. the City shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 3.3(a) above, this Disclosure Agreement may be amended and any provision of this Disclosure Agreement may be waived, by written certificate

of the City, without the consent of the Holders of the 2016-17 TRANs, with the consent of the Dissemination Agent, if all of the following conditions are satisfied:

1. an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Agreement which is applicable to this Disclosure Agreement;
2. the City and the Dissemination Agent shall have received an opinion of Butler Snow LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Dissemination Agent, to the effect that performance by the City under this Disclosure Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and
3. the Dissemination Agent shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the Listed Event Notice, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 1.2 hereof.

#### Section 3.4 Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Disclosure Agreement shall constitute a contract with and inure solely to the benefit of the Holders of the 2016-17 TRANs, except that beneficial owners of 2016-17 TRANs shall be third-party beneficiaries of this Disclosure Agreement.

(b) Except as expressly provided in this subsection (b), the provisions of this Disclosure Agreement shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Disclosure Agreement shall be enforceable, in the case of enforcement of obligations to provide notices, by the Dissemination Agent on behalf of the Holders of Outstanding 2016-17 TRANs. The Holders' and Dissemination Agent's rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance, by any Holder of 2016-17 TRANs. Such Holders' rights to enforce the provisions of this Disclosure Agreement and the City's obligations under this Disclosure Agreement shall be limited solely to an action to compel performance. In consideration of the third party beneficiary status of beneficial owners of 2016-17 TRANs pursuant to subsection (a) of this Section, Beneficial Owners shall be deemed to be holders of 2016-17 TRANs for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Disclosure Agreement shall not constitute a default or an Event of Default

under the Trust Agreement, and the rights and remedies provided by the Trust Agreement upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the State; provided, however, that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof. If any party initiates any legal or equitable action to enforce the terms of this Disclosure Agreement, to declare the rights of any party under this Disclosure Agreement or which relates to this Disclosure Agreement in any manner, each such party agrees that the place of making and for performance of this Disclosure Agreement shall be Los Angeles, California, the State of California, and the proper venue for any such action is the Superior Court of the State of California, in and for the City of Compton.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 Duties, Immunities and Liabilities of Dissemination Agent. Article 3 and Article 4 of the Trust Agreement are hereby made applicable to this Agreement as if this Disclosure Agreement were, solely for this purpose, contained in the Trust Agreement. The Dissemination Agent shall have only such duties under the Disclosure Agreement as are specifically set forth in this Disclosure Agreement and, to the extent allowable by law, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless from and against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Trust Agreement. The Dissemination Agent has no power to enforce performance on the part of the City. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2016-17 TRANS.

Section 4.2 Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 4.3 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Disclosure Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 4.4 Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.5 Governing Law. This Disclosure Agreement shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Disclosure Agreement as of the date first written above.

**CITY OF COMPTON**

By: \_\_\_\_\_  
Roger L. Haley, City Manager

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Craig J. Cornwell, City Attorney

[Signature Page to Continuing Disclosure Agreement]

**U.S. BANK NATIONAL ASSOCIATION,**  
as Dissemination Agent

By: \_\_\_\_\_  
Name: Greg E. Skutnik  
Title: Assistant Vice President

[Counterpart Signature Page to Continuing Disclosure Agreement]

**APPENDIX F**  
**FORM OF INVESTORS' LETTER**



**THE 2016-17 CITY OF COMPTON, CALIFORNIA TAX AND REVENUE ANTICIPATION NOTES ARE BEING SOLD ONLY TO QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “1933 ACT”), AND THEREFORE THE NOTES ARE SUBJECT TO RESALE RESTRICTIONS**

June \_\_, 2016

The City of Compton, California  
205 S. Willowbrook Avenue  
Compton, California 90220

IFS Securities, Inc.  
303 Perimeter Center North  
Suite 300  
Atlanta, Georgia 30346

U.S. Bank National Association  
1420 Fifth Avenue, 7<sup>th</sup> Floor  
Seattle, Washington 98101

RE: \$15,595,000 City of Compton, California 2016-17 Tax and Revenue  
Anticipation Notes

Ladies and Gentlemen:

The undersigned, in connection with its purchase of the above-referenced notes (the “Notes”), and in accordance with the terms of this letter, the Note Resolution adopted on June 14, 2016 (the “Note Resolution”) and Accompanying Document dated as of July 1, 2016 (the “Accompanying Document,” and together with the Note Resolution, the “Resolution”) by the City of Compton, California (the “Issuer”) relating to the Notes, executes and delivers this letter (the “Investment Letter”).

(a) Representations and Warranties. The undersigned purchaser (the “Purchaser”) acknowledges, represents, warrants and agrees as follows:

(i) The undersigned has received the Limited Offering Memorandum dated June 23, 2016 relating to the Notes and the undersigned acknowledges that all requested documents, records and books pertaining to this investment have been made available for inspection to it and that the books and records of the Issuer have been, and will continue to be, available upon reasonable notice, for inspection during reasonable business hours at its principal place of business. The undersigned is aware that audited financial information for the fiscal years ending June 30, 2011, June 30, 2014 and June 30, 2015 are not available and therefore the financial information for such periods set forth in Appendices C of the Limited Offering Memorandum have not been audited. The undersigned and its advisors have had a reasonable opportunity to ask questions of and receive answers from the Issuer, or a person or persons acting on its behalf, concerning

the terms and conditions of the offering of the Notes, and to obtain additional information, to the extent possessed or obtainable without unreasonable effort or expense, necessary to verify the accuracy of the information obtained by the undersigned.

(ii) Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of prospective investments. In reaching the conclusion that it desires to acquire the Notes, Purchaser has carefully evaluated all risks associated with this purchase and acknowledges that it is able to bear the economic risk of this purchase. Purchaser is a qualified institutional buyer as defined in Rule 144A under the Securities Act of 1933, as amended (the "1933 Act").

(iii) The undersigned recognizes that an investment in the Notes involves significant risks and that the Notes are not rated.

(iv) The undersigned is authorized and otherwise duly qualified to purchase and hold the Notes. The undersigned has not been formed for the specific purpose of acquiring the Notes.

(v) The Purchaser agrees to the terms and provisions set forth in the Notes.

(b) Transfer of the Notes. Purchaser is purchasing the Notes for investment for its own account or for its loan portfolio and is not purchasing the Notes for resale or other disposition, and Purchaser has no present intention of reselling or otherwise disposing of all or any part of the Note or dividing its interest therein; however, Purchaser reserves the right to sell participation interests in or otherwise dispose of the Notes as it chooses. Purchaser agrees that it will not sell, transfer, assign, or otherwise dispose of the Notes or such ownership interests therein (1) unless (a) it obtains from any such purchaser and delivers to the Issuer an agreement similar in form and substance to this Agreement and (b) it obtains from the purchaser and delivers to the Issuer a written acknowledgment that such purchaser is a "qualified institutional buyer" as defined in Rule 144A promulgated under the 1933 Act, and (2) except in compliance with the applicable provisions of the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), and rules and regulations promulgated under either the 1933 Act or the 1934 Act, and the applicable securities laws of any other jurisdiction, and in connection therewith, Purchaser agrees that it shall furnish to any purchaser of the Notes all information required by applicable law.

(c) Miscellaneous.

(i) The undersigned agrees that the undersigned may not cancel, terminate or revoke this Investment Letter or any agreement of the undersigned made hereunder (except as otherwise specifically provided herein) and that this Investment Letter shall be binding upon the undersigned's successors and assigns.

(ii) This Investment Letter constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties.

(iii) This Investment Letter shall be enforced, governed and construed in all respects in accordance with the laws of the State of California.

(iv) The representations and warranties of the undersigned set forth herein shall survive the sale of the Notes pursuant to this Investment Letter Agreement.

(d) Subscription and Method of Payment. The undersigned hereby subscribes for \$\_\_\_\_\_ principal amount of the Notes.

\_\_\_\_\_  
Please PRINT here the exact name (registration)  
investor desires for the Notes

NOTE: THIS PAGE MUST BE EXECUTED BY THE AUTHORIZED OFFICER.

SIGNATURE PAGE

Note: Through his or her signature below, the signing officer hereby certifies that he or she is authorized to sign on behalf of the investor.

\_\_\_\_\_  
Name of Investor (please print or type)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Taxpayer Identification No.: \_\_\_\_\_

Address of Principal Office: \_\_\_\_\_

Mailing Address (if different): \_\_\_\_\_

Attention: \_\_\_\_\_

Executed at \_\_\_\_\_ (City) \_\_\_\_\_ (State), this \_\_\_\_ day of \_\_\_\_\_, 2016

**APPENDIX G**  
**FORM OF ACCOMPANYING DOCUMENT**

**ACCOMPANYING DOCUMENT  
PROVIDING FOR THE TERMS AND CONDITIONS  
OF THE ISSUANCE AND SALE OF  
THE CITY OF COMPTON  
2016-17 TAX AND REVENUE ANTICIPATION NOTES**

Dated as of July 1, 2016

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**ACCOMPANYING DOCUMENT  
PROVIDING FOR THE TERMS AND CONDITIONS OF ISSUANCE AND  
SALE OF 2016-17 TAX AND REVENUE ANTICIPATION NOTES**

In connection with the issuance and sale of the 2016-17 Tax and Revenue Anticipation Notes issued by the City of Compton, California (the “City”), the City Manager of the City hereby certifies that such 2016-17 Tax and Revenue Anticipation Notes are issued on the following terms and conditions:

**ARTICLE I.  
DEFINITIONS AND STATUTORY AUTHORITY**

**SECTION 101 Definitions.**

The following terms shall for all purposes of this Accompanying Document have the following meanings:

“Auditor-Controller” shall mean the Auditor-Controller of the County of Los Angeles.

“Authorizing Law” shall mean collectively (1) Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended and (2) Section 1403 of the City Charter.

“Authorized Newspapers” shall mean The Bond Buyer and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in the City of Compton, California and in the Borough of Manhattan, City and State of New York.

“Authorized Officer” shall mean each of the Mayor, the City Manager, the City Treasurer, the Controller and the City Clerk, and their designees.

“Business Day” shall mean any calendar day other than (i) a Saturday or Sunday; (ii) a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in either the State of New York or the State of California or the State of Washington; or (iii) a day on which the New York Stock Exchange is closed.

“City” shall mean the City of Compton, California, its successors and assigns.

“City Charter” shall mean the duly enacted Charter of the City, as amended.

“City Clerk” shall mean the duly appointed person performing the duties of the City Clerk, or in the absence or inability of such person to act, any duly appointed deputy City Clerk. “City Council” shall mean the duly elected or appointed members of the City Council of the City.

“City Manager” shall mean the City Manager of the City and any other person designated by the City Manager to act on his or her behalf.



“City Sales and Use Tax” shall mean the sales and use tax revenue remitted to the City from the California State Board of Equalization, excluding the Sales and Use Tax remitted pursuant to Measure P collections.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

“County” shall mean the County of Los Angeles, California.

“County Collected Revenues” shall mean the Vehicle License Fees and Property Tax 1% of City of Compton TD#1 (Account #132.01) collected by the County on behalf of the City, attributable to the City's current Fiscal Year, which is July 1, 2016 through June 30, 2017 and shall not include any Unavailable Revenue.

“Direction Letter” shall mean the Direction Letter dated June 24, 2016 from the City to the County.

“DTC” shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Event of Default” shall have the meaning assigned to such term in Section 503.

“Federal Securities” shall mean the following securities:

(i) United States Treasury bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest;

(ii) Direct obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority;

(iii) Mortgage backed securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association;

(iv) United States Treasury Obligations, State and Local Government Series; and

(v) Issues guaranteed as to timely payment of principal and interest by the full faith and credit of the Federal Deposit Insurance Corporation.

“Fitch” shall mean Fitch Ratings, located at One State Street Plaza, New York, New York 10004, a corporation organized and existing under the laws of the State of New York, and its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized

securities rating agency (other than Moody's or S&P) designated by the City.

“General Fund” shall mean the General Fund of the City.

“Investor Letter” shall mean the letter duly executed and delivered by the Qualified Institutional Buyer purchasers of the 2016-17 TRANs in accordance with Section 301 of this Accompanying Document.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum relating to the 2016-17 TRANs, including any approved supplement or amendment thereto.

“Los Angeles County Treasury Pool” shall mean the County Treasury, in which the Treasurer-Tax Collector of the County of Los Angeles has the delegated authority to invest funds.

“Maturity Date” shall mean June 1, 2017 as set forth in Section 203 hereof.

“Moody's” shall mean Moody's Investors Service, located at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, a corporation organized and existing under the laws of the State of Delaware, and its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the City.

“Note Purchase Agreement” shall mean the agreement between the City and the Underwriter of the 2016-17 TRANs, together with any amendments thereto.

“Note Register” shall mean the registration books for the 2016-17 TRANs, maintained by the Note Registrar pursuant to Section 302.

“Note Registrar” shall mean U.S. Bank National Association or a substitute or successor Registrar appointed in accordance with this Accompanying Document.

“Opinion of Bond Counsel” shall mean a written opinion of any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and political subdivisions thereof, and duly admitted to practice law before the highest court of any state of the United States of America.

“Outstanding” when used with reference to the 2016-17 TRANs, shall mean, as of any date, all of the 2016-17 TRANs, issued under this Accompanying Document except:

- (i) 2016-17 TRANs, cancelled on or prior to such date;
- (ii) 2016-17 TRANs, for which other 2016-17 TRANs, shall have been delivered in lieu of or in substitution therefor pursuant to Article III hereof; and
- (iii) 2016-17 TRANs, referred to in Section 305 hereof

“Owner” shall mean the Person in whose name any 2016-17 TRANs is registered on the Note Register.

“Participant” shall mean an entity which is recognized as a participant by the Securities Depository in the book-entry system of maintaining records with respect to the 2016-17 TRANs.

“Paying Agent” shall mean U.S. Bank National Association a national banking association organized and existing under the laws of the United States of America

“Permitted Investments” shall mean, to the extent permitted by law:

(i) Federal Securities;

(ii) Commercial Paper having original maturities of not more than the final maturity of the 2016-17 TRANs, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of \$500 million and having an “A” or better rating for the issuer's long-term debt as provided by Moody's, S&P, or Fitch and “P-1”, “A-1”, “F1” or better rating for the issuer's short-term debt as provided by Moody's, S&P, or Fitch, respectively.

(iii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which have short-term obligations outstanding which are rated by two Rating Agencies in their respective highest short-term rating categories, a long-term debt rating of not less than “A” by a Rating Agency, and a maturity no later than the final maturity of the 2016-17 TRANs.

(iv) Negotiable or non-negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the “A” category or better from S&P, Moody's, or Fitch.

(v) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association, or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars (\$100,000,000) and with short-term debt rated by two Rating Agencies in their respective three highest short-term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clause (i) of this definition and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment.

(vi) Shares of beneficial interest issued by diversified management companies, known as money market funds which invest in securities described in (i)—(v) above, registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency.

(vii) Investment Agreements and Guaranteed Investment Contracts: obligations of any institution either (1) the long-term senior unsecured debt or claims-paying ability or financial strength of which, or of any unconditional guarantor of full and timely payment of its obligations thereunder, is rated at least “A-” by S&P or “A3” by Moody's or A-by Fitch, or alternatively, investment agreements and guaranteed investment contracts permitted by California law;

(viii) The Los Angeles County Treasury Pool;

(ix) The Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State.

“Person” shall mean an individual, corporation, firm, association, partnership, trust or other legal entity, including a governmental entity or any agency or political subdivision thereof.

“Principal Office” shall mean (i) with respect to the City Manager, the principal office of the City Manager in Compton, California, and (ii) with respect to the Trustee, the principal corporate trust office of the Trustee in Seattle, Washington, or the principal corporate trust office of any successor Trustee, provided that for purposes of the surrender, transfer, exchange, payment or registration of the 2016-17 TRANs, the term “Principal Corporate Trust Office” shall mean the designated corporate trust office of the Registrar.

“Rating Agency” shall mean Moody's, S&P, Fitch or any other nationally recognized securities rating agency designated by the City.

“Qualified Institutional Buyer” shall mean a corporate entity that is a “qualified institutional buyer” as defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”).

“Repayment Amount” shall mean an amount not to exceed \$15,875,710, which amount shall be sufficient to pay principal of and interest on the Notes when due.

“Representation Letter” shall mean one or more letters of representation from the City to, or instruments or agreements of the City with, a Securities Depository in which the City, among other things, makes certain representations to such Securities Depository with respect to the 2016-17 TRANs, the payment thereof and delivery of notices with respect thereto.

“Resolution” shall mean the “A Resolution of the City Council of the City of Compton authorizing the issuance and sale of Tax and Revenue Anticipation Notes for fiscal year 2016-17 in an aggregate principal amount not to exceed \$16,000,000, authorizing the execution and delivery of the Trust Agreement, the Accompanying Document, the Direction Letter, the Note Purchase Agreement, the Preliminary Limited Offering Memorandum, the Limited Offering Memorandum, the Tax Agreement, the Investor Letter, approving not to exceed parameters for the not to exceed payment terms of the 2016-17 TRANs, as from time to time amended by any Supplemental Resolution in accordance with the terms hereof.

“S&P” shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., located at 55 Water Street, New York, New York 10041, a corporation

organized and existing under the laws of the State of New York, and its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than Fitch or Moody's) designated by the City.

“Securities Depository” shall mean DTC or any successor as Securities Depository for the 2016-17 TRANs, appointed pursuant to Section 202.

“State” shall mean the State of California.

“Supplemental Document” shall mean any supplemental document amending or supplementing this Accompanying Document in accordance with Article VII.

“Supplemental Resolution” shall mean any resolution amending the Resolution, adopted by the City in accordance with Article VII.

“Tax Certificate” shall mean the Tax Certificate executed by the City on the date of issuance and delivery of the 2016-17 TRANs, as amended from time to time.

“Trust Agreement” shall mean the Trust Agreement dated as of July 1, 2016 by and between the City and the Trustee, together with any authorized amendments thereof or supplements thereto permitted to be made thereunder.

“Trustee” shall mean U.S. Bank National Association a national banking association organized and existing under the laws of the United States of America.

“2016-17 TRANs” shall mean all of the City's 2016-17 Tax and Revenue Anticipation Notes authorized pursuant to the Resolution and issued in accordance with the terms and conditions of this Accompanying Document and the Resolution pursuant to Section 203.

“2016-17 TRANs Proceeds Fund” shall mean the 2016-17 TRANs Proceeds Fund established pursuant to Section 401 hereof.

“2016-17 TRANs Repayment Fund” shall mean the 2016-17 TRANs Repayment Fund established pursuant to Section 402 hereof and caused to be kept by the Trustee for collection and deposit of County Collected Revenue, and other funds so directed for deposit by the City Manager, including the City Sales and Use Tax, for the repayment of the 2016-17 TRANs, including amounts held in the 2016-17 TRANs Repayment Fund and invested in Permitted Investments established in accordance with the Resolution and described in Section 402.

“Underwriter” shall mean IFS Securities, Inc. or any successor thereto.

“Unavailable Revenue” shall mean the revenue described under Section 402 of this Accompanying Document.

“Unrestricted Revenues” shall mean the revenues pledged by the City under the Authorizing Law and pursuant to the Resolution, and described in Section 402, for the security and payment of the 2016-17 TRANs, including the interest thereon in accordance with the

provisions herein, whether or not such taxes, income, revenue, cash receipts or other moneys are deposited in the 2016-17 TRANs Repayment Fund and as so described under Section 402 of this Accompanying Document.

“Written Direction” shall mean a written direction from an Authorized Officer.

#### SECTION 102 Other Definitional Provisions.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa. Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Unless otherwise indicated, all references herein to “Articles,” “Sections” or other subdivisions are to the corresponding Articles, Sections or subdivisions of this Accompanying Document; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Accompanying Document as a whole and not to any particular Article, Section or subdivision hereof.

#### SECTION 103 Authority for Accompanying Document.

This Accompanying Document is executed and delivered pursuant to and in connection with the Resolution.

#### SECTION 104 Timing of Actions.

Whenever in this Accompanying Document there is designated a time of day at or by which a certain action must be taken, such time shall be local time in New York, New York except as otherwise specifically provided herein.

#### SECTION 105 Accompanying Document to Constitute Contract.

In consideration of the purchase and acceptance by the Owner of any and all of the 2016-17 TRANs to be issued hereunder from time to time, this Accompanying Document shall be deemed to be and shall constitute a contract between the City and the Owner from time to time of the 2016-17 TRANs. The pledge made in this Accompanying Document and the covenants and agreements herein set forth to be performed by and on behalf of the City shall be for the equal benefit, protection and security of the Owner of any and all of the 2016-17 TRANs, all of which shall be of equal rank without preference, priority, privilege or distinction of any of the 2016-17 TRANs over any other thereof, except as expressly provided in or permitted by this Accompanying Document.

### **ARTICLE II. AUTHORIZATION AND ISSUANCE OF 2016-17 TRANs**

#### SECTION 201 Authorization, Form and Date of 2016-17 TRANs.

1. The 2016-17 TRANs have been authorized to be issued pursuant to the Resolution and are entitled to the benefit, protection and security thereof. The 2016-17 TRANs shall be issued in an aggregate principal amount of \$15,595,000 and shall bear interest as set forth in

Section 203. The 2016-17 TRANs shall be issued in anticipation of the receipt by the City of Unrestricted Revenues attributable to the City's current Fiscal Year, which is July 1, 2016 to June 30, 2017. Such notes shall be designated as, and shall be securities distinguished from all other issues of the City by the title "2016-17 Tax and Revenue Anticipation Notes" or "2016-17 TRANs."

2. The 2016-17 TRANs shall be issued in fully registered form, without coupons and in the principal amount of the Notes in book-entry only form pursuant to Section 202 of this Accompanying Document. The City hereby certifies and recites that all acts, conditions and things required by law, the Resolution and this Accompanying Document to exist, to have happened, and to have been performed precedent to and during the issuance of the 2016-17 TRANs do exist, have happened and have been performed in due time, form and manner, as required by law and the Resolution and this Accompanying Document. The 2016-17 TRANs shall be in substantially the form attached hereto as Exhibit A which form is hereby approved and adopted as the form of the 2016-17 TRANs.

3. Interest shall be payable on the Maturity Date to the Owner at the address as it appears in the Note Register or, at the request of an Owner, by wire transfer of immediately available funds in lawful money of the United States of America, at maturity. Except as otherwise provided in a Representation Letter, principal of and interest on the 2016-17 TRANs due at the maturity date shall be payable in lawful money of the United States of America upon surrender of the 2016-17 TRANs at the Principal Office of the Trustee. The 2016-17 TRANs so surrendered to the Trustee on any Business Day at or prior to 12:00 noon at the office of the Trustee, shall be paid in funds immediately available on such Business Day. The 2016-17 TRANs so surrendered to the Trustee on any Business Day after 12:00 noon shall be paid on the next succeeding Business Day in funds immediately available on such succeeding Business Day.

4. The 2016-17 TRANs shall not be subject to redemption prior to maturity.

#### SECTION 202 Book-Entry Notes.

1. Subject to any limitation on maximum principal amount imposed by DTC, the 2016-17 TRANs shall be initially issued in the form of a fully registered, single note without coupons, in denominations of \$100,000, and in increments of \$5,000, and upon initial issuance, the ownership of such 2016-17 TRANs shall be registered in the Note Register in the name of Cede & Co., as nominee of DTC, the initial Securities Depository. Except as provided in subsection 5 of this Section, all of the 2016-17 TRANs shall be registered in the Note Register in the name of Cede & Co., or such other nominee of DTC or any successor Securities Depository or the nominee thereof, as shall be specified pursuant to a Representation Letter.

2. With respect to the 2016-17 TRANs, registered in the Note Register in the name of the Securities Depository, or its nominee, the City and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in any such 2016-17 TRANs. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility, obligation or liability with respect to (a) the accuracy of the records of the Securities Depository, the nominee of the Securities Depository or any Participant with respect to any ownership interest in the 2016-17 TRANs, (b) the delivery to

any Participant or any other Person, other than an Owner as shown in the Note Register, of any notice with respect to the 2016-17 TRANs, or (c) the payment to any Participant or any other Person, other than an Owner as shown in the Note Register, of any amount with respect to principal of or interest on the 2016-17 TRANs. The City may treat and consider the Person in whose name any 2016-17 TRANs is registered in the Note Register as the Owner and absolute owner of such 2016-17 TRANs, for the purpose of payment of principal of and interest on such 2016-17 TRANs, and for all other purposes whatsoever.

3. The Trustee shall pay all principal of and interest on the 2016-17 TRANs, only to or upon the order of the Owner, as shown in the Note Register on the Maturity Date thereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the 2016-17 TRANs, under this Accompanying Document and the 2016-17 TRANs, to the extent of the sums so paid. Upon delivery by the Securities Depository to the City Manager of written notice to the effect that the Securities Depository has determined to substitute a new nominee, the word "nominee" in this Accompanying Document shall refer to such new nominee of the Securities Depository.

4. In order to qualify the 2016-17 TRANs for the Securities Depository's book-entry system, the City Manager has been authorized to execute and deliver, or has executed and delivered, on behalf of the City to the Securities Depository a Representation Letter or Representation Letters representing such matters as shall be necessary to so qualify such 2016-17 TRANs. The execution and delivery of the Representation Letter or Representation Letters shall not in any way limit the provisions of subsection 2 of this Section or in any other way impose upon the City any obligation or liability whatsoever with respect to Persons having interests in the 2016-17 TRANs, other than the Owner as shown in the Note Register. In addition to the execution and delivery of the Representation Letter or Representation Letters, the City Manager and all other officers of the City, and their authorized representatives, are each hereby authorized and directed to take any other actions as they deem necessary or desirable, not inconsistent with this Accompanying Document, to qualify such 2016-17 TRANs, for the Securities Depository's book-entry program.

5. In the event (a) the incumbent Securities Depository determines not to continue to act as Securities Depository for the 2016-17 TRANs, or (b) the City determines that the incumbent Securities Depository shall no longer so act, and delivers a written certificate to the incumbent Securities Depository to that effect, then the City will discontinue the book-entry system for the 2016-17 TRANs with the incumbent Securities Depository. If the City determines to replace the incumbent Securities Depository with another qualified Securities Depository, the City shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver, subject to any limitation on maximum principal amount imposed by the successor Securities Depository, a new single, separate fully-registered note (which may be typewritten) for the aggregate outstanding principal amount of the 2016-17 TRANs, held by the incumbent Securities Depository, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangement reasonably acceptable to the City and the successor Securities Depository as are not inconsistent with the terms of this Accompanying Document. If the City fails to identify another qualified successor Securities Depository to replace the incumbent Securities Depository, then the 2016-17 TRANs shall no



longer be restricted to being registered in the Note Register in the name of the Securities Depository or its nominee, but shall be registered in whatever name or names the Securities Depository or its nominee shall designate. In such event the City shall prepare or direct the preparation of and execute, and the Trustee shall authenticate and deliver to the Owner thereof, such 2016-17 TRANs as are necessary or desirable to carry out the transfers and exchanges provided in this Section and Section 302. All such 2016-17 TRANs shall be in fully registered form in the denomination authorized pursuant to Section 201.

6. Notwithstanding any other provision of this Accompanying Document to the contrary, so long as any 2016-17 TRANs are registered in the name of the Securities Depository or its nominee, all notices and payments with respect to principal of and interest on such 2016-17 TRANs, shall be given and made, respectively, as provided in a Representation Letter or as otherwise instructed by the Securities Depository.

#### **SECTION 203 Terms of the 2016-17 TRANs.**

The 2016-17 TRANs shall be dated the date of issuance and delivery thereof. Interest shall be paid on the Maturity Date for the 2016-17 TRANs. The 2016-17 TRANs shall bear interest computed on the basis of a 360-day year comprised of 12 months of 30 days each. The 2016-17 TRANs shall mature on June 1, 2017 and bear interest at the rate of two percent (2.00%).

### **ARTICLE III. GENERAL TERMS AND PROVISIONS OF 2016-17 TRANs**

#### **SECTION 301 Execution of 2016-17 TRANs; Authentication.**

1. The 2016-17 TRANs shall be executed in the name of the City by the manual or facsimile signature of the City Manager and the City Clerk of the City, and the City's seal shall be impressed, imprinted, engraved or otherwise reproduced thereon. No 2016-17 TRANs shall be entitled to any benefit under the Resolution or this Accompanying Document or be valid or obligatory for any purpose, unless there appears on such 2016-17 TRANs, a certificate of authentication substantially in the form provided for herein executed by the manual signature of the Trustee. Such certificate upon any 2016-17 TRANs, shall be conclusive evidence, and the only evidence, that such 2016-17 TRANs, have been duly issued, authenticated and delivered hereunder.

2. In case any one or more of the officers who shall have signed or sealed any of the 2016-17 TRANs, shall cease to be such officer before the 2016-17 TRANs so signed and sealed shall have been issued, such 2016-17 TRANs, so signed and sealed may nevertheless be issued, as herein provided, as if such persons who signed or sealed such 2016-17 TRANs had not ceased to hold such offices. Any of the 2016-17 TRANs may be signed and sealed on behalf of the City by such persons as at the time of the execution of such 2016-17 TRANs shall be duly authorized to hold or shall hold the proper office in the City, although on the date borne by the 2016-17 TRANs, such persons may not have been so authorized or have held such office.

### SECTION 302 Negotiability, Transfer and Exchange.

1. The Note Registrar shall keep at its Principal Office sufficient books for the registration of transfer and exchange of the 2016-17 TRANS as to which it serves as Note Registrar, which shall at all times be open to inspection by the City upon reasonable notice, and upon presentation for such purpose the Note Registrar shall, under such reasonable regulations as it may prescribe, register or transfer 2016-17 TRANS on such books as hereinafter provided.

2. The 2016-17 TRANS shall be initially held by, and subsequently transferred to, only Qualified Institutional Buyers. Prior to purchasing any 2016-17 TRANS, each holder of the 2016-17 TRANS shall execute an Investment Letter, the form of which is attached to the Limited Offering Memorandum as an exhibit. The 2016-17 TRANS may not be transferred or exchanged except as provided herein.

3. The City and the Trustee may deem and treat the Owner of any 2016-17 TRANS as the absolute owner of such 2016-17 TRANS, regardless of whether such 2016-17 TRANS, shall be overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Owner or upon such Owner's order shall be valid and effective to satisfy and discharge the liability upon such 2016-17 TRANS, to the extent of the sum or sums so paid, and neither the City nor any Trustee shall be affected by any notice to the contrary. The City agrees, to the extent permitted by law, to indemnify and hold the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under this Accompanying Document, in so treating such Owner.

4. The 2016-17 TRANS shall not be exchangeable for other 2016-17 TRANS, except as provided in Section 202, this Section 302 and Section 303.

### SECTION 303 2016-17 TRANS, Mutilated, Destroyed, Stolen or Lost.

In case any 2016-17 TRANS shall become mutilated or be destroyed, stolen or lost, the City shall issue new 2016-17 TRANS, of like principal amount, denomination and tenor as the 2016-17 TRANS, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated 2016-17 TRANS, or in lieu of and substitution for the 2016-17 TRANS, destroyed, stolen or lost, upon the filing with the Trustee and the City of evidence satisfactory to the Trustee and the City that such 2016-17 TRANS have been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee and the City with indemnity satisfactory to the Trustee and the City and complying with such other reasonable regulations as the Trustee and the City may prescribe and paying such expenses as the Trustee and the City may incur. All 2016-17 TRANS so surrendered shall be cancelled. Any such substitute 2016-17 TRANS shall constitute original contractual obligations on the part of the City, whether or not the 2016-17 TRANS alleged to be destroyed, stolen or lost are at any time enforceable by anyone. Such substitute 2016-17 TRANS shall be equally secured by and entitled to equal and proportionate benefits with all other 2016-17 TRANS issued under the Resolution and this Accompanying Document in any moneys or securities held by the City or the Trustee for the benefit of the Owner of the 2016-17 TRANS.

SECTION 304 Cancellation of the 2016-17 TRANs.

All 2016-17 TRANs which at or after maturity are surrendered to the Trustee for the collection of the principal thereof and interest thereon shall be cancelled by the Trustee and forthwith destroyed by the Trustee. The Trustee shall promptly deliver to the City a certificate specifying the cancellation and destruction of such 2016-17 TRANs. In all matters provided for in this Section, the City shall act through the City Manager.

SECTION 305 2016-17 TRANs Held by City.

If the City shall become the Owner of any 2016-17 TRANs, such 2016-17 TRANs shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation; provided, however, that the City shall not be deemed to be the Owner of any 2016-17 TRANs, held by it in a fiduciary capacity.

**ARTICLE IV.  
ESTABLISHMENT OF 2016-17 TRANs PROCEEDS FUND AND  
REPAYMENT FUND AND APPLICATION THEREOF**

SECTION 401 Use of Proceeds of 2016-17 TRANs.

1. The City Manager shall cause the Trustee to establish and the Trustee shall establish the "2016-17 TRANs Proceeds Fund." The proceeds of sale of the 2016-17 TRANs shall be transferred to the Trustee and deposited in the 2016-17 TRANs Proceeds Fund. The City Manager shall cause the Trustee to make disbursements and the Trustee shall make disbursements from the 2016-17 TRANs Proceeds Fund to pay current Fiscal Year 2016-17 expenditures and to discharge other obligations or indebtedness of the City in accordance with written direction of the City. Amounts on hand in the 2016-17 TRANs Proceeds Fund shall be accounted for separately from the other funds of the Trustee in accordance with standard accounting practices of the Trustee for such a separate account and shall be invested in Permitted Investments, so as to be available for the aforementioned disbursements. The Trustee shall keep a written record of all investments and investment earnings (including any investment of earnings) of amounts in the 2016-17 TRANs Proceeds Fund, as well as a written record of disbursements from the 2016-17 TRANs Proceeds Fund.

2. Without limiting the generality of subsection 1 of this Section, the City Manager is authorized to cause the Trustee to pay the fees and reasonable expenses incurred in connection with the authorization, sale and issuance of the 2016-17 TRANs out of moneys in the 2016-17 TRANs Proceeds Fund.

SECTION 402 Payment and Security for the 2016-17 TRANs.

Pursuant to the Resolution, the City Manager shall cause to be established by the Trustee the "2016-17 TRANs Repayment Fund." The City Manager shall cause to be established by the Trustee any additional subaccounts therein if deemed necessary to effectuate the purposes of the Resolution. Amounts on hand in the 2016-17 TRANs Repayment Fund shall be accounted for separately from the other funds of the Trustee in accordance with standard accounting practices of the Trustee for such a separate account and shall be invested in Permitted Investments, so as to

be available for use for any authorized disbursements. As provided in the Authorizing Law, the 2016-17 TRANs, and the interest thereon, are general obligations of the City, payable from certain unencumbered moneys, including the taxes, income, revenues, cash receipts, and other moneys deposited in inactive or term deposits, received or accrued by the City during Fiscal Year 2016-17 that are lawfully available for such purpose (collectively, the "Unrestricted Revenue"). Taxes, income, revenues, cash receipts and other moneys received by the City and encumbered for a special purpose shall not be available for payment of the 2016-17 TRANs (the "Unavailable Revenue"), unless an equivalent amount of the proceeds from the 2016-17 TRANs is set aside for and used for said special purpose. Unavailable Revenue shall include, but not be limited to: funds collected by or on behalf of the City for the City retirement fund, water fund and street lighting fund.

#### SECTION 403 County Collected Revenues and Sales and Use Tax.

Pursuant to the Resolution, the Authorizing Law, this Accompanying Document and the Letter of Direction, the City has authorized the County to send to the Trustee (by wire or ACH transfer) for deposit, and the Trustee to accept and deposit, into the 2016-17 TRANs Repayment Fund, 100% of the County Collected Revenues on a monthly basis in accordance with this Section 403 and the transfer instructions set forth in the Letter of Direction and Exhibit C thereto.

The City has further directed the County to deliver to the Trustee all County Collected Revenues, and any other funds so directed for deposit by the City Manager, for deposit in the 2016-17 TRANs Repayment Fund held by the Trustee, for subsequent application per the terms of the Trust Agreement, until such time as the total amounts deposited and held in the 2016-17 TRANs Repayment Fund, from any source, equal the Repayment Amount.

The City has further agreed to transfer to the Trustee, for deposit in the 2016-17 TRANs Repayment Fund, all Sales and Use Tax received from the State, which are a portion of Unrestricted Revenues, on the date that is no later than one (1) business day after the City receives such Sales and Use Tax funds, during the period beginning January 1, 2017 and ending on April 30, 2017 or until such time as the total amounts deposited and held in the 2016-17 TRANs Repayment Fund, from any source, equal the Repayment Amount.

To the extent that any amounts received pursuant to the foregoing paragraphs are less than the Repayment Amount, the City Manager shall cause to be deposited into, and the Trustee shall deposit into the 2016-17 TRANs Repayment Fund, no later than the Business Day prior to the Maturity Date, Unrestricted Revenues, and additional amounts from any other moneys of the City lawfully available therefor, until the amount on deposit in the 2016-17 TRANs Repayment Fund equals the Repayment Amount. To the extent any 2016-17 TRANs is not paid from the County Collected Revenue and Sales and Use Tax revenues, such 2016-17 TRANs shall be paid, with the interest thereon, from Unrestricted Revenues, including City Sales and Use Tax, and any other moneys of the City lawfully available therefor. As provided in the Authorizing Law, the 2016-17 TRANs, and the interest thereon, are a first lien and charge against and are payable from the first moneys received by the City from such pledged moneys.

On the Maturity Date, the City shall cause the Trustee to pay and the Trustee shall pay

from the 2016-17 TRANs Repayment Fund the principal and interest due on the 2016-17 TRANs so maturing on the Maturity Date, and such moneys in the 2016-17 TRANs Repayment Fund may not be used for any other purpose, although earnings may be invested in Permitted Investments so as to be available for disbursement and in no event for a term that exceeds the term of the 2016-17 TRANs, and earnings on amounts in the 2016-17 TRANs Repayment Fund shall be deposited as and when received into any account in the General Fund of the City as the City Manager may direct in a Written Direction. Any amounts remaining in the 2016-17 TRANs Repayment Fund after payment in full of principal of and interest on the 2016-17 TRANs, shall be the sole and exclusive property of the City, shall not be subject to any claims by or on behalf of any Owner of 2016-17 TRANs, and shall be transferred by the Trustee to the City for deposit into any account in the General Fund of the City as the City Manager may direct in a Written Direction.

The City does hereby grant a security interest in, convey, bargain, pledge, transfer and assign unto the Trustee, all of the City's right, title, and interest in and to the Unrestricted Revenues, including the County Collected Revenues, whether or not such County Collected Revenues or Unrestricted Revenues have been deposited into the 2016-17 TRANs Repayment Fund, and the City will cause the security interest granted hereby in the Unrestricted Revenues to be perfected, pursuant to applicable law. Upon the final payment of the principal of and interest on the 2016-17 TRANs, the security interest created herein shall automatically terminate and the Trustee is directed to make appropriate filings to evidence such termination.

## **ARTICLE V. CERTAIN COVENANTS; EVENTS OF DEFAULT AND REMEDIES**

### **SECTION 501 General Covenants and Representations.**

1. The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of the Authorizing Law, the Resolution, the Trust Agreement, the Direction Letter and this Accompanying Document.

2. Upon the date of issuance of the 2016-17 TRANs all conditions, acts and things required of the City by law, the Resolution and this Accompanying Document to exist, to have happened and to have been performed precedent to and during the issuance of the 2016-17 TRANs, shall exist, shall have happened and shall have been performed, in due time, form and manner, and the issue of the 2016-17 TRANs, together with all other indebtedness of the City, shall be within all applicable debt and other limits prescribed by the laws of the State as of the date of such issuance.

3. The 2016-17 TRANs do not exceed, and the City shall not issue any notes, or otherwise incur any indebtedness, pursuant to the Authorizing Law with respect to Fiscal Year 2016-17 in an amount which, when added to the interest payable thereon, shall exceed, either 85% of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys of the City which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any

inactive or term deposit of the City, the term of which shall terminate during said Fiscal Year, such principal and interest may be disregarded in computing said limit.

#### SECTION 502 Covenants Relating to the Code.

The City shall do the following with respect to the 2016-17 TRANs:

1. The City shall comply with each applicable requirement of the Code necessary to maintain the exclusion of interest on the 2016-17 TRANs from gross income for federal income tax purposes. To this end, the City agrees to comply with the provisions of the Tax Certificate. The City shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the 2016-17 TRANs proceeds due to the United States Department of Treasury in a reasonable and prudent fashion and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of Treasury.

2. Notwithstanding any other provisions of this Accompanying Document to the contrary, so long as necessary to maintain the exclusion from gross income of interest on the 2016-17 TRANs, for federal income tax purposes, the covenants contained in this Section shall survive the payment of the 2016-17 TRANs, and the interest thereon.

3. Notwithstanding any other provision of this Accompanying Document to the contrary, upon the City's material failure to observe or refusal to comply with the covenants contained in this Section, the Owner, and any adversely affected former Owner, shall be entitled to the rights and remedies provided to Owner under this Accompanying Document.

#### SECTION 503 Events of Default and Remedies.

1. The following shall be Events of Default under the Resolution and this Accompanying Document and the term "Event of Default" whenever used in this Accompanying Document shall mean any one or more of the following:

(a) default shall be made in the due and punctual payment of the principal of, or interest on any 2016-17 TRANs when and as the same shall become due and payable; or

(b) default shall be made in the performance or observance by the City of any other of the material covenants, agreements or conditions required to be performed or observed by the City pursuant to the Resolution, this Accompanying Document or any 2016-17 TRANs, and such default shall continue for a period of 60 days after written notice thereof to the City by the Owner of not less than 10% in principal amount of the 2016-17 TRANs Outstanding.

2. Whenever any Event of Default shall have happened and shall be continuing, the Owner, and any adversely affected former Owner, of the 2016-17 TRANs, and their legal representatives, shall be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants herein and in the Authorizing Law. Nothing herein shall preclude an individual Owner from enforcing his or her rights to payment of principal of or interest on 2016-17 TRANs.

#### SECTION 504 Trustee Direction of Rights and Remedies.

Notwithstanding any section of this Accompanying Document to the contrary, the Trustee shall be deemed to be the sole holder of the 2016-17 TRANs and the sole Owner for the purpose of exercising any rights or privileges or remedies, or giving any consent or any direction, or taking any other action that the Owner is entitled to take pursuant to, and under the terms of, this Trust Agreement.

### **ARTICLE VI. SUPPLEMENTAL RESOLUTIONS AND ACCOMPANYING DOCUMENT**

#### SECTION 601 Supplemental Resolutions and Accompanying Document Effective Without Consent of the Owner.

A Supplemental Resolution of the City may be adopted, or a supplemental Accompanying Document may be executed, for any one or more of the following purposes, which, without the requirement of consent of the Owner, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the City in the Resolution or this Accompanying Document, as the case may be, other covenants and agreements to be observed by the City that are not contrary to or inconsistent with the Resolution or this Accompanying Document as theretofore in effect;

(b) to add to the limitations and restrictions in the Resolution or this Accompanying Document as the case may be, other limitations and restrictions to be observed by the City that are not contrary to or inconsistent with the Resolution or this Accompanying Document as theretofore in effect;

(c) to confirm as further assurance, any pledge under, and subject to any lien or pledge created or to be created by, the Resolution or this Accompanying Document, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution or this Accompanying Document;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or this Accompanying Document, as the case may be, as theretofore in effect; and

(e) to supplement or amend the Resolution or this Accompanying Document, as the case may be, in any other respect, provided that the City obtains an Opinion of Bond Counsel to the effect that such Supplemental Resolution or supplemental Accompanying Document does not adversely affect the interests of the Owner.

#### SECTION 602 Supplemental Accompanying Document.

Except as provided in Section 601 hereof, any amendment of or supplement to this

Accompanying Document and of the rights and obligations of the City and of the Owner of the 2016-17 TRANs under this Accompanying Document may be made by a supplemental Accompanying Document with the written consent of the Owner of at least a majority in principal amount of the 2016-17 TRANs Outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any 2016-17 TRANs of any particular Series remain Outstanding, the consent of the Owner of such Series shall not be required. No such supplement or amendment shall permit a change in the terms of maturity of the principal of any 2016-17 TRANs, or of the interest rate thereon or a reduction in the principal amount thereof, or shall change the dates or amounts of the pledges set forth in Section 402, or shall reduce the percentage of Owners required to approve any such supplemental Accompanying Document, without the consent of all of the Owners of affected 2016-17 TRANs, nor shall any such supplement or amendment change or modify any of the rights or obligations of any Trustee, if applicable, without its written consent thereto. The City shall provide any Rating Agency then rating the 2016-17 TRANs, notice of any Supplemental Accompanying Document or Supplemental Resolution.

## **ARTICLE VII. MISCELLANEOUS**

### **SECTION 701 Moneys Held in Trust for One Year.**

Anything in this Accompanying Document to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the 2016-17 TRANs that remain unclaimed for a period of one year after the date when such 2016-17 TRANs have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such 2016-17 TRANs, became due and payable, shall be repaid to the City, as its absolute property and free from trust, and the Owner shall thereafter look only to the City for the payment of such 2016-17 TRANs, from lawfully available funds; provided, however, that before any such payment is made to the City, the City shall create (and shall thereafter maintain until payment of all of the 2016-17 TRANs) a record of the amount so repaid, and the City shall cause to be published at least twice, at any interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed shall be returned to the City.

### **SECTION 702 Certified Copies.**

The City Clerk shall provide a certified copy of this Accompanying Document to the City Manager who is hereby authorized and directed to take such action as shall be necessary to assure compliance by the City with the terms and conditions hereof.

### **SECTION 703 Funds, Accounts and Subaccounts.**

Any fund, account or subaccount required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account, subaccount or a fund, and may, for the purposes of such accounting records, any audits



thereof and any reports or statements with respect thereto, be treated either as an account, subaccount or a fund; but all such records with respect to all such accounts, subaccounts and funds shall at all times be maintained in accordance with corporate trust industry practice and with due regard for the protection of the security of the 2016-17 TRANs, and the rights of the Owners with respect to the 2016-17 TRANs.

#### SECTION 704 Article and Section Headings and References.

The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to this Accompanying Document as a whole and not to any particular article, section, subdivision or clause hereof.

#### SECTION 705 Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the 2016-17 TRANs and the Owner with respect to the 2016-17 TRANs shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The City and the Trustee hereby declare that they would have executed and delivered this Accompanying Document and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the 2016-17 TRANs pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

#### SECTION 706 Execution in Several Counterparts.

This Accompanying Document may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

#### SECTION 707 Governing Law.

This Accompanying Document shall be interpreted, governed and enforced in accordance with the laws of the State of California. If any party to this Accompanying Document initiates any legal or equitable action to enforce the terms of this Accompanying Document, to declare the rights of the parties under this Accompanying Document or which relates to this Accompanying Document in any manner, each such party agrees that the place of making and for performance of this Accompanying Document shall be Los Angeles County, State of California, and the

proper venue for any such action shall be the Superior Court of the State of California, in and for the County of Los Angeles.

SECTION 708 Notices.

All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States first class mail, postage prepaid or if sent by overnight delivery service.

IN WITNESS WHEREOF, I have set my hand onto this Accompanying Document Providing for the Terms and Conditions of Issuance and Sale of 2016-17 Tax and Revenue Anticipation Notes dated as of the day and year first above written.

**CITY OF COMPTON**

By: \_\_\_\_\_  
Roger L. Haley  
City Manager

APPROVED AS TO FORM  
CRAIG J. CORNWELL

By: \_\_\_\_\_  
Craig J. Cornwell  
City Attorney

[Signature Page to 2016-17 TRANs Accompanying Document)

ACKNOWLEDGED AND AGREED TO

BY: **U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By:

---

Greg E. Skutnik  
Assistant Vice President

[Signature Page to 2016-17 TRANs Accompanying Document]

ACKNOWLEDGED AND AGREED TO

BY: **COUNTY OF LOS ANGELES,**

By: \_\_\_\_\_  
Name: Auditor-Controller

[Signature Page to 2016-17 TRANs Accompanying Document]

**EXHIBIT A**  
**FORM OF NOTE**

**APPENDIX H**  
**FORM OF DIRECTION LETTER**

## **IRREVOCABLE / UNCONDITIONAL DIRECTION LETTER**

June 24, 2016

City of Compton  
205 S. Willowbrook Avenue  
Compton, California 90220  
Attention: City Treasurer

County of Los Angeles  
500 West Temple Street, Room 525  
Kenneth Hahn Hall of Administration  
Los Angeles, California 90012  
Attention: Department of the Auditor-Controller

U. S. Bank National Association  
1420 5th Avenue, 7th Floor, PD-WA-T7CT  
Seattle, WA 98101  
Attention: Greg E. Skutnik

Re: \$15,595,000 City of Compton, California 2016-17 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

This Direction Letter constitutes an irrevocable and unconditional agreement (“Direction Agreement”) between the County of Los Angeles (the “County”) acting by and through the Auditor-Controller of the County (the “Auditor-Controller”), the City of Compton (the “City”), and U.S. Bank National Association, as Trustee (the “Trustee”) for the City's 2016-17 Tax and Revenue Anticipation Notes (the “Notes”) regarding the direct payment to the Trustee of the County Collected Revenues otherwise payable to the City as security and payment source for the Notes. The City has executed and delivered this Direction Agreement pursuant to a resolution adopted by the City Council of the City on June 14, 2016, a copy of which is attached hereto as Exhibit A (the “Resolution”), and the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2016-17 Tax and Revenue Anticipation Notes dated as of July 1, 2016, a copy of which is attached hereto as Exhibit B (the “Accompanying Document”), executed by the City Manager of the City (the “City Manager”), and the Trust Agreement dated as of July 1, 2016, by and between the City and the Trustee (“Trust Agreement”). All capitalized terms used in this Direction Agreement but not otherwise defined herein shall have the meanings set forth in the attached Accompanying Document.

Pursuant to Section 402 of the Accompanying Document, the City Manager has caused to be established by the Trustee the 2016-17 TRANs Repayment Fund under the Trust Agreement. Effective as of the date of this Direction Agreement, the City hereby unconditionally and irrevocably directs the Auditor-Controller to promptly allocate and pay in good funds (by wire, or ACH transfer) to the Trustee on a monthly basis, 100% of the County Collected Revenues, (as defined in the Accompanying Document) until such time as the total amounts deposited and held



in the 2016-17 TRANs Repayment Fund, from any source, equal the Repayment Amount as set forth in Section 403 of the Accompanying Document. Such monthly transfers shall be made pursuant to the wire or ACH transfer instructions set forth in Exhibit C hereto. The City represents and warrants to the County and the Trustee that the County Collected Revenues are unrestricted and unassigned revenues of the City in all respects. The Trustee agrees to deposit all such County Collected Revenues in the 2016-17 TRANs Repayment Fund held by the Trustee for subsequent application per the terms of the Trust Agreement and this Direction Agreement. The County, through its Auditor-Controller, irrevocably and unconditionally agrees to transfer 100% of the County Collected Revenues allocable to the City to the Trustee as provided for in this Direction Agreement, without delay, deduction, set-off or abatement for any reason except as provided herein. Such wire or ACH transfers by the County, through its Auditor-Controller, of the County Collected Revenues shall take place each month on the date that is no later than one (1) business day after the County apportions such County Collected Revenues to all local taxing agencies, including the City. The parties agree to strictly comply with the terms of this Direction Agreement notwithstanding any judicial proceedings (including any proceedings under the U.S. Bankruptcy Code) by or against any party, and for purposes of the U.S. Bankruptcy Code, the parties agree that this Direction Agreement does not constitute an executory contract, and that the City agrees that the County Collected Revenues constitute "special revenues" to the maximum extent possible under Section 922 of the US Bankruptcy Code. Furthermore, the City shall not take any actions to thwart or impair the County or the Trustee from undertaking their obligations hereunder in any judicial proceedings or otherwise (including the Trustee taking any actions to lift any automatic stay), and any such attempted actions by the City will be deemed taken in bad faith. The City hereby directs the County acting through its Auditor-Controller to promptly provide the Trustee with any information needed to verify the amount of County Collected Revenues which the City is entitled to receive hereunder.

The terms of this Direction Agreement shall be irrevocable and shall not terminate until (1) the amounts in the 2016-17 TRANs Repayment Fund certified in writing by the Trustee to the City and the County to its Auditor-Controller, from any source, shall equal approximately \$15,875,710 and no less and (2) the County acting through its Auditor-Controller shall have received a subsequent Written Direction from the City and the Trustee stating that the Auditor-Controller shall henceforth transfer directly to the City and not to the Trustee, pursuant to this Direction agreement, any further County Collected Revenues.

The City shall hold the County and the Auditor-Controller harmless for depositing the County Collected Revenues as set forth in Section 402 of the Accompanying Document and transferring such County Collected Revenues to the Trustee for deposit in the 2016-17 TRANs Repayment Fund held by the Trustee. Nothing in this Direction Agreement, the Notes, the Resolution, or the Accompanying Document is intended to confer standing upon Trustee to challenge the Auditor-Controller's computations of County Collected Revenues.

IN WITNESS WHEREOF, I have set my hand onto this Direction Agreement on this \_\_\_\_ day of \_\_\_\_\_, 2016.

**CITY OF COMPTON**

By: \_\_\_\_\_  
Roger L. Haley  
City Manager

APPROVED AS TO FORM  
CRAIG J. CORNWELL

By: \_\_\_\_\_  
Craig J. Cornwell  
City Attorney

ACKNOWLEDGED AND AGREED TO:

By: **U.S. BANK NATIONAL ASSOCIATION**, as  
Trustee

By: \_\_\_\_\_  
Name:  
Title:  
Date:

By: **COUNTY OF LOS ANGELES**, acting through its  
Auditor-Controller

By: \_\_\_\_\_  
Name:  
Title:  
Date:

(Signature page of The City of Compton, California 2016-17 TRANs Direction Letter)

**EXHIBIT A**  
**COPY OF THE RESOLUTION**

**EXHIBIT B**

**COPY OF THE ACCOMPANYING DOCUMENT**

**EXHIBIT C**  
**ACH WIRING INSTRUCTION**

**Current Wire Instructions:**

BBK: U.S. Bank N.A. / ABA #091000022  
BNF: U.S. Bank Corporate Trust / Acct #**180121167365**  
REF: Compton TRAN 2016 17

**Current US Bank ACH instructions:**

ABA: U.S. Bank N.A./ABA #091000022  
FCT: U.S. Bank Corporate Trust./Acct #**180121196976**  
REF: Compton TRAN 2016 17

**APPENDIX I**  
**FORM OF TRUST AGREEMENT**

31737614v2

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**TRUST AGREEMENT**

by and between

**THE CITY OF COMPTON**

and

**U.S. BANK NATIONAL ASSOCIATION,**

as Trustee

Dated as of July 1, 2016

Relating to:

\$15,595,000

City of Compton, California 2016-17 Tax and Revenue Anticipation Notes

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## **TRUST AGREEMENT**

This **TRUST AGREEMENT**, dated as of July 1, 2016 (the 'Trust Agreement'), is by and between the City of Compton (the 'City'), a municipal corporation and chartered city of the State of California, and U.S. Bank National Association (the 'Trustee'), a national banking association organized and existing under the laws of the United States of America.

### **BACKGROUND**

**WHEREAS**, the City requires funds for the purposes authorized by Section 53852 of the California Government Code; and

**WHEREAS**, the City is authorized to borrow money pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended, and City Charter of the City (the 'City Charter') Section 1403 (collectively, the 'Authorizing Law'), for the purposes authorized by California Government Code Section 53852 and the City Charter, respectively, such indebtedness to be represented by a note or notes of the City; and

**WHEREAS**, the City has duly authorized and provided for the issuance of not to exceed \$16,000,000 in aggregate principal amount of City of Compton 2016-17 Tax and Revenue Anticipation Notes (the "2016-17 TRAns") pursuant to a resolution adopted by the City Council of the City on June 14, 2016 (the 'Resolution') and the Accompanying Document Providing for the Terms and Conditions of the Issuance and Sale of the City of Compton 2016-17 Tax and Revenue Anticipation Notes, dated as of July 1, 2016 (the 'Accompanying Document'), executed by the City Manager of the City (the 'City Manager'), approved by the City Attorney and acknowledged by the Trustee and the County of Los Angeles, attached hereto as Exhibit A;

**WHEREAS**, the City has requested that the Trustee perform certain trustee, paying agent and Note Registrar functions in connection with the 2016-17 TRAns; and

**WHEREAS**, the Trustee has agreed to serve in such capacities, subject to the terms of this Trust Agreement, the Resolution and the Accompanying Document.

**NOW, THEREFORE, WITNESSETH**, the City and the Trustee agree as follows:

### **ARTICLE 1 APPOINTMENT AND COMPENSATION OF TRUSTEE**

#### **SECTION 1.01      Appointment.**

The City hereby appoints the Trustee to act as Trustee, Paying Agent and Note Registrar with respect to the 2016-17 TRAns, and to hold the amounts pledged for payment of the 2016-17 TRAns in trust for the benefit of the Owner of the 2016-17 TRAns as set forth herein and in the Accompanying Document, attached hereto as Exhibit A. The Trustee hereby accepts its appointment and agrees to act as Trustee, Paying Agent and Note Registrar to perform the duties set forth in Article III hereof and in the Accompanying Document.

## **SECTION 1.02 Compensation.**

As compensation for the Trustee's services hereunder, the City agrees to pay the Trustee the fees and amounts heretofore agreed to by the City and the Trustee. In addition, the City agrees to reimburse the Trustee for all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with this Trust Agreement (including the reasonable compensation and the expenses and disbursements of the Trustee's agents and counsel).

## **ARTICLE 2 DEFINITIONS**

### **SECTION 2.01 Definitions.**

For purposes of this Trust Agreement, all capitalized terms used and not defined herein shall have the meanings ascribed to them in the Accompanying Document.

## **ARTICLE 3 DUTIES**

### **SECTION 3.01 Duties as Trustee.**

Pursuant to the Resolution and the Accompanying Document, the Trustee is hereby directed to establish and maintain the "2016-17 TRANs Repayment Fund". The Trustee is hereby authorized to establish any additional subaccounts therein if deemed necessary to effectuate the purposes of the Resolution, the Accompanying Document and the Direction Letter. The City shall transfer or cause to be transferred to the Trustee and the Trustee is directed hereby to deposit in the 2016-17 TRANs Repayment Fund i) the County Collected Revenues as set forth under Section 402 of the Accompanying Document and the Direction Letter; ii) the Sales and Use Tax revenues received by the City during the period beginning January 1, 2017 and ending April 30, 2017 and iii) any other funds as directed for such deposit by the City Manager, including Unrestricted Revenues. The Trustee is authorized and directed to acknowledge the Direction Letter and the Accompanying Document.

All funds in the 2016-17 TRANs Repayment Fund shall be accounted for separately from the other funds of the Trustee and shall be invested in Permitted Investments in accordance with the Accompanying Document, as may be directed in writing by the City from time to time. In the absence of such direction, the Trustee shall hold moneys uninvested. The Trustee shall keep a written record of all investments and investment earnings (including any investment of earnings) of amounts in the 2016-17 TRANs Repayment Fund, as well as a written record of disbursements from the 2016-17 TRANs Repayment Fund.

The 2016-17 TRANs Repayment Fund shall be used to pay the 2016-17 TRANs and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided, however, that subsequent to the payment of principal of and interest on the 2016-17 TRANs when due, earnings on amounts in the 2016-17 TRANs Repayment Fund shall be transferred by the Trustee to the City and deposited into the General Fund of the City. Any amounts on deposit in the 2016-17 TRANs Repayment Fund in excess of the amount sufficient

to pay all of the 2016-17 TRANs and the interest thereon when due, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury, shall be transferred by the Trustee upon receipt of a Written Direction of an Authorized Officer to any account in the General Fund of the City as the City Manager or any designee may direct in a Written Direction.

To the extent that the amounts in the Repayment Fund equal the principal of and interest due on the Notes, plus an amount, if any, equal to the rebate amount calculated to be due to the United States Treasury the City may terminate the deposit of funds into the Repayment Fund.

### **SECTION 3.02        Duties as Paying Agent.**

The Trustee shall pay on behalf of the City the principal of and interest on the 2016-17 TRANs when due, in accordance with the provisions of the Resolution and the Accompanying Document.

### **SECTION 3.03        Duties as Note Registrar.**

The Trustee shall perform the duties of the Note Registrar as set forth in the Accompanying Document, including maintaining the registration books for the 2016-17 TRANs. The Trustee will effect transfers of registered ownership of the 2016-17 TRANs upon surrender of validly issued Notes to the Trustee accompanied by such instruments of transfer and other documents as Trustee may reasonably require only as permitted in the Accompanying Document.

### **SECTION 3.04        Discharge and Cancellation of Notes.**

The Trustee shall cancel all 2016-17 TRANs surrendered to it for transfer or payment and will dispose of said cancelled 2016-17 TRANs at the written direction of the City.

## **ARTICLE 4 PROTECTIONS, OBLIGATIONS AND LIABILITIES OF THE TRUSTEE; FIDUCIARY CAPACITY**

### **SECTION 4.01        Incorporation of Accompanying Document and the Direction Letter.**

The protections, obligations and liabilities of the Trustee set forth under the Accompanying Document and the Direction Letter are incorporated herein by reference and such provisions shall apply to the Trustee in its various capacities hereunder.

### **SECTION 4.02        Money Held by Trustee.**

All funds at any time and from time to time provided to or held by the Trustee hereunder shall be deemed, construed and considered for all purposes as being provided to or held by the Trustee in trust and as a trustee for the benefit of the Owner. The Trustee acknowledges, covenants and represents that it is acting herein as a trustee in relation to such funds, and is not accepting, holding, administering or applying such funds as a banking depository, but solely as a trustee for and on behalf of the Owner of the 2016-17 TRANs.

#### **SECTION 4.03      Liability of Trustee.**

The Trustee makes no representations as to the validity or sufficiency of the Accompanying Document, this Trust Agreement or of any 2016-17 TRANs or as to the security afforded by the Resolution, this Trust Agreement or the Accompanying Document, and the Trustee shall incur no liability in respect thereof.

#### **SECTION 4.04      Evidence on Which Trustee May Act.**

(a) In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action, or doing or not doing anything, as such Trustee, and in any case in which the Resolution, the Accompanying Document or this Trust Agreement provides for permitting or taking any action, it may conclusively rely upon any notice, resolution, request, consent, order, waiver, statement, certificate, report, opinion, bond or other paper or document to be furnished to it under the provisions of the Resolution, the Accompanying Document or this Trust Agreement, and any such instrument shall be evidence of such fact to protect it in any action that it may or may not take, or in respect of anything it may or may not do, acting in good faith, by reason of the supposed existence of such fact.

(b) The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, and in accordance with the terms of the Resolution, the Accompanying Document or this Trust Agreement, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper City Council or person, or to have been prepared and furnished pursuant to any of the provisions of the Resolution, the Accompanying Document or this Trust Agreement or at the sole cost and expense of the City with the prior written consent of the City, and when determined necessary in the discretion of the Trustee, as the case may be, upon the written opinion of any attorney (who may be an attorney for the City or an employee of the City) believed by the Trustee, to be qualified in relation to the subject matter.

#### **SECTION 4.05      Indemnification of Trustee.**

(a) To the extent permitted by law, the City shall indemnify the Trustee and hold it harmless, from and against any loss, liability or reasonable expense (including the costs and expenses of its counsel and of investigating and defending against any claim of liability) arising out of or in connection with its acting as Trustee under this Trust Agreement; provided, however, that the Trustee shall not be indemnified for or held harmless against any such loss, liability or expense resulting from its negligence, willful misconduct or bad faith. The provision of this Section 4.05 shall remain in full force and effect notwithstanding the resignation or removal of any Trustee or the termination of the Resolution, the Accompanying Document or this Trust Agreement.

(b) Nothing in the Resolution, the Accompanying Document or this Trust Agreement shall require or obligate the Trustee to advance, expend or risk its own funds or otherwise to incur any personal financial liability in the performance or exercise of any of its duties or rights hereunder and the Trustee shall be fully justified and protected in taking or refusing to take any action under the Resolution, the Accompanying Document or this Trust Agreement or the 2016-17 TRANs unless it shall first be indemnified against any and all liability and expense which may be incurred by it by reason of such taking or refusing to take any such action (other than any liability or expense resulting from its negligence, willful misconduct or bad faith). Notwithstanding the foregoing, the Trustee shall not require indemnification prior to the making, when due, of any payment required at the maturity of the 2016-17 TRANs.

#### **SECTION 4.06      Ownership of the 2016-17 TRANs Permitted.**

Subject to Section 305 of the Accompanying Document, the Trustee may become the Owner of any 2016-17 TRANs.

#### **SECTION 4.07      Resignation or Removal of Trustee and Appointment of Successor.**

(a) The Trustee may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving at least 60 days' prior written notice to the City. The Trustee may be removed at any time with or without cause by an instrument filed with such Trustee and signed by the City. A successor Trustee shall be appointed by the City and shall be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution, the Accompanying Document or this Trust Agreement. For purposes of this Section, a commercial bank with trust powers or a trust company shall be deemed to have capital and surplus aggregating at least \$100,000,000 if it is a wholly-owned subsidiary of a corporation having capital and surplus aggregating at least \$100,000,000 and such corporation provides a written guaranty, in form and substance satisfactory to the City, of the performance by the bank or trust company of its obligations as Trustee hereunder. Such Trustee shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the City a written acceptance thereof. Resignation or removal of a Trustee shall be effective upon appointment and acceptance of a successor Trustee.

(b) In the event of the resignation or removal of a Trustee, such Trustee shall pay over, assign and deliver any moneys held by it to its successor. In no event shall the resignation or removal of the Trustee become effective prior to the assumption of such resigning or removed Trustee's duties and obligations by a successor Trustee.

#### **SECTION 4.08      Trustee's Right To Exercise Rights & Remedies Under Accompanying Document.**

Notwithstanding anything to the contrary in the Accompanying Document, the Trustee agrees to exercise any rights and remedies available to the Owner under the Accompanying Document on behalf of the Owner subject to the following:

(a) Written direction of the Owner(s) holding at least 51% of the unpaid par amount of the 2016-17 TRANs (individually and collectively the 'Directing Owner' and 'Owner Direction'); and

(b) Indemnification of the Trustee to the satisfaction of the Trustee by the Directing Owner on a several (but not joint) basis for the matters to be undertaken set forth in the Owner Direction from and against any loss, liability or reasonable expense (including the costs and expenses of its counsel and of investigating and defending against any claim of liability) arising out of or in connection with its acting as Trustee under the Owner Direction; provided, however, that the Trustee shall not be indemnified against any such loss, liability or expense resulting from its negligence, willful misconduct or bad faith.

In furtherance of the Trustee's ability to undertake any matters on behalf of the Directing Owner hereunder and under the Accompanying Document and to support any indemnification requested by the Trustee under this Section 4.08, the City agrees that the Trustee is entitled to a lien on any funds held by the Trustee hereunder for the purpose of covering all of the Trustee's fees and expenses (including reasonable attorney's fees) and any source of indemnification payments.

## **ARTICLE 5 MISCELLANEOUS PROVISIONS**

### **SECTION 5.01      Amendment.**

This Trust Agreement may be amended only by an agreement in writing signed by each of the parties hereto; provided, however, that all amendments must be consistent with the provisions of the Resolution and the Accompanying Document.

### **SECTION 5.02      Assignment.**

This Trust Agreement may be assigned by the Trustee only with the prior written consent of the City.

### **SECTION 5.03      Notices.**

Any request, demand; authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the City or the Trustee, respectively, shall be in writing and shall be hand delivered, sent by electronic-mail, facsimile transmission, by first-class United States mail, postage prepaid or such other readily accessible electronic means (so long as such recipient shall agree to the receipt of information by such means), to the addresses set forth below:

If to the City:

City of Compton

205 S. Willowbrook Avenue  
Compton, California 90220  
Attention: City Manager

If to the Trustee:

U.S. Bank National Association  
1420 Fifth Avenue, 7th Floor  
Seattle, Washington 98101  
Attention: Global Corporate Trust Services

**SECTION 5.04      Effect of Headings.**

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**SECTION 5.05      Successors and Assigns.**

All covenants and agreements herein by the City shall bind its successors and assigns, whether so expressed or not.

**SECTION 5.06      Severability.**

In case any provision herein shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 5.07      Benefits of Agreement.**

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

**SECTION 5.08      Entire Agreement.**

This Trust Agreement, the Resolution, the Direction Letter and the Accompanying Document constitute the entire agreement between the parties hereto and if any conflict exists between this Trust Agreement, the Resolution and the Accompanying Document, the Resolution and the Accompanying Document shall govern.

**SECTION 5.09      Counterparts.**

This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**SECTION 5.10      Termination.**

This Trust Agreement will terminate on the date of final payment of the principal of and interest on the 2016-17 TRANs to the Owner thereof or may be earlier terminated by any party



upon 60 days written notice; provided, however, an early termination of this Trust Agreement shall not be effective until (a) a successor Trustee has been appointed by the City and such appointment accepted and (b) notice has been given to the Owner of the 2016-17 TRANs of the appointment of a successor Trustee.

**SECTION 5.11      Governing Law.**

This Trust Agreement shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement as of the day and year first above written.

**CITY OF COMPTON**

By: \_\_\_\_\_  
Roger L. Haley, City Manager

**ATTESTED:**

By: \_\_\_\_\_  
Alita Godwin, City Clerk  
City Council of City of Compton

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Craig J. Cornwell, City Attorney

[Signature Page of the 2016-17 TRANs Trust Agreement]

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Greg E. Skutnik, Assistant Vice President

EXHIBIT A  
Accompanying Document