

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.

Macias Jini & O'Connell LLP

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
Assets:			
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>
Liabilities:			
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>
Net assets:			
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
Assets				
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	-	-	-
Total assets	<u>\$ 22,840,398</u>	<u>\$ 15,498,830</u>	<u>\$ 14,652,014</u>	<u>\$ -</u>
Liabilities and fund balances				
Liabilities:				
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	-	-	-
Total liabilities	<u>60,751,804</u>	<u>13,497,079</u>	<u>2,201,131</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid items	26,818	324,832	6,223	-
Inventories	244	-	-	-
Land held for resale	50,000	-	-	-
Restricted for:				
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)	-	-	-
Total fund balances (deficits)	<u>(37,911,406)</u>	<u>2,001,751</u>	<u>12,450,883</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 22,840,398</u>	<u>\$ 15,498,830</u>	<u>\$ 14,652,014</u>	<u>\$ -</u>

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
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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	45,570,967	13,465,849	19,436,890	447,858
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	47,056,521	14,744,891	15,231,943	8,751,640
Excess (deficiency) of revenues over (under) expenditures	(1,485,554)	(1,279,042)	4,204,947	(8,303,782)
Other financing sources (uses):				
Transfers in	7,559,019	-	-	-
Transfers out	(1,260,057)	-	-	(2,163,902)
Total other financing sources (uses)	6,298,962	-	-	(2,163,902)
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	(42,724,814)	3,280,793	8,245,936	25,687,563
Fund balances (deficits) at end of year	\$ (37,911,406)	\$ 2,001,751	\$ 12,450,883	\$ -

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
Assets						
Current assets:						
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
Noncurrent assets:						
Advances to other funds	13,562,060	83,266	7,733,138	169,991	21,548,455	-
Capital assets:						
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
Liabilities						
Current liabilities:						
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
Noncurrent liabilities:						
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
Net Assets (Deficit)						
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	<u>17,449,572</u>	<u>10,393,179</u>	<u>1,959,354</u>	<u>101,861</u>	<u>29,903,966</u>	<u>6,088,576</u>
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	<u>11,710,157</u>	<u>9,989,554</u>	<u>1,266,853</u>	<u>50,490</u>	<u>23,017,054</u>	<u>7,349,366</u>
Operating income (loss)	<u>5,739,415</u>	<u>403,625</u>	<u>692,501</u>	<u>51,371</u>	<u>6,886,912</u>	<u>(1,260,790)</u>
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)	<u>(12,592)</u>	<u>(48,069)</u>	<u>652,138</u>	<u>5</u>	<u>591,482</u>	<u>271</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,516,641)</u>
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	<u>6,974,258</u>	<u>(556,661)</u>	<u>3,013,739</u>	<u>48,925</u>	<u>9,480,261</u>	<u>(1,246,840)</u>
Net assets (deficit) at end of year	<u><u>\$ 12,701,081</u></u>	<u><u>\$ (201,105)</u></u>	<u><u>\$ 4,358,378</u></u>	<u><u>\$ 100,301</u></u>	<u><u>\$ 16,958,655</u></u>	<u><u>\$ (15,583,019)</u></u>

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	-
	<u>125,964,266</u>	<u>\$ 923,759</u>
Total assets		
	<u>125,964,266</u>	<u>\$ 923,759</u>
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	-
	<u>168,088,796</u>	<u>\$ 923,759</u>
Total liabilities		
	<u>168,088,796</u>	<u>\$ 923,759</u>
Net Assets (Deficit)		
Held in trust for other purposes	<u>\$ (42,124,530)</u>	

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	2,579,366
Total additions	<u>9,770,432</u>

Deductions:

Redevelopment	1,330,313
Debt service - interest	6,645,005
Depreciation	246,794
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 Governmental Funds
	General	Federal Grants	Retirement	Redevelopment	Public Finance Authority	Redevelopment	Low/Moderate Income Housing	
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.

	Governmental Activities
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.

	Business-Type Activities - Enterprise Funds					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:

	Enterprise Funds					Internal
	Water	Rubbish	Sewer	Nonmajor	Total	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:

	Special Assessments	Accounts	Grants	Loans	Total
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>
	Special Assessments	Accounts	Allowance	Total	
Business-type Activities					
Water Enterprise Fund	\$ -	\$ 2,949,073	\$ (562,620)	\$ 2,386,453	
Rubbish Enterprise Fund		41,515	(308,632)	1,186,680	
Sewer Enterprise Fund		48,954	(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:

	Balance
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:

	Balance at July 1, 2011, as restated	Additions	Deletions	Transfer to Successor Agency	Balance at June 30, 2012
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	<u>174,171,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,171,454</u>
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	<u>(95,490,440)</u>	<u>(5,299,094)</u>	<u>-</u>	<u>-</u>	<u>(100,789,534)</u>
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:

	Balance at July 1, 2011, as restated	Additions	Deletions	Balance at June 30, 2012
Business-type activities				
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	10,553,832	11,826,470	(4,053,808)	18,326,494
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	30,589,434	4,053,808	-	34,643,242
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	(21,429,309)	(1,258,087)	-	(22,687,396)
Total capital assets, being depreciated, net	9,160,125	2,795,721	-	11,955,846
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	852,164
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:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
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
Total Governmental Funds	13,625,008	14,267,237
Internal Service Funds	114,564	-
Enterprise Funds:		
Water Enterprise Fund	348,966	75,389
Rubbish Enterprise Fund	743,752	-
Sewer Enterprise Fund	625	490,289
Total Enterprise Funds	1,093,343	565,678
Total	\$ 14,832,915	\$ 14,832,915

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:

	Advances From Other Funds	Advances To Other Funds
Governmental Funds:		
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
Total Governmental Funds	<u>41,901,757</u>	<u>20,353,302</u>
Enterprise Funds:		
Water Enterprise Fund	-	13,562,060
Rubbish Enterprise Fund	-	83,266
Sewer Enterprise Fund	-	7,733,138
Nonmajor enterprise funds	-	169,991
Total Enterprise Funds	<u>-</u>	<u>21,548,455</u>
Total	<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

Transfers Out	Transfers In				
	General Fund	Public Finance Authority Capital Projects Fund	Redevelopment Capital Projects Fund	Compton Housing Authority Capital Projects Fund	Total
Governmental Funds:					
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
Internal Service Funds	7,559,019	-	-	-	7,559,019
Total	<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:

Governmental Activities	Balance July 1, 2011, as restated	Additions	Retirements	Transfer to Successor Agency	Balance June 30, 2012	Amount due Within One Year
Debt long-term liabilities:						
Bonds payable:						
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	-	-
Total bonds payable	204,187,801	1,644,726	(8,427,806)	(152,207,616)	45,197,105	-
Mortgage loan payable:						
Energy retrofit/revenue enhancement	3,067,194	-	(149,588)	-	2,917,606	168,749
Capital lease obligations						
Tree trimming and other equipment	710,991	-	(280,967)	-	430,024	234,021
Notes payable:						
Housing Section 108 notes	4,100,000	-	(300,000)	-	3,800,000	300,000
Energy conservation assistance loan	103,875	-	(103,875)	-	-	-
Total notes payable	4,203,875	-	(403,875)	-	3,800,000	300,000
Tax sharing obligations:						
Tax sharing indebtedness	1,676,476	-	-	(1,676,476)	-	-
Other long-term liabilities:						
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	-
Total other long-term liabilities	56,794,044	21,869,293	(13,706,947)	-	64,956,390	13,603,929
Total governmental activities long-term liabilities	\$ 270,640,381	\$ 23,514,019	\$ (22,969,183)	\$ (153,884,092)	\$ 117,301,125	\$ 14,306,699

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:

Year Ending June 30	Bonds Payable	
	Principal	Interest
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
Total	\$ 45,730,000	\$ 30,798,144

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:

Year Ending June 30	Mortgage Loan	
	Principal	Interest
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:

Year Ending June 30	Housing Section 108 Note	
	Principal	Interest
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:

Business-type Activities	Balance July 1, 2011, as restated	Additions	Retirements	Balance June 30, 2012	Amount due Within One Year
Debt long-term liabilities					
Bonds payable:					
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)	-	-
Other long-term liabilities:					
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>
Total business-type activities long-term liabilities	<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
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes in the provision for the events of prior fiscal years	1,680,644	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
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes in the provision for the events of prior fiscal years	1,089,791	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:

Valuation Date	Entry Age Normal Cost Actuarial Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Actuarial Accrued Liability (UAAL) (A-B)	Funded Ratio (B/A)	Annual Covered Payroll (C)	UAAL as a % of Covered Payroll [(A-B)/C]
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:

Annual Pension Cost (Employer Contribution)						
Fiscal					Percentage	Net Pension
Year	Safety - Fire	Safety - Police	Miscellaneous		of APC	Obligation
					Contributed	
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:

	Police	Fire	Miscellaneous	Total
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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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:

Entry Age Normal Cost Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
(A)	(B)	(A-B)	(A/B)	(C)	(A-B)/C
\$ 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:

No.	Fiscal Year	Beginning Loan Balance	Interest 0.495%	Repayment	Ending Loan Balance
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:

Borrower	Balance	Allowance	Net Balance
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:

Borrower	Balance at February 1, 2012	Repayments	Balance at June 30, 2012
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><u>\$ 20,457,836</u></u>	<u><u>\$ 2,639,553</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,097,389</u></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
Debt long-term liabilities					
Bonds payable:					
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)	-
Total bonds payable	<u>152,207,616</u>	<u>1,174,805</u>	<u>29,871</u>	<u>153,412,292</u>	<u>8,920,000</u>
Other long-term liabilities					
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	-
Total other long-term liabilities	<u>1,676,476</u>	<u>5,832,792</u>	<u>(992,627)</u>	<u>6,516,641</u>	<u>1,000,000</u>
Total Successor Agency long-term liabilities	<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	<u>\$ (43,957,405)</u>	<u>\$ (44,448,345)</u>	<u>\$ (37,911,406)</u>	<u>\$ 581,781</u>

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	<u>15,697,404</u>	<u>15,697,404</u>	<u>19,436,890</u>	<u>3,739,486</u>
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	<u>1,282,223</u>	<u>1,249,234</u>	<u>1,142,660</u>	<u>106,574</u>
Total expenditures	<u>15,697,406</u>	<u>15,427,161</u>	<u>15,231,943</u>	<u>195,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2)</u>	<u>270,243</u>	<u>4,204,947</u>	<u>3,934,704</u>
Net change in fund balance	(2)	270,243	4,204,947	3,934,704
Fund balance at beginning of year, as restated	<u>8,245,936</u>	<u>8,245,936</u>	<u>8,245,936</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,245,934</u>	<u>\$ 8,516,179</u>	<u>\$ 12,450,883</u>	<u>\$ 3,934,704</u>

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

Valuation Date	Entry Age Normal Cost Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(A)	(B)	(A-B)	(B/A)	(C)	[(A-B)/C]
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)

Valuation Date	Entry Age Normal Cost Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(A)	(B)	(A-B)	(B/A)	(C)	[(A-B)/C]
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
Assets			
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>
Liabilities and Fund Balances			
Liabilities:			
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>
Fund balances:			
Restricted for:			
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><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 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
	<u>42,000</u>	<u>8,490</u>	<u>50,490</u>
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
Assets				
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>
Liabilities				
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>
Net Assets				
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>