

**CITY OF COMPTON, CALIFORNIA**

Annual Financial Report

For the Fiscal Year Ended June 30, 2013



**Certified Public Accountants.**

**CITY OF COMPTON, CALIFORNIA**

Annual Financial Report  
For the Fiscal Year Ended June 30, 2013

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Sacramento

Walnut Creek

Century City

Newport Beach

San Diego

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Compton, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 13 to the basic financial statements, the City's General Fund had a deficit fund balance of \$36,381,141 and advances from other funds in the amount of \$41,665,653 as of June 30, 2013. This indicated a significant liquidity problem at June 30, 2013. Management's plan to reduce the deficit and the repayment plan for the due from and advances from other funds are described in Note 13. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the General Fund, major Federal Grants and Retirement Special Revenue Funds, and the schedules of funding progress listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Los Angeles, California  
August 13, 2015

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## **BASIC FINANCIAL STATEMENTS**

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# CITY OF COMPTON, CALIFORNIA

## Statement of Net Position

June 30, 2013

|                                  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|----------------------------------|----------------------------|-----------------------------|----------------------|
| Assets:                          |                            |                             |                      |
| Cash and investments             | \$ 26,634,779              | \$ 6,744,257                | \$ 33,379,036        |
| Restricted cash and investments  | 40,274,633                 | 28,523,056                  | 68,797,689           |
| Receivables, net                 | 4,359,439                  | 4,563,504                   | 8,922,943            |
| Internal balances                | (21,571,441)               | 21,571,441                  | -                    |
| Inventories                      | 35,028                     | 471,403                     | 506,431              |
| Prepaid expenses                 | 822,250                    | -                           | 822,250              |
| Deposits                         | 1,433                      | 1,278                       | 2,711                |
| Loans receivable                 | 23,918,729                 | -                           | 23,918,729           |
| Land held for resale             | 11,377,544                 | -                           | 11,377,544           |
| Capital assets:                  |                            |                             |                      |
| Nondepreciable                   | 32,649,240                 | 5,265,177                   | 37,914,417           |
| Depreciable, net                 | 93,648,683                 | 32,878,210                  | 126,526,893          |
| Deferred bond issuance costs     | 829,025                    | 1,174,347                   | 2,003,372            |
| Total assets                     | <u>212,979,342</u>         | <u>101,192,673</u>          | <u>314,172,015</u>   |
| Liabilities:                     |                            |                             |                      |
| Accounts payable                 | 4,215,107                  | 2,198,523                   | 6,413,630            |
| Accrued liabilities              | 3,656,387                  | 1,062,704                   | 4,719,091            |
| Accrued interest payable         | 773,296                    | 1,486,488                   | 2,259,784            |
| Deposits                         | 52,625                     | 1,400,886                   | 1,453,511            |
| Unearned revenue                 | 4,323,626                  | -                           | 4,323,626            |
| Advances from Successor Agency   | 6,537,530                  | -                           | 6,537,530            |
| Long-term liabilities:           |                            |                             |                      |
| Due within one year              | 13,312,315                 | 1,958,516                   | 15,270,831           |
| Due within more than one year    | 106,412,535                | 67,505,921                  | 173,918,456          |
| Total liabilities                | <u>139,283,421</u>         | <u>75,613,038</u>           | <u>214,896,459</u>   |
| Net Position:                    |                            |                             |                      |
| Net investment in capital assets | 99,554,379                 | (638,484)                   | 98,915,895           |
| Restricted for:                  |                            |                             |                      |
| Low/moderate income housing      | 54,098,703                 | -                           | 54,098,703           |
| Retirement                       | 8,107,899                  | -                           | 8,107,899            |
| Federal grants                   | 8,774,771                  | -                           | 8,774,771            |
| Road improvements                | 7,469,648                  | -                           | 7,469,648            |
| Transit systems                  | 341,494                    | -                           | 341,494              |
| Police services                  | 43,703                     | -                           | 43,703               |
| Recycling and clean air          | 350,346                    | -                           | 350,346              |
| Unrestricted (deficit)           | (105,045,022)              | 26,218,119                  | (78,826,903)         |
| Total net position               | <u>\$ 73,695,921</u>       | <u>\$ 25,579,635</u>        | <u>\$ 99,275,556</u> |

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Statement of Activities For the Fiscal Year Ended June 30, 2013

| Functions/Programs               | Expenses       | Program Revenues     |                                    |                                  |
|----------------------------------|----------------|----------------------|------------------------------------|----------------------------------|
|                                  |                | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities:         |                |                      |                                    |                                  |
| General government               | \$ 23,815,974  | \$ 1,820,342         | \$ 114,222                         | \$ -                             |
| Public safety                    | 32,847,029     | 2,884,376            | 579,347                            | 29,136                           |
| Public works                     | 11,974,466     | 278                  | 4,394,674                          | 4,371,214                        |
| Management services              | 13,067,518     | 4,534,968            | -                                  | -                                |
| Environmental and human services | 14,709,195     | 33,100               | 15,741,247                         | -                                |
| Interest on long-term debt       | 2,830,797      | -                    | -                                  | -                                |
| Total governmental activities    | 99,244,979     | 9,273,064            | 20,829,490                         | 4,400,350                        |
| Business-type activities:        |                |                      |                                    |                                  |
| Water                            | 12,924,138     | 19,237,816           | -                                  | -                                |
| Rubbish                          | 10,574,919     | 10,538,244           | -                                  | -                                |
| Sewer                            | 935,680        | 1,890,852            | -                                  | -                                |
| Golf course                      | 37,300         | 79,207               | -                                  | -                                |
| Recreational                     | -              | 135                  | -                                  | -                                |
| Total business-type activities   | 24,472,037     | 31,746,254           | -                                  | -                                |
| Total                            | \$ 123,717,016 | \$ 41,019,318        | \$ 20,829,490                      | \$ 4,400,350                     |

### General revenues:

#### Taxes:

Property taxes

Utility user taxes

Franchise taxes

Special assessments

Transient occupancy taxes

Real property transfer taxes

Intergovernmental not restricted to specific programs

Investment earnings

Other income

#### Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Statement of Activities For the Fiscal Year Ended June 30, 2013

| Net (Expense) Revenue<br>and Change in Net Position |                             |                 |
|-----------------------------------------------------|-----------------------------|-----------------|
| Governmental<br>Activities                          | Business-Type<br>Activities | Total           |
| \$ (21,881,410)                                     | \$ -                        | \$ (21,881,410) |
| (29,354,170)                                        | -                           | (29,354,170)    |
| (3,208,300)                                         | -                           | (3,208,300)     |
| (8,532,550)                                         | -                           | (8,532,550)     |
| 1,065,152                                           | -                           | 1,065,152       |
| (2,830,797)                                         | -                           | (2,830,797)     |
| (64,742,075)                                        | -                           | (64,742,075)    |
| -                                                   | 6,313,678                   | 6,313,678       |
| -                                                   | (36,675)                    | (36,675)        |
| -                                                   | 955,172                     | 955,172         |
| -                                                   | 41,907                      | 41,907          |
| -                                                   | 135                         | 135             |
| -                                                   | 7,274,217                   | 7,274,217       |
| (64,742,075)                                        | 7,274,217                   | (57,467,858)    |
| 3,327,856                                           | -                           | 3,327,856       |
| 13,698,341                                          | -                           | 13,698,341      |
| 1,788,870                                           | -                           | 1,788,870       |
| 25,241,685                                          | 999,448                     | 26,241,133      |
| 115,636                                             | -                           | 115,636         |
| 191,137                                             | -                           | 191,137         |
| 16,066,790                                          | -                           | 16,066,790      |
| 142,862                                             | 107,615                     | 250,477         |
| 2,425,348                                           | -                           | 2,425,348       |
| 131,606                                             | (131,606)                   | -               |
| 63,130,131                                          | 975,457                     | 64,105,588      |
| (1,611,944)                                         | 8,249,674                   | 6,637,730       |
| 75,307,865                                          | 17,329,961                  | 92,637,826      |
| \$ 73,695,921                                       | \$ 25,579,635               | \$ 99,275,556   |

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Balance Sheet Governmental Funds June 30, 2013

|                                            | General              | Special Revenue      |                      | Capital Projects         |
|--------------------------------------------|----------------------|----------------------|----------------------|--------------------------|
|                                            |                      | Federal Grants       | Retirement           | Public Finance Authority |
| <b>Assets</b>                              |                      |                      |                      |                          |
| Cash and investments                       | \$ 161,269           | \$ 5,961,224         | \$ 7,398,729         | \$ 124,899               |
| Restricted cash and investments            | 1,850,353            | -                    | -                    | 21,422,699               |
| Taxes and special assessments receivable   | 2,368,448            | -                    | 328,997              | -                        |
| Accounts receivable                        | 496,799              | 560,352              | -                    | -                        |
| Grants receivable                          | -                    | 2,465                | -                    | -                        |
| Due from other funds                       | 5,051,640            | -                    | -                    | -                        |
| Prepaid items                              | 37,027               | -                    | 785,223              | -                        |
| Inventories                                | 244                  | -                    | -                    | -                        |
| Deposits                                   | -                    | -                    | -                    | 1,433                    |
| Advances to other funds                    | -                    | 1,143,865            | 10,327,505           | 807,050                  |
| Loans receivable                           | -                    | 5,846,027            | -                    | -                        |
| Land held for resale                       | 50,000               | -                    | -                    | -                        |
| <b>Total assets</b>                        | <b>\$ 10,015,780</b> | <b>\$ 13,513,933</b> | <b>\$ 18,840,454</b> | <b>\$ 22,356,081</b>     |
| <b>Liabilities and fund balances</b>       |                      |                      |                      |                          |
| <b>Liabilities:</b>                        |                      |                      |                      |                          |
| Accounts payable                           | \$ 1,360,791         | \$ 313,983           | \$ 831,211           | \$ 716,602               |
| Accrued liabilities                        | 3,317,852            | 99,953               | -                    | -                        |
| Unearned revenue                           | -                    | 4,033,559            | -                    | -                        |
| Due to other funds                         | -                    | 291,667              | -                    | 152,677                  |
| Deposits                                   | 52,625               | -                    | -                    | -                        |
| Deferred revenue                           | -                    | 5,846,027            | -                    | -                        |
| Advances from fiduciary funds              | -                    | -                    | -                    | -                        |
| Advances from other funds                  | 41,665,653           | -                    | -                    | -                        |
| <b>Total liabilities</b>                   | <b>46,396,921</b>    | <b>10,585,189</b>    | <b>831,211</b>       | <b>869,279</b>           |
| <b>Fund balances:</b>                      |                      |                      |                      |                          |
| <b>Nonspendable:</b>                       |                      |                      |                      |                          |
| Prepaid items                              | 37,027               | -                    | 785,223              | -                        |
| Inventories                                | 244                  | -                    | -                    | -                        |
| Land held for resale                       | 50,000               | -                    | -                    | -                        |
| <b>Restricted for:</b>                     |                      |                      |                      |                          |
| Debt service                               | -                    | -                    | -                    | 3,949,138                |
| Capital projects                           | -                    | -                    | -                    | 17,537,664               |
| Federal grants                             | -                    | 2,928,744            | -                    | -                        |
| Retirement                                 | -                    | -                    | 17,224,020           | -                        |
| Road improvements                          | -                    | -                    | -                    | -                        |
| Transit systems                            | -                    | -                    | -                    | -                        |
| Police services                            | -                    | -                    | -                    | -                        |
| Recycling and clean air                    | -                    | -                    | -                    | -                        |
| Low/moderate income housing                | -                    | -                    | -                    | -                        |
| <b>Committed to:</b>                       |                      |                      |                      |                          |
| Regional park                              | 2,500,000            | -                    | -                    | -                        |
| Unassigned                                 | (38,968,412)         | -                    | -                    | -                        |
| <b>Total fund balances (deficits)</b>      | <b>(36,381,141)</b>  | <b>2,928,744</b>     | <b>18,009,243</b>    | <b>21,486,802</b>        |
| <b>Total liabilities and fund balances</b> | <b>\$ 10,015,780</b> | <b>\$ 13,513,933</b> | <b>\$ 18,840,454</b> | <b>\$ 22,356,081</b>     |

See Accompanying Notes to Basic Financial Statements.

# CITY OF COMPTON, CALIFORNIA

## Balance Sheet Governmental Funds June 30, 2013

| Capital Projects<br>Compton<br>Housing<br>Authority | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------|-----------------------------------|--------------------------------|
| \$ 3,375,661                                        | \$ 8,392,991                      | \$ 25,414,773                  |
| 17,001,581                                          | -                                 | 40,274,633                     |
| -                                                   | 178,739                           | 2,876,184                      |
| -                                                   | 31,124                            | 1,088,275                      |
| -                                                   | 392,515                           | 394,980                        |
| -                                                   | 1,300                             | 5,052,940                      |
| -                                                   | -                                 | 822,250                        |
| -                                                   | -                                 | 244                            |
| -                                                   | -                                 | 1,433                          |
| 5,354,374                                           | 2,461,418                         | 20,094,212                     |
| 18,072,702                                          | -                                 | 23,918,729                     |
| 11,327,544                                          | -                                 | 11,377,544                     |
| <u>\$ 55,131,862</u>                                | <u>\$ 11,458,087</u>              | <u>\$ 131,316,197</u>          |

|                   |                  |                   |
|-------------------|------------------|-------------------|
| -                 | \$ 805,253       | \$ 4,027,840      |
| 12,270            | 183,886          | 3,613,961         |
| -                 | 290,067          | 4,323,626         |
| -                 | 4,455,776        | 4,900,120         |
| -                 | -                | 52,625            |
| 18,072,702        | -                | 23,918,729        |
| 1,020,889         | -                | 1,020,889         |
| -                 | -                | 41,665,653        |
| <u>19,105,861</u> | <u>5,734,982</u> | <u>83,523,443</u> |

|                      |                      |                       |
|----------------------|----------------------|-----------------------|
| -                    | -                    | 822,250               |
| -                    | -                    | 244                   |
| -                    | -                    | 50,000                |
| -                    | -                    | 3,949,138             |
| -                    | -                    | 17,537,664            |
| -                    | -                    | 2,928,744             |
| -                    | -                    | 17,224,020            |
| -                    | 7,469,648            | 7,469,648             |
| -                    | 341,494              | 341,494               |
| -                    | 43,703               | 43,703                |
| -                    | 350,346              | 350,346               |
| 36,026,001           | -                    | 36,026,001            |
| -                    | -                    | 2,500,000             |
| -                    | (2,482,086)          | (41,450,498)          |
| <u>36,026,001</u>    | <u>5,723,105</u>     | <u>47,792,754</u>     |
| <u>\$ 55,131,862</u> | <u>\$ 11,458,087</u> | <u>\$ 131,316,197</u> |

See Accompanying Notes to Basic Financial Statements.

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**CITY OF COMPTON, CALIFORNIA**  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2013

Fund balances of governmental funds \$ 47,792,754

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

Capital related items

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

|                                        |               |
|----------------------------------------|---------------|
| Capital assets, not being depreciated  | 32,605,131    |
| Capital assets, being depreciated, net | 263,574,102   |
| Accumulated depreciation               | (169,985,894) |

Long-term liabilities transactions

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

|                                                             |              |
|-------------------------------------------------------------|--------------|
| Other postemployment benefits obligation                    | (34,827,272) |
| Compensated absences                                        | (4,565,007)  |
| Bonds payable, net                                          | (45,222,481) |
| Mortgage and notes payable                                  | (6,248,858)  |
| Deferred bond issuance costs                                | 829,025      |
| Capital lease obligations                                   | (109,800)    |
| Pension liability                                           | (9,116,121)  |
| Liabilities resulting from redevelopment agency dissolution | (6,159,729)  |

Accrued interest

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

(773,296)

Internal Service Funds

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

(18,015,362)

Unearned revenue

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

23,918,729

|                                         |                      |
|-----------------------------------------|----------------------|
| Net position of governmental activities | <u>\$ 73,695,921</u> |
|-----------------------------------------|----------------------|

**CITY OF COMPTON, CALIFORNIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

|                                                            |                 | Special Revenue |               | Capital Projects  |
|------------------------------------------------------------|-----------------|-----------------|---------------|-------------------|
|                                                            |                 | Federal         |               | Public            |
|                                                            | General         | Grants          | Retirement    | Finance Authority |
| Revenues:                                                  |                 |                 |               |                   |
| Taxes and special assessments                              | \$ 27,173,000   | \$ -            | \$ 20,583,580 | \$ -              |
| Licenses and permits                                       | 3,845,518       | -               | -             | -                 |
| Intergovernmental revenues                                 | 9,671,896       | 15,585,998      | 304,874       | -                 |
| Fines, forfeitures, and penalties                          | 1,606,039       | -               | -             | -                 |
| Use of money and property                                  | 1,135,488       | 22,650          | 50,869        | 4,906             |
| Charges for services                                       | 5,991,239       | -               | -             | -                 |
| Other                                                      | 114,222         | 506,751         | -             | -                 |
| Total revenues                                             | 49,537,402      | 16,115,399      | 20,939,323    | 4,906             |
| Expenditures:                                              |                 |                 |               |                   |
| Current:                                                   |                 |                 |               |                   |
| General government                                         | 7,014,777       | -               | 956,776       | -                 |
| Public safety                                              | 31,864,433      | 593,551         | 4,878,981     | -                 |
| Public works                                               | 490,146         | -               | 12,496        | -                 |
| Management services                                        | 4,676,310       | -               | 8,520,498     | 70,151            |
| Environmental and human services                           | 3,191,992       | 14,413,663      | 1,012,212     | -                 |
| Debt service:                                              |                 |                 |               |                   |
| Principal                                                  | 298,748         | 300,000         | -             | -                 |
| Interest                                                   | 350,143         | 52,488          | -             | 2,319,888         |
| Capital outlay                                             | 20,313          | 80,504          | -             | 672,023           |
| Total expenditures                                         | 47,906,862      | 15,440,206      | 15,380,963    | 3,062,062         |
| Excess (deficiency) of revenues over (under) expenditures  | 1,630,540       | 675,193         | 5,558,360     | (3,057,156)       |
| Other financing sources (uses):                            |                 |                 |               |                   |
| Transfers in                                               | -               | -               | -             | 100,275           |
| Transfers out                                              | (100,275)       | -               | -             | -                 |
| Total other financing sources (uses)                       | (100,275)       | -               | -             | 100,275           |
| Net change in fund balances                                | 1,530,265       | 675,193         | 5,558,360     | (2,956,881)       |
| Fund balances (deficits) at beginning of year, as restated | (37,911,406)    | 2,253,551       | 12,450,883    | 24,443,683        |
| Fund balances (deficits) at end of year                    | \$ (36,381,141) | \$ 2,928,744    | \$ 18,009,243 | \$ 21,486,802     |

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

| <u>Capital Projects</u> |                     |                      |
|-------------------------|---------------------|----------------------|
| <u>Compton</u>          | <u>Nonmajor</u>     | <u>Total</u>         |
| <u>Housing</u>          | <u>Governmental</u> | <u>Governmental</u>  |
| <u>Authority</u>        | <u>Funds</u>        | <u>Funds</u>         |
| \$ -                    | \$ 4,353,182        | \$ 52,109,762        |
| -                       | -                   | 3,845,518            |
| -                       | 9,255,964           | 34,818,732           |
| -                       | -                   | 1,606,039            |
| 26,797                  | 128,934             | 1,369,644            |
| -                       | 13,003              | 6,004,242            |
| 18,000                  | 12,379              | 651,352              |
| <u>44,797</u>           | <u>13,763,462</u>   | <u>100,405,289</u>   |
| -                       | 72,154              | 8,043,707            |
| -                       | 154,685             | 37,491,650           |
| -                       | 6,219,745           | 6,722,387            |
| -                       | 26,178              | 13,293,137           |
| 846                     | 1,192,248           | 19,810,961           |
| -                       | -                   | 598,748              |
| -                       | -                   | 2,722,519            |
| -                       | 579,488             | 1,352,328            |
| <u>846</u>              | <u>8,244,498</u>    | <u>90,035,437</u>    |
| <u>43,951</u>           | <u>5,518,964</u>    | <u>10,369,852</u>    |
| -                       | 131,606             | 231,881              |
| -                       | -                   | (100,275)            |
| -                       | 131,606             | 131,606              |
| <u>43,951</u>           | <u>5,650,570</u>    | <u>10,501,458</u>    |
| <u>35,982,050</u>       | <u>72,535</u>       | <u>37,291,296</u>    |
| <u>\$ 36,026,001</u>    | <u>\$ 5,723,105</u> | <u>\$ 47,792,754</u> |

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 10,501,458

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

Capital related items

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

|                              |             |
|------------------------------|-------------|
| Capital outlay, net          | 741,862     |
| Depreciation expense         | (7,561,611) |
| Adjustment to capital assets | (173,109)   |

Long-term liabilities transactions

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

|                                                                    |             |
|--------------------------------------------------------------------|-------------|
| Principal payments                                                 | 598,748     |
| Amortization of bond discount, issuance cost and loss on refunding | (108,278)   |
| Decrease in compensated absences                                   | 577,601     |
| Decrease in pension liability                                      | 3,492,710   |
| Increase in other postemployment benefits obligation               | (5,288,627) |

Internal Service Funds

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

(2,432,343)

Deferred revenue

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

(1,960,356)

|                                                   |                |
|---------------------------------------------------|----------------|
| Change in net position of governmental activities | \$ (1,611,945) |
|---------------------------------------------------|----------------|

# CITY OF COMPTON, CALIFORNIA

## Statement of Net Position

### Proprietary Funds

June 30, 2013

|                                           | Water         | Rubbish      | Sewer        | Nonmajor   | Total         | Internal<br>Service Funds |
|-------------------------------------------|---------------|--------------|--------------|------------|---------------|---------------------------|
| <b>Assets</b>                             |               |              |              |            |               |                           |
| Current assets:                           |               |              |              |            |               |                           |
| Cash and investments                      | \$ 5,529,830  | \$ 30,004    | \$ 1,142,309 | \$ 42,114  | \$ 6,744,257  | \$ 1,220,006              |
| Restricted cash and investments           | 14,095,940    | 109,816      | 14,317,300   | -          | 28,523,056    | -                         |
| Special assessments receivable            | 1,923         | 29,986       | 26,715       | -          | 58,624        | -                         |
| Accounts receivable, net                  | 2,985,331     | 1,233,114    | 285,186      | 1,249      | 4,504,880     | -                         |
| Due from other funds                      | -             | -            | -            | -          | -             | 13,661                    |
| Inventories                               | 471,403       | -            | -            | -          | 471,403       | 34,784                    |
| Deposit                                   | -             | 1,278        | -            | -          | 1,278         | -                         |
| Total current assets                      | 23,084,427    | 1,404,198    | 15,771,510   | 43,363     | 40,303,498    | 1,268,451                 |
| Noncurrent assets:                        |               |              |              |            |               |                           |
| Advances to other funds                   | 13,629,192    | -            | 7,771,417    | 170,832    | 21,571,441    | -                         |
| Capital assets:                           |               |              |              |            |               |                           |
| Nondepreciable                            | 3,838,689     | -            | 1,426,488    | -          | 5,265,177     | 44,109                    |
| Depreciable, net                          | 28,065,851    | 111,088      | 4,701,271    | -          | 32,878,210    | 60,475                    |
| Deferred bond issuance costs              | 578,840       | -            | 595,507      | -          | 1,174,347     | -                         |
| Total noncurrent assets                   | 46,112,572    | 111,088      | 14,494,683   | 170,832    | 60,889,175    | 104,584                   |
| Total assets                              | 69,196,999    | 1,515,286    | 30,266,193   | 214,195    | 101,192,673   | 1,373,035                 |
| <b>Liabilities</b>                        |               |              |              |            |               |                           |
| Current liabilities:                      |               |              |              |            |               |                           |
| Accounts payable                          | 1,660,104     | 500,618      | 37,801       | -          | 2,198,523     | 187,267                   |
| Due to other funds                        | -             | -            | -            | -          | -             | 166,481                   |
| Accrued liabilities                       | 791,873       | 245,596      | 25,235       | -          | 1,062,704     | 42,426                    |
| Accrued interest payable                  | 1,030,325     | 17,200       | 438,963      | -          | 1,486,488     | -                         |
| Deposits                                  | 1,332,052     | -            | -            | 68,834     | 1,400,886     | -                         |
| Other postemployment benefits obligations | 145,504       | 11,569       | 7,236        | 242        | 164,551       | -                         |
| Self-insurance claims                     | -             | -            | -            | -          | -             | 2,232,082                 |
| Bonds and notes payable                   | 765,000       | 90,000       | 680,000      | -          | 1,535,000     | -                         |
| Capital lease                             | -             | -            | -            | -          | -             | 85,104                    |
| Compensated absences                      | 198,163       | 9,186        | 51,616       | -          | 258,965       | 31,346                    |
| Total current liabilities                 | 5,923,021     | 874,169      | 1,240,851    | 69,076     | 8,107,117     | 2,744,706                 |
| Noncurrent liabilities:                   |               |              |              |            |               |                           |
| Advances from fiduciary funds             | -             | -            | -            | -          | -             | 5,516,641                 |
| Other postemployment benefits obligations | 1,164,527     | 92,592       | 57,912       | 1,934      | 1,316,965     | -                         |
| Self-insurance claims                     | -             | -            | -            | -          | -             | 10,994,369                |
| Bonds and notes payable                   | 42,370,218    | 770,000      | 22,629,709   | -          | 65,769,927    | -                         |
| Compensated absences                      | 373,221       | 15,892       | 29,916       | -          | 419,029       | 132,681                   |
| Total noncurrent liabilities              | 43,907,966    | 878,484      | 22,717,537   | 1,934      | 67,505,921    | 16,643,691                |
| Total liabilities                         | 49,830,987    | 1,752,653    | 23,958,388   | 71,010     | 75,613,038    | 19,388,397                |
| <b>Net Position</b>                       |               |              |              |            |               |                           |
| Net investment in capital assets          | 2,865,262     | (639,096)    | (2,864,650)  | -          | (638,484)     | 19,480                    |
| Unrestricted (deficit)                    | 16,500,750    | 401,729      | 9,172,455    | 143,185    | 26,218,119    | (18,034,842)              |
| Total net position                        | \$ 19,366,012 | \$ (237,367) | \$ 6,307,805 | \$ 143,185 | \$ 25,579,635 | \$ (18,015,362)           |

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

|                                                   | Water                | Rubbish             | Sewer               | Nonmajor          | Total                | Internal<br>Service Funds |
|---------------------------------------------------|----------------------|---------------------|---------------------|-------------------|----------------------|---------------------------|
| Operating revenues:                               |                      |                     |                     |                   |                      |                           |
| Charges for services                              | \$ 19,237,816        | \$ 10,538,244       | \$ -                | \$ 79,342         | \$ 29,855,402        | \$ -                      |
| Charges to other funds                            | -                    | -                   | -                   | -                 | -                    | 5,138,729                 |
| Sewer capital improvement charges                 | -                    | -                   | 1,890,852           | -                 | 1,890,852            | -                         |
| Other                                             | -                    | -                   | -                   | -                 | -                    | 407,484                   |
| Total operating revenues                          | <u>19,237,816</u>    | <u>10,538,244</u>   | <u>1,890,852</u>    | <u>79,342</u>     | <u>31,746,254</u>    | <u>5,546,213</u>          |
| Operating expenses:                               |                      |                     |                     |                   |                      |                           |
| Public works                                      | -                    | -                   | 355,262             | 37,300            | 392,562              | -                         |
| Administration and<br>personnel services          | -                    | 203,411             | -                   | -                 | 203,411              | 4,105,044                 |
| Environmental and<br>personnel services           | 11,667,286           | 10,312,998          | -                   | -                 | 21,980,284           | -                         |
| Basic maintenance and services                    | -                    | -                   | 48,741              | -                 | 48,741               | -                         |
| Self-insurance services                           | -                    | -                   | -                   | -                 | -                    | 3,770,561                 |
| Depreciation                                      | 1,256,530            | 16,890              | 202,764             | -                 | 1,476,184            | 90,926                    |
| Total operating expenses                          | <u>12,923,816</u>    | <u>10,533,299</u>   | <u>606,767</u>      | <u>37,300</u>     | <u>24,101,182</u>    | <u>7,966,531</u>          |
| Operating income (loss)                           | <u>6,314,000</u>     | <u>4,945</u>        | <u>1,284,085</u>    | <u>42,042</u>     | <u>7,645,072</u>     | <u>(2,420,318)</u>        |
| Nonoperating revenues (expenses):                 |                      |                     |                     |                   |                      |                           |
| Investment income                                 | 67,472               | 413                 | 38,888              | 842               | 107,615              | -                         |
| Interest expense                                  | (322)                | (41,620)            | (328,913)           | -                 | (370,855)            | (12,025)                  |
| Taxes and special assessments                     | 44,081               | -                   | 955,367             | -                 | 999,448              | -                         |
| Total nonoperating<br>revenues (expenses)         | <u>111,231</u>       | <u>(41,207)</u>     | <u>665,342</u>      | <u>842</u>        | <u>736,208</u>       | <u>(12,025)</u>           |
| Income (loss) before transfers                    | 6,425,231            | (36,262)            | 1,949,427           | 42,884            | 8,381,280            | (2,432,343)               |
| Transfers out                                     | <u>(131,606)</u>     | <u>-</u>            | <u>-</u>            | <u>-</u>          | <u>(131,606)</u>     | <u>-</u>                  |
| Change in net position                            | 6,293,625            | (36,262)            | 1,949,427           | 42,884            | 8,249,674            | (2,432,343)               |
| Net position at beginning of year,<br>as restated | <u>13,072,387</u>    | <u>(201,105)</u>    | <u>4,358,378</u>    | <u>100,301</u>    | <u>17,329,961</u>    | <u>(15,583,019)</u>       |
| Net position at end of year                       | <u>\$ 19,366,012</u> | <u>\$ (237,367)</u> | <u>\$ 6,307,805</u> | <u>\$ 143,185</u> | <u>\$ 25,579,635</u> | <u>\$ (18,015,362)</u>    |

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

|                                                                                                           | Water         | Rubbish       | Sewer         | Nonmajor  | Total         | Internal<br>Service Funds |
|-----------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|-----------|---------------|---------------------------|
| Cash flows from operating activities:                                                                     |               |               |               |           |               |                           |
| Cash received from customers                                                                              | \$ 18,778,944 | \$ 10,461,824 | \$ 1,843,549  | \$ 84,359 | \$ 31,168,676 | \$ -                      |
| Cash received from interfund services, net                                                                | -             | -             | -             | -         | -             | 2,111,475                 |
| Cash received from others                                                                                 | -             | -             | -             | -         | -             | 407,484                   |
| Cash payments to suppliers for goods and services                                                         | (9,114,799)   | (10,945,921)  | (112,668)     | (42,246)  | (20,215,634)  | (1,891,148)               |
| Cash payments to employees for services                                                                   | (1,711,837)   | (182,789)     | (229,869)     | -         | (2,124,495)   | (957,471)                 |
| Net cash provided by (used for) operating activities                                                      | 7,952,308     | (666,886)     | 1,501,012     | 42,113    | 8,828,547     | (329,660)                 |
| Cash flows from non-capital financing activities:                                                         |               |               |               |           |               |                           |
| Short-term loans from other funds                                                                         | -             | -             | -             | -         | -             | 166,481                   |
| Repayments of short-term loans from other funds                                                           | (75,389)      | -             | (490,289)     | -         | (565,678)     | -                         |
| Repayments of short-term loans to other funds                                                             | 348,966       | 743,752       | -             | -         | 1,092,718     | 100,902                   |
| Long-term loans to other funds                                                                            | (67,132)      | -             | (38,279)      | (841)     | (106,252)     | -                         |
| Repayments of long-term loans to other funds                                                              | -             | 83,266        | 625           | -         | 83,891        | -                         |
| Repayments of short-term loans to fiduciary funds                                                         | -             | -             | -             | -         | -             | 1,312,142                 |
| Transfers to other funds                                                                                  | (131,606)     | -             | -             | -         | (131,606)     | -                         |
| Taxes and special assessments                                                                             | 42,158        | -             | 955,367       | -         | 997,525       | -                         |
| Net cash provided by (used for) non-capital financing activities                                          | 116,997       | 827,018       | 427,424       | (841)     | 1,370,598     | 1,579,525                 |
| Cash flows from capital and related financing activities:                                                 |               |               |               |           |               |                           |
| Acquisition and construction of capital assets                                                            | (5,815,215)   | -             | -             | -         | (5,815,215)   | -                         |
| Capital lease payment                                                                                     | -             | -             | -             | -         | -             | (105,120)                 |
| Principal paid on bonds and notes payable                                                                 | (479)         | (85,000)      | (330,000)     | -         | (415,479)     | -                         |
| Interest paid on long-term debt                                                                           | (2,496,661)   | (43,320)      | (1,330,026)   | -         | (3,870,007)   | (12,025)                  |
| Net cash used for capital and related financing activities                                                | (8,312,355)   | (128,320)     | (1,660,026)   | -         | (10,100,701)  | (117,145)                 |
| Cash flows from investing activities:                                                                     |               |               |               |           |               |                           |
| Interest received on investments                                                                          | 67,472        | 413           | 38,888        | 842       | 107,615       | -                         |
| Net cash provided by investing activities                                                                 | 67,472        | 413           | 38,888        | 842       | 107,615       | -                         |
| Net increase (decrease) in cash and cash equivalents                                                      | (175,578)     | 32,225        | 307,298       | 42,114    | 206,059       | 1,132,720                 |
| Cash and cash equivalents, beginning of year                                                              | 19,801,348    | 107,595       | 15,152,311    | -         | 35,061,254    | 87,286                    |
| Cash and cash equivalents, end of year                                                                    | \$ 19,625,770 | \$ 139,820    | \$ 15,459,609 | \$ 42,114 | \$ 35,267,313 | \$ 1,220,006              |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:        |               |               |               |           |               |                           |
| Operating income (loss)                                                                                   | \$ 6,314,000  | \$ 4,945      | \$ 1,284,085  | \$ 42,042 | \$ 7,645,072  | \$ (2,420,318)            |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |               |               |               |           |               |                           |
| Depreciation expense                                                                                      | 1,256,530     | 16,890        | 202,764       | -         | 1,476,184     | 90,926                    |
| Changes in assets and liabilities:                                                                        |               |               |               |           |               |                           |
| Decrease in special assessments receivable                                                                | -             | 11,529        | 22,239        | -         | 33,768        | -                         |
| Decrease (increase) in accounts receivable                                                                | (598,878)     | (87,949)      | (69,542)      | 119       | (756,250)     | 10,502                    |
| Increase (decrease) in accounts payable                                                                   | 508,193       | (869,096)     | 34,788        | (3,500)   | (329,615)     | 187,267                   |
| Increase (decrease) in accrued liabilities                                                                | 445,471       | 236,173       | 24,758        | (1,446)   | 704,956       | (81,939)                  |
| Increase (decrease) in compensated absences                                                               | (390,991)     | (1,462)       | (26,041)      | -         | (418,494)     | 4,489                     |
| Increase in other postemployment benefits obligations                                                     | 277,977       | 22,084        | 27,961        | -         | 328,022       | -                         |
| Increase in deposit payable                                                                               | 140,006       | -             | -             | 4,898     | 144,904       | -                         |
| Increase in self-insurance claims                                                                         | -             | -             | -             | -         | -             | 1,879,413                 |
| Net cash provided by (used for) operating activities                                                      | \$ 7,952,308  | \$ (666,886)  | \$ 1,501,012  | \$ 42,113 | \$ 8,828,547  | \$ (329,660)              |
| Non-cash capital and related financing activities:                                                        |               |               |               |           |               |                           |
| Amortization of deferred bond issuance costs                                                              | \$ 21,439     | \$ -          | \$ 39,837     | \$ -      | \$ 61,276     | \$ -                      |
| Amortization of discount on bond issue                                                                    | 33,508        | -             | 14,270        | -         | 47,778        | -                         |

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**

## Statement of Fiduciary Net Position

June 30, 2013

|                                 | Successor Agency<br>Private-Purpose<br>Trust Fund | Agency<br>Fund |
|---------------------------------|---------------------------------------------------|----------------|
|                                 |                                                   |                |
| Assets                          |                                                   |                |
| Cash and investments            | \$ 5,727,346                                      | \$ 913,573     |
| Restricted cash and investments | 34,993,746                                        | -              |
| Loans receivable                | 8,549,417                                         | -              |
| Deposit in escrow               | 1,220,957                                         | -              |
| Advances to other funds         | 6,537,530                                         | -              |
| Land held for resale            | 30,019,931                                        | -              |
| Capital assets :                |                                                   |                |
| Nondepreciable                  | 7,740,472                                         | -              |
| Depreciable, net                | 21,281,225                                        | -              |
| Deferred bond issuance costs    | 1,816,312                                         | -              |
| Total assets                    | 117,886,936                                       | \$ 913,573     |
|                                 |                                                   |                |
| Liabilities                     |                                                   |                |
| Accounts payable                | 344,720                                           | \$ 7,601       |
| Accrued liabilities             | 852,994                                           | 1,633          |
| Accrued interest payable        | 2,600,783                                         | -              |
| Deposits                        | 371,440                                           | 904,339        |
| Long-term liabilities:          |                                                   |                |
| Due within one year             | 10,694,906                                        | -              |
| Due in more than one year       | 142,433,538                                       | -              |
| Total liabilities               | 157,298,381                                       | \$ 913,573     |
|                                 |                                                   |                |
| Net Position                    |                                                   |                |
| Unrestricted                    | \$ (39,411,445)                                   |                |

See Accompanying Notes to Basic Financial Statements.

**CITY OF COMPTON, CALIFORNIA**  
Statement of Changes in Fiduciary Net Position  
Successor Agency Private-Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2013

Additions:

|                                                         |                   |
|---------------------------------------------------------|-------------------|
| Taxes and special assesments                            | \$ 16,315,198     |
| Fines, forfeitures, and penalties                       | 495,084           |
| Contribution of capital assets from the City of Compton | 594,421           |
| Other revenues                                          | <u>3,272</u>      |
| Total additions                                         | <u>17,407,975</u> |

Deductions:

|                         |                   |
|-------------------------|-------------------|
| Redevelopment           | 2,550,245         |
| Debt service - interest | 9,325,484         |
| Depreciation            | <u>536,525</u>    |
| Total deductions        | <u>12,412,254</u> |

|                                       |                               |
|---------------------------------------|-------------------------------|
| Change in net position                | 4,995,721                     |
| Net position - beginning, as restated | <u>(44,407,166)</u>           |
| Net position - ending                 | <u><u>\$ (39,411,445)</u></u> |

See Accompanying Notes to Basic Financial Statements.

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## **CITY OF COMPTON, CALIFORNIA**

Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

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

#### **Blended Component Units**

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

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

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

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

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

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**Description of Funds**

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

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

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

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

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

**Assets, Liabilities, and Net Position**

1. Cash and investments

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

2. Inventories

Enterprise fund inventories include various accessories used for water service repair and maintenance. Inventories in the governmental and internal service funds consist principally of office supplies, recreational activity supplies, and other miscellaneous materials and supplies. Inventories are valued at the lower of average cost or market.

3. Land held for resale

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

4. Capital assets

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

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

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

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

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

5. Compensated absences

All compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. Compensated absences are recorded as a liability and expenditure in the

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

governmental funds when due and payable, as it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources.

6. Claims and judgments

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

7. Property tax revenues

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

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

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

8. Net position

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

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings, including any related debt premiums, discounts, and deferred amounts on refunding, that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the unspent proceeds and the amount of related debt are included in the calculation of restricted net position.
- *Restricted net position* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the restricted net position was \$79,186,564, of which, \$8,107,899 was restricted by enabling legislation. Restricted assets are reduced by liabilities related to those assets in determining restricted net position.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

9. Fund balances

As prescribed by Governmental Accounting Standards Board (GASB) Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balances for governmental funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, land held for resale, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of a resolution or an ordinance by the City Council, the highest level of decision making authority of the City. The City has determined that both a resolution and an ordinance are equally binding. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined. During fiscal year 2013, the City adopted a resolution to commit \$2.5 million of the general fund balance for the Compton Creek Regional Garden Park.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.
- *Unassigned Fund Balance* – includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification of fund balance in the nonspendable, restricted or committed categories.

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

10. Use of Estimates

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

11. New GASB Pronouncements

Implementation of the following GASB statements is effective in fiscal year 2013.

*GASB Statement No. 60*

Issued in November 2010, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement requires disclosures about SCAs including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. This statement had no impact on the City's financial statements.

*GASB Statement No. 61*

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement had no impact on the City's financial statements.

*GASB Statement No. 62*

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

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

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement had no material impact on the City's financial statements.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

*GASB Statement No. 63*

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

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

*GASB Statement No. 65*

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Application of this statement is effective for the City’s fiscal year ending June 30, 2014.

*GASB Statement No. 66*

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012- an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Application of this statement is effective for the City’s fiscal year ending June 30, 2014.

*GASB Statement No. 68*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

- Incorporating ad hoc cost-of-living adjustments and other ad hoc post-employment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments to the extent that the conditions in (a) are not met.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the way many governments fund pensions and how they account for and report information about them in financial statements. The statement would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

*GASB Statement No. 69*

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

*GASB Statement No. 70*

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

*GASB Statement No. 71*

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

*GASB Statement No. 72*

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

*GASB Statement No. 73*

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

*GASB Statement No. 74*

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

*GASB Statement No. 75*

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

*GASB Statement No. 76*

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

**NOTE 2 – RESTATEMENT OF FINANCIAL STATEMENTS**

The beginning net position for governmental activities and the beginning fund balances for certain governmental funds at July 1, 2012 were restated to report corrections of errors as follows:

1. Transfer of land held for resale in the amount of \$2,311,876, which was purchased using low and moderate income housing monies, from the Successor Agency Private-Purpose Trust Fund to the Compton Housing Authority Capital Projects Fund (see Note 14).
2. Over accrual of expenses.
3. Reclassification of grants monies that were used to construct water infrastructure from the Federal Grants Special Revenue Fund to the Water Enterprise Fund.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

|                                                             | <u>Governmental</u>  |
|-------------------------------------------------------------|----------------------|
| Ending net position, June 30, 2012,<br>as previously stated | \$ 72,744,189        |
| Transfer of land held for resale                            | 2,311,876            |
| Over accrual of expenditures                                | 22,000               |
| Reclassification to Water Enterprise Fund                   | <u>229,800</u>       |
| Beginning net position, July 1, 2012,<br>as restated        | <u>\$ 75,307,865</u> |

|                                                             | <u>Governmental Funds</u> |                     |                      |                          |                           |                             |                      |
|-------------------------------------------------------------|---------------------------|---------------------|----------------------|--------------------------|---------------------------|-----------------------------|----------------------|
|                                                             | <u>Special Revenue</u>    |                     |                      | <u>Capital Projects</u>  |                           |                             | Total                |
|                                                             | General Fund              | Federal Grants      | Retirement           | Public Finance Authority | Compton Housing Authority | Nonmajor Governmental Funds |                      |
| Ending fund balance, June 30, 2012,<br>as previously stated | \$ (37,911,406)           | \$ 2,001,751        | \$ 12,450,883        | \$ 24,443,683            | \$ 33,670,174             | \$ 72,535                   | \$ 34,727,620        |
| Transfer of land held for resale                            | -                         | -                   | -                    | -                        | 2,311,876                 | -                           | 2,311,876            |
| Over accrual of expenditures                                | -                         | 22,000              | -                    | -                        | -                         | -                           | 22,000               |
| Reclassification to Water Enterprise Fund                   | -                         | 229,800             | -                    | -                        | -                         | -                           | 229,800              |
| Beginning fund balance, July 1, 2012,<br>as restated        | <u>\$ (37,911,406)</u>    | <u>\$ 2,253,551</u> | <u>\$ 12,450,883</u> | <u>\$ 24,443,683</u>     | <u>\$ 35,982,050</u>      | <u>\$ 72,535</u>            | <u>\$ 37,291,296</u> |

The beginning net position at July 1, 2012 for the business-type activities and the Water Enterprise Fund were restated to report corrections of errors for the following:

1. Reclassification of grants monies that were used to construct water infrastructure from the Federal Grants Special Revenue Fund to the Water Enterprise Fund.
2. Addition to capital assets for infrastructure acquired in a prior year.

|                                                             | <u>Business-Type Activities - Enterprise Funds</u> |                     |                     |                   |                      |
|-------------------------------------------------------------|----------------------------------------------------|---------------------|---------------------|-------------------|----------------------|
|                                                             | Water                                              | Rubbish             | Sewer               | Nonmajor          | Total                |
| Ending net position, June 30, 2012,<br>as previously stated | \$ 12,701,081                                      | \$ (201,105)        | \$ 4,358,378        | \$ 100,301        | \$ 16,958,655        |
| Addition of capital assets                                  | 601,106                                            | -                   | -                   | -                 | 601,106              |
| Reclassification from Federal Grants Special Revenue Fund   | <u>(229,800)</u>                                   | <u>-</u>            | <u>-</u>            | <u>-</u>          | <u>(229,800)</u>     |
| Beginning net position, July 1, 2012,<br>as restated        | <u>\$ 13,072,387</u>                               | <u>\$ (201,105)</u> | <u>\$ 4,358,378</u> | <u>\$ 100,301</u> | <u>\$ 17,329,961</u> |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The beginning net position at July 1, 2012 for the Successor Agency Private-Purpose Trust Fund was restated to report correction of errors for the following:

1. Contribution of capital assets from the City in the amount of \$29,240, which was not previously recorded.
2. Land held for resale in the amount of \$2,311,876, which was purchased using low and moderate income housing monies.

|                                                             | Successor<br>Agency Private-<br>Purpose Trust<br>Fund |
|-------------------------------------------------------------|-------------------------------------------------------|
| Ending net position, June 30, 2012,<br>as previously stated | \$ (42,124,530)                                       |
| Adjustment to capital assets                                | 29,240                                                |
| Adjustment to land held for resale                          | (2,311,876)                                           |
| Beginning net position, July 1, 2012,<br>as restated        | <u>\$ (44,407,166)</u>                                |

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

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

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

|                                          |                       |
|------------------------------------------|-----------------------|
| Land                                     | \$ 27,618,676         |
| Construction in progress                 | 4,986,455             |
| Depreciable building and structures, net | 15,489,832            |
| Depreciable land improvement, net        | 149,460               |
| Depreciable equipment, net               | 1,503,167             |
| Depreciable infrastructure, net          | 76,445,749            |
|                                          | <u>\$ 126,193,339</u> |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

One element of that reconciliation explains that “Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.” The details of this \$105,720,243 adjustment are as follows:

|                                                             |                         |
|-------------------------------------------------------------|-------------------------|
| Bonds payable                                               | \$ (45,222,481)         |
| Mortgage loan payable                                       | (2,748,858)             |
| Notes payable                                               | (3,500,000)             |
| Capital lease obligation                                    | (109,800)               |
| Compensated absences                                        | (4,565,007)             |
| Deferred bond issuance costs                                |                         |
| (amortized over life of debt)                               | 829,025                 |
| Other postemployment benefits obligation                    | (34,827,272)            |
| Pension liability                                           | (9,116,121)             |
| Liabilities resulting from redevelopment agency dissolution | (6,159,729)             |
|                                                             | <u>\$ (105,420,243)</u> |

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

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

|                          |                   |
|--------------------------|-------------------|
| Principal payments:      |                   |
| Mortgage loan payable    | \$ 168,748        |
| Notes payable            | 300,000           |
| Capital lease obligation | 130,000           |
|                          | <u>\$ 598,748</u> |

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

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Amortization of bond discount                      | \$ (6,711)          |
| Amortization of deferred loss on refunding of bond | (18,665)            |
| Amortization of bond issuance cost                 | (82,902)            |
|                                                    | <u>\$ (108,278)</u> |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

|                                          |                       |
|------------------------------------------|-----------------------|
| Loans granted                            | \$ 550,000            |
| Loan forgiveness and repayments received | (576,825)             |
| Loans written-off                        | (1,933,531)           |
| Change in loans receivable               | <u>\$ (1,960,356)</u> |

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

**Individual Department and Fund Disclosures**

For the fiscal year ended June 30, 2013, the following departments of the City had expenditures in the General Fund that exceeded the budget appropriations by the indicated amounts:

|                                   |            |
|-----------------------------------|------------|
| Fire Department                   | \$ 634,510 |
| General Services Department       | 15,886     |
| Public Works - Street Maintenance | 44,991     |
| Non-departmental:                 |            |
| Transfers out                     | 508,080    |

At June 30, 2013, the following funds had accumulated deficits:

|                                               |               |
|-----------------------------------------------|---------------|
| General Fund                                  | \$ 36,381,141 |
| Nonmajor governmental funds:                  |               |
| Department of Health Service Grant            | 97,406        |
| Special Assessments                           | 1,959,372     |
| California Department of Parks and Recreation | 425,308       |
| Rubbish Enterprise Fund                       | 237,367       |
| Internal Service Funds:                       |               |
| Central Duplication                           | 421,339       |
| Self-Insurance                                | 16,637,782    |

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 5 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

**Statement of net position:**

|                                 |               |
|---------------------------------|---------------|
| Cash and investments            | \$ 33,379,036 |
| Restricted cash and investments | 68,797,689    |

**Statement of fiduciary net position:**

|                                 |                   |
|---------------------------------|-------------------|
| Cash and investments            | 6,640,919         |
| Restricted cash and investments | <u>34,993,746</u> |

|                            |                              |
|----------------------------|------------------------------|
| Total cash and investments | <u><u>\$ 143,811,390</u></u> |
|----------------------------|------------------------------|

Cash and investments at June 30, 2013 are classified as follows:

|                                      |                    |
|--------------------------------------|--------------------|
| Cash on hand                         | \$ 16,150          |
| Deposits with financial institutions | 22,817,351         |
| Investments                          | <u>120,977,889</u> |

|                            |                              |
|----------------------------|------------------------------|
| Total cash and investments | <u><u>\$ 143,811,390</u></u> |
|----------------------------|------------------------------|

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Investments are limited to:

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

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

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

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the CGC or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these agreements that address interest rate risk and concentration of credit risk.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Investments are limited to:

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

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

**Disclosures Relating to Interest Rate Risk**

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

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

| Investment Type              | Amounts               | Remaining<br>Maturity (in<br>Months)<br><u>12 Months or<br/>Less</u> |
|------------------------------|-----------------------|----------------------------------------------------------------------|
| Money market funds           | \$ 421,035            | \$ 421,035                                                           |
| Held by fiscal agent:        |                       |                                                                      |
| Money market funds           | 103,791,435           | 103,791,435                                                          |
| State Investment Pool (LAIF) | 16,765,419            | 16,765,419                                                           |
|                              | <u>\$ 120,977,889</u> | <u>\$ 120,977,889</u>                                                |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City investment policy, or debt agreements and the actual rating as of year-end for each investment type.

| <u>Investment Type</u>       | <u>Amounts</u>        | <u>Minimum<br/>Legal<br/>Rating</u> | <u>Actual Rating<br/>AAA</u> | <u>Not Rated</u>     |
|------------------------------|-----------------------|-------------------------------------|------------------------------|----------------------|
| Money market funds           | \$ 421,035            | AAA                                 | \$ 421,035                   | \$ -                 |
| Held by fiscal agent:        |                       |                                     |                              |                      |
| Money market funds           | 103,791,435           | AAA                                 | 103,791,435                  | -                    |
| State Investment Pool (LAIF) | <u>16,765,419</u>     | N/A                                 | <u>-</u>                     | <u>16,765,419</u>    |
|                              | <u>\$ 120,977,889</u> |                                     | <u>\$ 104,212,470</u>        | <u>\$ 16,765,419</u> |

**Concentration of Credit Risk**

There were no investments in any one issuer (other than mutual funds and external investment pools), which represent 5% or more of the total City investments as of June 30, 2013.

**Custodial Credit Risk**

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

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December, 31 2010 until January 1, 2013. During the two-year period, all noninterest-bearing accounts of all banks are covered. Subsequent to January 1, 2013, the City's deposits with financial institutions were uninsured and the collateral was held in accordance with the California Government Code by the pledging financial institution in the City's name.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2013, is \$21.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2013, had a balance of \$58.8 billion. Of that amount, 98% was invested in non-derivative financial products and 2% in structured notes and asset-backed securities. The weighted average maturity of LAIF was 278 days as of June 30, 2013.

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2013 are as follows:

|                                                    | <b>Special<br/>Assessments<br/>and Taxes</b> | <b>Accounts</b>                | <b>Grants</b>       | <b>Loans</b>          | <b>Total</b>         |
|----------------------------------------------------|----------------------------------------------|--------------------------------|---------------------|-----------------------|----------------------|
| Governmental Activities                            |                                              |                                |                     |                       |                      |
| General Fund                                       | \$ 2,368,448                                 | \$ 496,799                     | \$ -                | \$ -                  | \$ 2,865,247         |
| Federal Grants Special Revenue Fund                | -                                            | 560,352                        | 2,465               | 5,846,027             | 6,408,844            |
| Retirement Special Revenue Fund                    | 328,997                                      | -                              | -                   | -                     | 328,997              |
| Compton Housing Authority Capital<br>Projects Fund | -                                            | -                              | -                   | 18,072,702            | 18,072,702           |
| Nonmajor governmental funds                        | 178,739                                      | 31,124                         | 392,515             | -                     | 602,378              |
|                                                    | <u>\$ 2,876,184</u>                          | <u>\$ 1,088,275</u>            | <u>\$ 394,980</u>   | <u>\$ 23,918,729</u>  | <u>\$ 28,278,168</u> |
|                                                    |                                              | <b>Special<br/>Assessments</b> | <b>Accounts</b>     | <b>Allowance</b>      | <b>Total</b>         |
| Business-type Activities                           |                                              |                                |                     |                       |                      |
| Water Enterprise Fund                              |                                              | \$ 1,923                       | \$ 3,670,162        | \$ (684,831)          | \$ 2,987,254         |
| Rubbish Enterprise Fund                            |                                              | 29,986                         | 1,531,858           | (298,744)             | 1,263,100            |
| Sewer Enterprise Fund                              |                                              | 26,715                         | 362,983             | (77,797)              | 311,901              |
| Nonmajor enterprise funds                          |                                              | -                              | 1,249               | -                     | 1,249                |
|                                                    |                                              | <u>\$ 58,624</u>               | <u>\$ 5,566,252</u> | <u>\$ (1,061,372)</u> | <u>\$ 4,563,504</u>  |
| Total receivables, net and loans receivable        |                                              |                                |                     |                       | <u>\$ 32,841,672</u> |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 6 – RECEIVABLES (Continued)**

**Loans receivable**

Loans receivable at June 30, 2013 are as follows:

|                                 | <u><b>Balance</b></u>       |
|---------------------------------|-----------------------------|
| Loans receivable, July 1, 2012  | \$ 25,879,085               |
| Addition to Section 108 loan    | 550,000                     |
| Repayment during the year       | (576,825)                   |
| Reduction of FTHB loans         | <u>(1,933,531)</u>          |
| Loans receivable, June 30, 2013 | <u><u>\$ 23,918,729</u></u> |

The City provides assistance to residents and home owners of the community. This assistance is in the form of first time home buyers (FTHB) assistance and residential rehabilitation assistance programs. In addition, the former Agency also provided assistance to qualified community housing development organization (CHDO) for low and moderate housing developments. These programs are funded through the Compton Housing Authority Capital Projects Fund and Federal Grants Special Revenue Fund – Home Investment Partnerships Program (HOME) and Community Development Block Grants Section 108 Loan Guarantees programs.

**First Time Home Buyers Assistance Program**

The FTHB program consists of a second mortgage or mortgage subsidy, which reduces the price of a home to an affordable level, thus enabling a first time home buyer to qualify for the purchase of a home. The second mortgage is in the form of a silent second trust deed loan. The maximum loan amount is \$100,000 for moderate income borrowers and \$150,000 for low income borrowers. The loan is interest-free and does not require monthly repayment. After five years, the loan is reduced 10% annually. Ultimately, if the borrower lives in the property for 15 years consecutively, the loan is forgiven and treated as a grant to the borrower. Both the property and the applicant must meet certain criteria in order to be eligible to participate in the program. The amount collected as loans repayment was \$320,203 and the amount treated as grant (written-off) was \$1,933,531. The loans receivable balance as of the year end was \$18,548,792.

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

The City provides funds to the Community Housing Development Organization (CHDO) to boost construction of new homes in the City. These loans are non-interest bearing loans with repayment terms of 15 to 20 years based upon the loan amount. As of June 30, 2013, the loans receivable balance was \$2,289,403 for the Federal Grants Special Revenue Fund.

**Loans to Alameda Court, LLC**

To facilitate the sale of the Alameda Court Town Homes (Subject Property) to low and moderate income homebuyers, the City provided a non-interest bearing loan of \$2,300,000 to a property redeveloper, Alameda Court, LLC (Redeveloper). The loan was secured by a subordinate deed of trust in the name of the former Agency encumbering 19 units of the Subject Property. Repayment of the loans shall be made to the Federal Grants Special Revenue Fund and Compton Housing Authority Capital Projects Fund by the Redeveloper on a pro-rata basis following the sale of each unit to a qualified low/moderate income buyer. As of June 30, 2013, the loans receivable balance was \$2,300,000.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 6 – RECEIVABLES (Continued)**

**Residential Rehabilitation Assistance Program**

This program comprises the Fix-it Repair Grant, Emergency Assistance Grant and Deferred Equity Loan. The Fix-it Repair Grant provides up to \$7,000 to assist low to moderate income, owner occupied households with minor repairs in their homes. No repayment or lien is required for this program as it is strictly a grant. The Emergency Assistance Grant is designed to assist low income, owner occupied households of single family homes within the City limits with extreme emergency repairs subject to a maximum of \$10,000. The beneficiary is required to repay the grant to the City only upon the sale, refinance, transfer, and foreclosure of the property or the death or relocation of the home owner from the property. The Deferred Equity Loan is provided to low/moderate-income home owners who meet the eligibility criteria subject to a maximum of \$25,000. The beneficiary is required to repay the loan only upon the sale, refinance, transfer or foreclosure of the property within 10 years of the loan. After 10 years, the loan is forgiven and treated as a grant. The total amount of the residential rehabilitation assistance granted during the year was \$0.

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

The City provided a loan of \$250,000 to a local business owner to assist with the preconstruction and interior improvements to a facility to be used for a restaurant. This loan bears interest rate of 5% per annum and shall be amortized over a period of 15 years. During the year, the City granted a loan of \$550,000 to a local business owner to assist with tenant improvements to develop a new medical facility. This loan bears interest rate of 4.5% per annum and shall be amortized over a period of 15 years. As of June 30, 2013, the loans receivable balance was \$780,534.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 7 – CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2013 is as follows:

**Governmental activities:**

|                                                 | <b>Balance at<br/>July 1, 2012</b> | <b>Additions</b>    | <b>Deletions</b>      | <b>Adjustment</b>   | <b>Balance at<br/>June 30, 2013</b> |
|-------------------------------------------------|------------------------------------|---------------------|-----------------------|---------------------|-------------------------------------|
| Capital assets, not being depreciated:          |                                    |                     |                       |                     |                                     |
| Land                                            | \$ 27,662,785                      | \$ -                | \$ -                  | \$ -                | \$ 27,662,785                       |
| Construction in progress                        | 13,221,379                         | 741,862             | (8,803,677)           | (173,109)           | 4,986,455                           |
| Total capital assets, not<br>being depreciated  | <u>40,884,164</u>                  | <u>741,862</u>      | <u>(8,803,677)</u>    | <u>(173,109)</u>    | <u>32,649,240</u>                   |
| Capital assets, being depreciated:              |                                    |                     |                       |                     |                                     |
| Building and structures                         | 33,592,308                         | -                   | -                     | -                   | 33,592,308                          |
| Land improvements                               | 5,836,008                          | 60,314              | -                     | -                   | 5,896,322                           |
| Equipment                                       | 47,554,124                         | -                   | -                     | -                   | 47,554,124                          |
| Infrastructure                                  | 174,171,454                        | 8,743,363           | -                     | -                   | 182,914,817                         |
| Total capital assets,<br>being depreciated      | <u>261,153,894</u>                 | <u>8,803,677</u>    | <u>-</u>              | <u>-</u>            | <u>269,957,571</u>                  |
| Less accumulated depreciation for:              |                                    |                     |                       |                     |                                     |
| Building and structures                         | (17,268,317)                       | (834,159)           | -                     | -                   | (18,102,476)                        |
| Land improvements                               | (5,606,398)                        | (140,464)           | -                     | -                   | (5,746,862)                         |
| Equipment                                       | (44,992,103)                       | (998,379)           | -                     | -                   | (45,990,482)                        |
| Infrastructure                                  | <u>(100,789,534)</u>               | <u>(5,679,534)</u>  | <u>-</u>              | <u>-</u>            | <u>(106,469,068)</u>                |
| Total accumulated depreciation                  | <u>(168,656,352)</u>               | <u>(7,652,536)</u>  | <u>-</u>              | <u>-</u>            | <u>(176,308,888)</u>                |
| Total capital assets, being<br>depreciated, net | <u>92,497,542</u>                  | <u>1,151,141</u>    | <u>-</u>              | <u>-</u>            | <u>93,648,683</u>                   |
| Total capital assets, net                       | <u>\$ 133,381,706</u>              | <u>\$ 1,893,003</u> | <u>\$ (8,803,677)</u> | <u>\$ (173,109)</u> | <u>\$ 126,297,923</u>               |

Depreciation expense was charged to the following categories:

|                                  |                     |
|----------------------------------|---------------------|
| General government               | \$ 1,270,288        |
| Public safety                    | 496,235             |
| Public works                     | 5,494,695           |
| Cultural and recreation services | 300,392             |
| Internal Service Funds           | 90,926              |
|                                  | <u>\$ 7,652,536</u> |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

**Business-type Activities:**

|                                                 | <b>Balance at<br/>July 1, 2012</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance at<br/>June 30, 2013</b> |
|-------------------------------------------------|------------------------------------|------------------|------------------|-------------------------------------|
| <b>Business-type activities</b>                 |                                    |                  |                  |                                     |
| Capital assets, not being depreciated:          |                                    |                  |                  |                                     |
| Land                                            | \$ 162,097                         | \$ -             | \$ -             | \$ 162,097                          |
| Construction in progress                        | 18,164,397                         | 9,337,231        | (22,398,548)     | 5,103,080                           |
| Total capital assets, not<br>being depreciated  | 18,326,494                         | 9,337,231        | (22,398,548)     | 5,265,177                           |
| Capital assets, being depreciated:              |                                    |                  |                  |                                     |
| Building and structures                         | 1,254,963                          | -                | -                | 1,254,963                           |
| Land improvements                               | 157,044                            | -                | -                | 157,044                             |
| Equipment                                       | 20,846,043                         | -                | -                | 20,846,043                          |
| Infrastructure                                  | 12,385,192                         | 22,398,548       | -                | 34,783,740                          |
| Total capital assets,<br>being depreciated      | 34,643,242                         | 22,398,548       | -                | 57,041,790                          |
| Less accumulated depreciation:                  |                                    |                  |                  |                                     |
| Building and structures                         | (1,013,916)                        | (31,374)         | -                | (1,045,290)                         |
| Land improvements                               | (149,045)                          | (800)            | -                | (149,845)                           |
| Equipment                                       | (20,526,684)                       | (54,190)         | -                | (20,580,874)                        |
| Infrastructure                                  | (997,751)                          | (1,389,820)      | -                | (2,387,571)                         |
| Total accumulated depreciation                  | (22,687,396)                       | (1,476,184)      | -                | (24,163,580)                        |
| Total capital assets, being<br>depreciated, net | 11,955,846                         | 20,922,364       | -                | 32,878,210                          |
| Total capital assets, net                       | \$ 30,282,340                      | \$ 30,259,595    | \$ (22,398,548)  | \$ 38,143,387                       |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The City capitalized interest costs of bond proceeds used during construction (net of interest earnings on the investment of tax-exempt bond proceeds). Net interest capitalized by the City during fiscal year 2013 was \$3.5 million.

Depreciation expense was charged to the following categories:

|                    |                            |
|--------------------|----------------------------|
| Water              | \$ 1,256,530               |
| Rubbish            | 16,890                     |
| Sewer              | <u>202,764</u>             |
| Total Depreciation | <u><u>\$ 1,476,184</u></u> |

**NOTE 8 – INTERFUND TRANSACTIONS**

The following table summarizes interfund receivables and payables at June 30, 2013:

|                                                | <u><b>Due From<br/>Other Funds</b></u> | <u><b>Due To Other<br/>Funds</b></u> |
|------------------------------------------------|----------------------------------------|--------------------------------------|
| <b>Governmental Funds:</b>                     |                                        |                                      |
| General Fund                                   | \$ 5,051,640                           | \$ -                                 |
| Federal Grants Special Revenue Fund            | -                                      | 291,667                              |
| Public Finance Authority Capital Projects Fund | -                                      | 152,677                              |
| Nonmajor governmental funds                    | <u>1,300</u>                           | <u>4,455,776</u>                     |
| <b>Total Governmental Funds</b>                | 5,052,940                              | 4,900,120                            |
| <b>Internal Service Funds</b>                  | <u>13,661</u>                          | <u>166,481</u>                       |
| <b>Total</b>                                   | <u><u>\$ 5,066,601</u></u>             | <u><u>\$ 5,066,601</u></u>           |

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Long-term interfund receivables and payables at June 30, 2013 are as follows:

|                                                 | <u>Advances From<br/>Other Funds</u> | <u>Advances To<br/>Other Funds</u> |
|-------------------------------------------------|--------------------------------------|------------------------------------|
| <b>Governmental Funds:</b>                      |                                      |                                    |
| General Fund                                    | \$ 41,665,653                        | \$ -                               |
| Federal Grants Special Revenue Fund             | -                                    | 1,143,865                          |
| Retirement Special Revenue Fund                 | -                                    | 10,327,505                         |
| Public Finance Authority Capital Projects Fund  | -                                    | 807,050                            |
| Compton Housing Authority Capital Projects Fund | -                                    | 5,354,374                          |
| Nonmajor governmental funds                     | -                                    | 2,461,418                          |
| <b>Total Governmental Funds</b>                 | <u>41,665,653</u>                    | <u>20,094,212</u>                  |
| <b>Enterprise Funds:</b>                        |                                      |                                    |
| Water Enterprise Fund                           | -                                    | 13,629,192                         |
| Sewer Enterprise Fund                           | -                                    | 7,771,417                          |
| Nonmajor enterprise funds                       | -                                    | 170,832                            |
| <b>Total Enterprise Funds</b>                   | <u>-</u>                             | <u>21,571,441</u>                  |
| <b>Total</b>                                    | <u><u>\$ 41,665,653</u></u>          | <u><u>\$ 41,665,653</u></u>        |

These advances are a result of cash shortfalls in the General Fund in previous years. The City borrowed approximately \$10.3 million in pension funds in violation of a 1947 ballot initiative, which authorized the City to levy an ad valorem property tax to be utilized for the purposes of funding a pension program. In addition, the City borrowed approximately \$1.1 million in federal grant funds in violation of grant agreements. The City has adopted a repayment plan in order to repay the receivable funds over a fifteen-year period. See repayment plan at Note 13. Since restricted monies may not be legally loaned to the General Fund, the City created separate bank accounts for restricted monies during fiscal year 2014.

In addition, the City recorded advances of \$6,537,530 from the Successor Agency Private-Purpose Trust Fund. Of which, \$5,516,641 is related to a long-term liability due as a result of the State Controller's Office's review and a due diligence review on the former Agency as further described in Note 14. The remaining advances from the Successor Agency Private-Purpose Trust Fund in the amount \$1,020,889 is related to an interfund loan between the former Agency's Redevelopment funds and the Low and Moderate Housing Fund (currently known as the Compton Housing Authority Capital Projects Fund) in prior years.

**Transfers**

| <u>Transfers Out</u>             | <u>Transfers In</u>                   |                                   |                          |
|----------------------------------|---------------------------------------|-----------------------------------|--------------------------|
|                                  | Authority<br>Capital Projects<br>Fund | Nonmajor<br>Governmental<br>Funds | Total                    |
| <b>Governmental Activities:</b>  |                                       |                                   |                          |
| General Fund                     | \$ 100,275                            | \$ -                              | \$ 100,275               |
| <b>Business-Type Activities:</b> |                                       |                                   |                          |
| Water Enterprise Fund            | -                                     | 131,606                           | 131,606                  |
| <b>Total</b>                     | <u><u>\$ 100,275</u></u>              | <u><u>\$ 131,606</u></u>          | <u><u>\$ 231,881</u></u> |

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

**NOTE 9 – LONG-TERM LIABILITIES**

**Long-Term Liabilities – Governmental Activities**

The following is a summary of changes in long-term liabilities transactions for the fiscal year ended June 30, 2013:

| Governmental Activities                                                                | Balance<br>July 1, 2012 | Additions            | Retirements            | Balance<br>June 30, 2013 | Amount<br>Due Within<br>One Year |
|----------------------------------------------------------------------------------------|-------------------------|----------------------|------------------------|--------------------------|----------------------------------|
| <b>Debt long-term liabilities:</b>                                                     |                         |                      |                        |                          |                                  |
| <b>Bonds payable:</b>                                                                  |                         |                      |                        |                          |                                  |
| 2008 series Compton Public Finance Authority<br>refunding and various capital projects | \$ 45,730,000           | \$ -                 | \$ -                   | \$ 45,730,000            | \$ -                             |
| Less: Discount on issue                                                                | (140,949)               | -                    | 6,712                  | (134,237)                | -                                |
| Less: Deferred on refunding of 1997 "A"<br>Certificates of participation               | (391,946)               | -                    | 18,664                 | (373,282)                | -                                |
| <b>Total bonds payable</b>                                                             | <u>45,197,105</u>       | <u>-</u>             | <u>25,376</u>          | <u>45,222,481</u>        | <u>-</u>                         |
| <b>Mortgage loan payable:</b>                                                          |                         |                      |                        |                          |                                  |
| Energy retrofit/revenue enhancement                                                    | 2,917,606               | -                    | (168,748)              | 2,748,858                | 189,303                          |
| <b>Capital lease obligations:</b>                                                      |                         |                      |                        |                          |                                  |
| Tree trimming and other equipments                                                     | 430,024                 | -                    | (235,120)              | 194,904                  | 171,522                          |
| <b>Notes payable:</b>                                                                  |                         |                      |                        |                          |                                  |
| Housing Section 108 notes                                                              | 3,800,000               | -                    | (300,000)              | 3,500,000                | 300,000                          |
| <b>Other long-term liabilities:</b>                                                    |                         |                      |                        |                          |                                  |
| Claims liability                                                                       | 11,347,038              | 3,770,561            | (1,891,148)            | 13,226,451               | 2,232,082                        |
| Compensated absences                                                                   | 5,302,147               | 1,581,663            | (2,154,776)            | 4,729,034                | 1,942,562                        |
| Other postemployment benefits obligation                                               | 29,538,645              | 9,125,970            | (3,837,343)            | 34,827,272               | 3,868,230                        |
| Pension liability                                                                      | 12,608,831              | -                    | (3,492,710)            | 9,116,121                | 4,321,060                        |
| Due to Los Angeles County                                                              | 6,159,729               | -                    | -                      | 6,159,729                | 287,556                          |
| <b>Total other long-term liabilities</b>                                               | <u>64,956,390</u>       | <u>14,478,194</u>    | <u>(11,375,977)</u>    | <u>68,058,607</u>        | <u>12,651,490</u>                |
| <b>Total governmental activities<br/>long-term liabilities</b>                         | <u>\$ 117,301,125</u>   | <u>\$ 14,478,194</u> | <u>\$ (12,054,469)</u> | <u>\$ 119,724,850</u>    | <u>\$ 13,312,315</u>             |

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

On May 1, 2008, the City issued \$46,860,000 of Lease Revenue Bonds with an interest rate of 4.00% - 5.25% to advance refund \$14,700,000 of outstanding 1997 "A" Certificates of Participation with an interest rate of 7.50% and to finance various capital projects amounting to \$29,201,947. The City defeased the old bonds by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the City's financial statements. As of June 30, 2013, \$6.3 million of the bonds outstanding are considered defeased.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The 2008 Lease Revenue Bonds are secured by the Authority’s pledge of certain base rental payments made by the City to the Authority pursuant to a facility lease, dated May 1, 2008 between the Authority and the City. Total principal and interest remaining on the bonds is \$74,208,622 payable through September 2032. Interest paid for the current year was \$2,319,888. The City was not in compliance with bond requirements during the year ended June 30, 2013 as it did not make the required rental payments to the Authority to pay principal and interest due during the current year. Due to the shortfall in the rental revenue, the interest payment was made with monies from the unspent bond proceeds.

The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Bonds Payable</u> |                      |
|-----------------------------|----------------------|----------------------|
|                             | <u>Principal</u>     | <u>Interest</u>      |
| 2014                        | \$ -                 | \$ 2,319,888         |
| 2015                        | -                    | 2,319,888            |
| 2016                        | 1,625,000            | 2,279,623            |
| 2017                        | 1,710,000            | 2,195,888            |
| 2018                        | 1,795,000            | 2,108,263            |
| 2019-2023                   | 10,410,000           | 9,066,190            |
| 2024-2028                   | 13,355,000           | 6,033,257            |
| 2029-2033                   | 16,835,000           | 2,155,625            |
| Total                       | <u>\$ 45,730,000</u> | <u>\$ 28,478,622</u> |

**Energy Retrofit / Revenue Enhancement Mortgage Loan**

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

The total principal and interest remaining on the mortgage loan is \$3,423,218, payable through July 2022. Principal and interest paid during the year was \$297,813.

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

| <u>Year Ending June 30,</u> | <u>Mortgage Loan</u> |                   |
|-----------------------------|----------------------|-------------------|
|                             | <u>Principal</u>     | <u>Interest</u>   |
| 2014                        | \$ 189,303           | \$ 121,095        |
| 2015                        | 211,334              | 112,173           |
| 2016                        | 234,933              | 102,229           |
| 2017                        | 260,192              | 91,191            |
| 2018                        | 287,213              | 78,982            |
| 2019-2023                   | 1,565,883            | 168,690           |
| Total                       | <u>\$ 2,748,858</u>  | <u>\$ 674,360</u> |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**Housing Section 108 Note**

Housing Section 108 note in the amount of \$5,000,000 is a note payable to HUD, which was issued in August 2001. Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides the City with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. This note payable is guaranteed by the City's current and future CDBG allocations. In November 2011, the City opted to participate in a Section 108 public offering to refinance the note which resulted in interest payment savings of \$1,010,975 over the life of the note. The amount of principal outstanding at June 30, 2013 was \$3,500,000.

The total principal and interest remaining on the note is \$3,776,135, payable through August 2020. Total principal and interest paid during the year was \$352,635.

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

| <u>Year Ending June 30,</u> | <u>Housing Section 108 Note</u> |                   |
|-----------------------------|---------------------------------|-------------------|
|                             | <u>Principal</u>                | <u>Interest</u>   |
| 2014                        | \$ 300,000                      | \$ 51,525         |
| 2015                        | 300,000                         | 49,875            |
| 2016                        | 400,000                         | 47,010            |
| 2017                        | 500,000                         | 42,100            |
| 2018                        | 500,000                         | 35,200            |
| 2019-2021                   | 1,500,000                       | 50,425            |
| Total                       | <u>\$ 3,500,000</u>             | <u>\$ 276,135</u> |

**Capital Lease**

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

| <u>Year Ending June 30,</u> | <u>Capital Lease Payable</u> |                  |
|-----------------------------|------------------------------|------------------|
|                             | <u>Principal</u>             | <u>Interest</u>  |
| 2014                        | \$ 171,521                   | \$ 15,217        |
| 2015                        | 23,383                       | 528              |
| Total                       | <u>\$ 194,904</u>            | <u>\$ 15,745</u> |

The net book value of the leased equipment as of June 30, 2013 was \$130,089.

**Pension Liabilities**

See Note 10 Defined Benefit Pension Plans for further details.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**Due to Los Angeles County**

The results of due diligence review procedures performed on assets transfers from the former Agency to the Housing Authority identified a long-term liability to Los Angeles County in the amount of \$6,159,729. See Note 14 for further information.

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

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2013:

|                                                                 | Balance<br>July 1, 2012 | Additions         | Retirements           | Balance<br>June 30, 2013 | Amount<br>Due Within<br>One Year |
|-----------------------------------------------------------------|-------------------------|-------------------|-----------------------|--------------------------|----------------------------------|
| <b>Business-type Activities</b>                                 |                         |                   |                       |                          |                                  |
| <b>Debt long-term liabilities</b>                               |                         |                   |                       |                          |                                  |
| <b>Bonds payable:</b>                                           |                         |                   |                       |                          |                                  |
| 1998 Sewer revenue refunding bonds                              | \$ 5,315,000            | \$ -              | \$ (330,000)          | \$ 4,985,000             | \$ 345,000                       |
| 2006 Solid waste revenue bonds                                  | 945,000                 | -                 | (85,000)              | 860,000                  | 90,000                           |
| Water revenue bonds, series 2009                                | 44,040,000              | -                 | -                     | 44,040,000               | 765,000                          |
| Less: Discount on issue of water revenue<br>bonds, series 2009  | (938,290)               | -                 | 33,508                | (904,782)                | -                                |
| Sewer revenue bonds, series 2009                                | 18,710,000              | -                 | -                     | 18,710,000               | 335,000                          |
| Less: Discount on issue of sewer revenue<br>bonds, series 2009  | (399,561)               | -                 | 14,270                | (385,291)                | -                                |
|                                                                 | <u>67,672,149</u>       | <u>-</u>          | <u>(367,222)</u>      | <u>67,304,927</u>        | <u>1,535,000</u>                 |
| Water utility note                                              | 479                     | -                 | (479)                 | -                        | -                                |
| <b>Other long-term liabilities:</b>                             |                         |                   |                       |                          |                                  |
| Other postemployment benefits obligation                        | 1,153,494               | 566,030           | (238,008)             | 1,481,516                | 164,551                          |
| Compensated absences                                            | <u>1,096,488</u>        | <u>108,998</u>    | <u>(527,492)</u>      | <u>677,994</u>           | <u>258,965</u>                   |
| <b>Total business-type activities<br/>long-term liabilities</b> | <u>\$ 69,922,610</u>    | <u>\$ 675,028</u> | <u>\$ (1,133,201)</u> | <u>\$ 69,464,437</u>     | <u>\$ 1,958,516</u>              |

**1998 Sewer Refunding Bonds**

In June 1998, the City issued \$8.3 million in Sewer Revenue Refunding Bonds with an average interest rate of 5.20% to advance refund \$7.29 million of outstanding Series 1993 Sewer Revenue Bonds. The old bonds were defeased by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2013, \$4.2 million of the bonds outstanding are considered defeased.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The Sewer Refunding bonds are secured by the City's pledge of certain revenues, which consist of sewer service charges imposed by the City upon its property owners for the use of the sewer system for each year less certain operation and maintenance expenses incurred by the City in connection with the operation of the sewer system. The total principal and interest remaining to be paid on the bonds is \$6,596,668. Principal and interest paid for the current year and total taxes and special assessments revenues were \$605,538 and \$955,367, respectively.

Interest on the bonds is payable semiannually on March 1 and September 1. Principal maturity occurs on September 1 of each year starting in 1999 through 2023. As of June 30, 2013, the outstanding bond balance is \$4,985,000. The annual requirements to amortize the 1998 Sewer Refunding Bonds, including interest payments, are listed below.

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     |
|----------------------------|---------------------|---------------------|
| 2014                       | \$ 345,000          | \$ 258,241          |
| 2015                       | 365,000             | 239,591             |
| 2016                       | 380,000             | 219,569             |
| 2017                       | 405,000             | 198,472             |
| 2018                       | 425,000             | 176,166             |
| 2019-2023                  | 2,485,000           | 504,041             |
| 2024                       | 580,000             | 15,588              |
| Total                      | <u>\$ 4,985,000</u> | <u>\$ 1,611,668</u> |

**Solid Waste Management Facilities Bonds**

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

The Bonds are secured by a pledge of the net revenues received by the City for the Solid Waste Management Program. The net revenues consist of charges for the services less certain operation and maintenance expenses incurred by the City in connection with the operation of the Solid Waste Management Program. Total principal and interest remaining to be paid on the bonds is \$1,035,200. Principal and interest paid for the current year and the net expenses were \$128,320 and \$21,835, respectively.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Interest on the bonds is payable on February 1 and August 1 of each year until maturity, redemption, or purchase thereof. As of June 30, 2013 the outstanding bond balance is \$860,000. The annual requirements to amortize the Convertible Bonds, including interest payments, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>  | <u>Interest</u>   |
|----------------------------|-------------------|-------------------|
| 2014                       | \$ 90,000         | \$ 39,120         |
| 2015                       | 95,000            | 34,680            |
| 2016                       | 100,000           | 30,000            |
| 2017                       | 105,000           | 25,080            |
| 2018                       | 110,000           | 19,920            |
| 2019-2021                  | 360,000           | 26,400            |
| Total                      | <u>\$ 860,000</u> | <u>\$ 175,200</u> |

**Water Revenue Bonds, Series 2009**

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

The 2009 Water Revenue Bonds are secured by the net revenues of the City's Water operations, which consist of charges for the services and facilities furnished by the water system minus certain operation and maintenance expenses incurred by the City in connection with the operation of the water system. The ratio of net revenues to annual debt service during the bond year must equal to at least 150%. As of June 30, 2013 the pledged revenues equaled 308% of debt service payments due and payable. Total principal and interest remaining on the bonds are \$87,574,052. Repayment of the bond principal will commence in 2014. Interest paid and total net revenues of the Water operations for the current year were \$2,472,735 and \$7,618,150, respectively.

| <u>Year Ending June 30</u> | <u>Principal</u>     | <u>Interest</u>      |
|----------------------------|----------------------|----------------------|
| 2014                       | \$ 765,000           | \$ 2,461,263         |
| 2015                       | 820,000              | 2,435,438            |
| 2016                       | 845,000              | 2,405,244            |
| 2017                       | 890,000              | 2,371,600            |
| 2018                       | 810,000              | 2,336,588            |
| 2019-2023                  | 5,240,000            | 10,994,919           |
| 2024-2028                  | 6,890,000            | 9,346,500            |
| 2029-2033                  | 9,215,000            | 7,017,750            |
| 2034-2038                  | 12,445,000           | 3,792,150            |
| 2039-2040                  | 6,120,000            | 372,600              |
| Total                      | <u>\$ 44,040,000</u> | <u>\$ 43,534,052</u> |

**Sewer Revenue Bonds, Series 2009**

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The 2009 Sewer Revenue Bonds are secured by all of the sewer service charges excluding operation and maintenance expenses payable from the sewer service charges. Total principal and interest remaining on the bond is \$37,167,895. Repayment of the principal loan will commence in 2014. Interest paid for the current year and sewer service charges, net of the operating and maintenance expenses, were \$1,049,806 and \$1,481,942, respectively.

| <u>Year Ending June 30</u> | <u>Principal</u>     | <u>Interest</u>      |
|----------------------------|----------------------|----------------------|
| 2014                       | \$ 335,000           | \$ 1,044,781         |
| 2015                       | 345,000              | 1,033,719            |
| 2016                       | 360,000              | 1,020,931            |
| 2017                       | 370,000              | 1,006,781            |
| 2018                       | 385,000              | 991,200              |
| 2019-2023                  | 2,220,000            | 4,659,828            |
| 2024-2028                  | 2,920,000            | 3,961,405            |
| 2029-2033                  | 3,910,000            | 2,974,200            |
| 2034-2038                  | 5,270,000            | 1,607,100            |
| 2039-2040                  | 2,595,000            | 157,950              |
| Total                      | <u>\$ 18,710,000</u> | <u>\$ 18,457,895</u> |

**Notes Payable - Water Utility:**

The City's Water Utility Enterprise Fund borrowed \$818,071 for utility improvements under provisions of the State of California Safe Drinking Water contract. As of June 30, 2013, the outstanding note payable balance was \$0. Payments on the note are due semiannually. The term of the note is for 19.6 years at an interest rate of 8.10%.

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

The City, PFA, and former Agency are required to submit audited financial statements to the bond trustees within 90 to 240 days of year-end for all bonds and certificates of participation as required by the continuing disclosure requirements under SEC Rule 15c2-12. For the fiscal years ended June 30, 2013 and June 30, 2014, the City, PFA and the former Agency were not in compliance with the reporting provisions of the indentures as audited financial statements were not issued within the time frame allowed. The City filed a financial operating filing for the fiscal years 2013 and 2014 on April 29, 2015 and will submit the required continuing disclosure information upon completion of the audits.

**Risk Management – Claims and Judgments**

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The City records an estimated liability at the time of an incident based on the internal estimates performed by the City Attorney's Office of probable loss. A summary of the City's estimated liability calculation at June 30, 2013 is as follows:

|                                                                                                                                                                    | <u>Workers'</u><br><u>Compensation</u> | <u>General</u><br><u>Liability</u> | <u>Total</u>         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------|----------------------|
| Claims liabilities, July 1, 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                                                                                                                                  | 6,680,989                              | 4,666,049                          | 11,347,038           |
| Incurred claims, representing the total of a provision for events of the current fiscal year and any changes in the provision for the events of prior fiscal years | 1,763,549                              | 2,007,012                          | 3,770,561            |
| Payments on claims attributable to events of both the current fiscal year and prior fiscal years                                                                   | <u>(1,439,166)</u>                     | <u>(451,982)</u>                   | <u>(1,891,148)</u>   |
| Claims liabilities, June 30, 2013                                                                                                                                  | <u>\$ 7,005,372</u>                    | <u>\$ 6,221,079</u>                | <u>\$ 13,226,451</u> |

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

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

Funding policy: Miscellaneous and safety – fire participants are required to contribute 8% and 9%, respectively, of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. There are no employee contributions for safety – police because the City dissolved the Police department in July 2000. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups. The City is required to

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

contribute at an actuarially determined rate: the current rate is 20.700% for miscellaneous employees and 51.732% for safety - fire employees of annual covered payroll.

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

| <b>Valuation Date</b> | <b>Entry Age Normal Cost Actuarial Accrued Liability (A)</b> | <b>Actuarial Value of Assets (B)</b> | <b>Unfunded Actuarial Accrued Liability (UAAL) (A-B)</b> | <b>Funded Ratio (B/A)</b> | <b>Annual Covered Payroll (C)</b> | <b>UAAL as a % of Covered Payroll [(A-B)/C]</b> |
|-----------------------|--------------------------------------------------------------|--------------------------------------|----------------------------------------------------------|---------------------------|-----------------------------------|-------------------------------------------------|
| 6/30/2013             | \$ 173,153,644                                               | \$ 117,268,967                       | \$ 55,884,677                                            | 67.73%                    | \$ 12,933,325                     | 432.10%                                         |

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to Basic Financial Statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Annual pension cost:** For fiscal year 2012-2013, the City's annual pension cost of \$2,452,557 for miscellaneous, \$1,157,042 for safety – fire, and \$532,116 for safety - police for CalPERS was equal to the City's required and actual contributions. The principal assumptions and methods used to determine the annual required contribution, is based on the June 30, 2010 valuation, and the funded status, was based on the June 30, 2013 valuation.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The assumptions for the Miscellaneous Plan are as follows:

|                            |                                                                                                                                                                                                                                                                                                                                              |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method      | Entry age normal cost method                                                                                                                                                                                                                                                                                                                 |
| Amortization method        | Level percent of payroll                                                                                                                                                                                                                                                                                                                     |
| Average remaining period   | None for the valuation date as of June 30, 2013 and 24 years for the valuation date as of June 30, 2010                                                                                                                                                                                                                                      |
| Asset valuation method     | Market value for June 30, 2013 and 15 years smoothed market for June 30, 2010                                                                                                                                                                                                                                                                |
| Discount rate              | 7.50% (net of administrative expenses) for June 30, 2013<br>7.75% (net of administrative expenses) for June 30, 2010                                                                                                                                                                                                                         |
| Projected salary increases | 3.30% to 14.20% depending on age, service and type of employment for June 30, 2013<br>3.55% to 14.45% depending on age, service and type of employment for June 30, 2010                                                                                                                                                                     |
| Inflation                  | 2.75% for June 30, 2013 and 3.00% for June 30, 2010                                                                                                                                                                                                                                                                                          |
| Payroll growth             | 3.00% for June 30, 2013 and 3.25% for June 30, 2010                                                                                                                                                                                                                                                                                          |
| Individual salary growth   | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25% for June 30, 2013.<br>A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% for June 30, 2010. |

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

| <b>Annual Pension Cost (Employer Contribution)</b> |                      |                        |                      |  |                    |                    |
|----------------------------------------------------|----------------------|------------------------|----------------------|--|--------------------|--------------------|
| <b>Fiscal</b>                                      |                      |                        |                      |  | <b>Percentage</b>  | <b>Net Pension</b> |
| <b>Year</b>                                        | <b>Safety - Fire</b> | <b>Safety - Police</b> | <b>Miscellaneous</b> |  | <b>of APC</b>      | <b>Obligation</b>  |
|                                                    |                      |                        |                      |  | <b>Contributed</b> |                    |
| 6/30/2011                                          | \$ 1,222,761         | \$ 98,995              | \$ 3,324,376         |  | 100%               | -                  |
| 6/30/2012                                          | 1,348,108            | 519,774                | 2,882,205            |  | 100%               | -                  |
| 6/30/2013                                          | 1,157,042            | 532,116                | 2,452,557            |  | 100%               | -                  |

As required by State law, effective July 1, 2005, the City's Safety Fire and Safety Police Plans (agent-employer) were terminated and the employees in these Plans were required by CalPERS to join new State-wide cost-sharing pools. One of the conditions of entry to these pools was that the City true-up any unfunded actuarial liabilities of the former plans, either by paying cash or by increasing its future contribution rates through Side Funds offered by CalPERS. The City will satisfy its former agent Plans' unfunded actuarial liabilities by contributing to the Side Funds, which are pension-related liabilities, funded through additions to its normal contribution rates. At June 30, 2013, the Safety Fire and Safety Police Side Funds' balances were \$6,744,213 and \$2,371,908, respectively. The Safety Fire and Safety Police Side Funds will be amortized over the next 4 years and 1 year, respectively.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS**

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

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and have put in 5 years of CalPERS services (unless disabled). The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2013:

|                            | <b>Police</b> | <b>Fire</b> | <b>Miscellaneous</b> | <b>Total</b> |
|----------------------------|---------------|-------------|----------------------|--------------|
| Eligible Active Employees  | -             | 64          | 237                  | 301          |
| Enrolled Eligible Retirees | 264           | 140         | 456                  | 860          |

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Effective July 1, 2012, the City's contribution rate was \$1,306 per month for each retiree. For the year ended June 30, 2013, the City contributed \$4,075,351 to the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The City's estimated OPEB obligation as of June 30, 2013, based on the 2011 actuarial valuation (the most recent actuarial valuation), was \$36,308,788. The following table shows the components of the City's annual OPEB cost for the year; the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

|                                    |                             |
|------------------------------------|-----------------------------|
| Annual required contribution (ARC) | \$ 9,820,000                |
| Interest costs                     | 1,299,000                   |
| ARC adjustment                     | <u>(1,427,000)</u>          |
| Annual OPEB cost                   | 9,692,000                   |
| Contribution made                  | <u>(4,075,351)</u>          |
| Increase in net OPEB obligation    | 5,616,649                   |
| Net OPEB obligation - beginning    | <u>30,692,139</u>           |
| Net OPEB obligation - ending       | <u><u>\$ 36,308,788</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

| <b>Fiscal Year<br/>Ended</b> | <b>Annual<br/>OPEB Cost</b> | <b>Percentage of<br/>Annual OPEB<br/>Cost Contributed</b> | <b>Net OPEB<br/>Obligation</b> |
|------------------------------|-----------------------------|-----------------------------------------------------------|--------------------------------|
| 6/30/2013                    | \$ 9,692,000                | 42%                                                       | \$ 36,308,788                  |
| 6/30/2012                    | 9,205,000                   | 41%                                                       | 30,692,139                     |
| 6/30/2011                    | 11,453,000                  | 31%                                                       | 25,247,219                     |

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The funded status based on the June 30, 2011 actuarial valuation is as follows:

| <b>Entry Age<br/>Normal Cost<br/>Actuarial<br/>Accrued<br/>Liability</b> | <b>Actuarial<br/>Value of<br/>Assets</b> | <b>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(UAAL)</b> | <b>Funded<br/>Ratio</b> | <b>Annual<br/>Covered<br/>Payroll</b> | <b>UAAL as<br/>a % of<br/>Covered<br/>Payroll</b> |
|--------------------------------------------------------------------------|------------------------------------------|--------------------------------------------------------------------|-------------------------|---------------------------------------|---------------------------------------------------|
| <b>(A)</b>                                                               | <b>(B)</b>                               | <b>(A-B)</b>                                                       | <b>(A/B)</b>            | <b>(C)</b>                            | <b>(A-B)/C</b>                                    |
| \$ 116,939,000                                                           | \$ -                                     | \$ 116,939,000                                                     | 0.00%                   | \$ 26,315,000                         | 444.38%                                           |

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions include a 4.25% discount rate, a 3% annual inflation rate, and 5% to 8.3% medical trend rates. The UAAL is being amortized as a level percent of payroll over 26 years fixed (closed) period. It is assumed the City's payroll will increase 3.25% per year.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

Federally assisted grant programs

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

The City has also raised the procedural issue of whether the applicable statute of limitations for action by HUD would bar enforcement of any repayment of the HOME funds questioned. These funds were provided to sub-recipients for activities and specific projects, which clearly occurred and which have been successful in aiding the community and its citizens. All but the most recent activity questioned involved expenditures incurred more than 10 years ago. The activities covered by the audit extend back to 1993, a period of 17 years prior to commencement of the audit in August 2010. The average age of the activities and initiation of drawdowns questioned was 16 years ago. Initiation of even the most recent activity expenditures questioned occurred more than five years before the audit report was issued. The City believes the federal statute of limitation is 5 years and that questioned expenditures were incurred outside of that period. The City has been carrying on active negotiations with HUD to resolve the audit claims for a number of months, continuing into 2015. Based upon submissions to HUD, the City believes the amounts HUD has questioned will be reduced very substantially from the amounts of the original questioned expenditures. No adjustments have been recorded in the financial statements for these matters.

Other contingent claims

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities but, rather, as restricted governmental fund balances. As of June 30, 2013, total governmental fund encumbrance balances for the City are as follows:

**Governmental Funds:**

|                                                |                     |
|------------------------------------------------|---------------------|
| Federal Grants Special Revenue Fund            | \$ 370,783          |
| Public Finance Authority Capital Projects Fund | 551,357             |
| Nonmajor governmental funds                    | 2,618,369           |
| <b>Total Governmental Funds</b>                | <b>\$ 3,540,509</b> |

In addition, the General Fund also had an encumbrance balance of \$2,003,626 at June 30, 2013. However, the City has not restricted, committed, or assigned these encumbrances.

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

The General Fund is typically the focal point in analyzing the financial health of the City because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. During the fiscal year ended June 30, 2013, the City’s General Fund had an increase in fund balance of \$1,530,265 with an ending fund deficit of \$36,381,141. Additionally, the General Fund has a net due from other funds of \$5,051,640 and an obligation from advances from other funds of \$41,665,653. The General Fund’s cash balance was \$2,011,622 at June 30, 2013. Furthermore, the General Fund has accounts payable of \$1,360,791 and accrued liabilities of \$3,317,852 indicating significant liquidity problems at June 30, 2013.

Management’s Plans to Improve Operations and Limit City Obligations

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

- Reduced employee costs through a negotiated furlough ending on June 30, 2014.
- Implemented a competitive bidding process for all contracts to reduce contract costs.
- Reviewed existing contracts and negotiated a trash contract, which resulted in a one-time payment to the City of \$1.0 million during the fiscal year 2014 and a casino contract, which resulted in the City receiving in fiscal year 2014 approximately \$1.8 million in annual payments to the City instead of an approximate \$240,000 annual payment received in recent years.
- The budget process for the fiscal year 2014 identified City Council priorities and appropriated funds to execute those priorities. Other projects or services that were of less ranking in the priority list were not funded in the budget.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

- Performed audits of business licenses and other fees collected from businesses operating within the City, which resulted in an increase in the City’s business license fees revenues from \$1.3 million in fiscal year 2012 to \$1.8 million in fiscal year 2013.
- The City Council approved rate increases for City services during fiscal year 2014. The various City departments are becoming more aggressive in ensuring that the City collects revenues and charges due to the City. The Fire department, Building & Safety department, Code Enforcement Unit and the Planning department are in the forefront of ensuring that the City collects charges and fees approved by the City Council.

In addition, City Council took action on June 17, 2014 and adopted Resolution 23,970 approving a repayment schedule of the General Fund internal borrowings. The Resolution calls for the internal borrowings to be repaid over a fifteen-year period with accrued interest at a rate of 0.495% annually. The following is the amortization schedule for repayment by the General Fund approved by City Council on June 17, 2014:

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

During fiscal year 2013, the City repaid an additional \$343,518. As a result, the ending loan balance at June 30, 2013 was \$41,665,653.

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

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

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

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

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

Of the \$6,159,729 available for distribution under the LMIHF DDR, the Successor Agency remitted \$287,556 during fiscal year 2014 and \$544,173 during fiscal year 2015 to the County of Los Angeles. On October 22, 2014 the City received an approval from the California Department of Finance (DOF) to repay

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

the remaining amount of \$5,328,000 over a five-year period (installment payment) starting on August 1, 2014. However, since the City paid off \$4,105,700 and \$544,173 in fiscal year 2015 as mentioned above, the City received a verbal approval from the DOF to extend the installment payment by one year. As such, \$5,328,000 will be paid over a five-year period, as follows:

- \$700,000 on August 1, 2015
- \$1,000,000 on August 1, 2016
- \$1,000,000 on August 1, 2017
- \$1,300,000 on August 1, 2018
- \$1,328,000 on August 1, 2019

When the City completes its payment plan, the DOF will issue a Finding of Completion (FOC). This amount has been recorded on the governmental activities Statement of Net Position as a long-term liability to Los Angeles County.

The unallowable transfers totaling \$4,105,700 as indicated in the SCO's review above were included as part of balances available for distribution to taxing entities from the result of OFA DDR. A payment of this liability of \$4,105,700 to Los Angeles County was made on February 12, 2015. Accordingly, a long-term advance to the City and a long-term payable to Los Angeles County in the Successor Agency trust fund was \$5,516,641 at June 30, 2013.

As mentioned above, since the Successor Agency has not paid the full amount of unencumbered cash available for distribution to taxing entities to the County of Los Angeles Auditor-Controller, the DOF has not issued a FOC, which entitles the Successor Agency to certain benefits, such as:

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

may include: (i) retention of property for governmental use, (ii) retention of property for future development, (iii) sale of the property, or (iv) use of property to fulfill an enforceable obligation.

**Land Held for Resale – Successor Agency**

Land held for resale of the former Agency in the amount of \$32,331,807 was transferred to the Successor Agency. The assets were carried at cost in the former Agency and continue to be carried at cost in the Successor Agency Private-Purpose Trust Fund. On April 9, 2014, DOF approved the transfer of land held for resale in the amount of \$2,311,876 to the City, a housing successor agency. This transfer of land held for resale was retroactively reflected on the financial statements as land held for resale were purchased using low and moderate income housing monies and as such should be transferred to the City, a housing successor agency during the dissolution. Land held for resale at June 30, 2013 was \$30,019,931.

**Notes Receivables - Successor Agency**

Details of the Successor Agency's notes receivable as of June 30, 2013 are as follows:

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

In May 2006, outstanding notes receivable from Bakewell and Bankley Investment Company, Compton Commercial Development Company, and Compton Commercial Plaza Company were relieved by a Mutual Release of Claims and Settlement Agreement. The Agreement relieved all parties from all existing debt obligation, however, it created a new debt obligation of \$3,500,000. The Successor Agency is currently negotiating a payment plan and has reserved the entire balance of the obligation as of June 30, 2013.

**Loans receivable - Successor Agency**

The loans receivable at June 30, 2013 are as follows:

| <b>Borrower</b>                                       | <b>Balance at<br/>June 30,<br/>2012</b> | <b>Repayments</b>   | <b>Balance at<br/>June 30,<br/>2013</b> |
|-------------------------------------------------------|-----------------------------------------|---------------------|-----------------------------------------|
| Gateway Opportunity Fund (Prism Realty Corporation)   | \$5,978,037                             | \$ (74,352)         | \$ 5,903,685                            |
| Compton Commercial Development Renaissance Plaza, LLC | 2,789,921                               | (144,189)           | 2,645,732                               |
| Total loans receivable                                | <u>\$8,767,958</u>                      | <u>\$ (218,541)</u> | <u>\$ 8,549,417</u>                     |

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

loan has an interest rate of 6.5% from the date of commencement of the loan to January 24, 2012. Thereafter the interest rate will increase to 7% until the principal of the loan is fully repaid.

**Loan to Compton Commercial Development Renaissance Plaza, LLC** – In connection with the major renovation of the Compton Renaissance Plaza Shopping Center, the former Agency provided a loan of \$2,850,000 to a property developer – Compton Commercial Development Renaissance Plaza, LLC. The developer will renovate or cause the renovation of the existing 86,489 square foot vacant building at the northeast corner of Compton Boulevard between Alameda Street and Willowbrook Avenue. The loan has an interest rate of 3% per annum and shall be for a period of 10 years.

**Capital Assets - Successor Agency**

The following is a summary of the changes in capital assets of the Successor Agency for the year ended June 30, 2013.

|                                                 | <b>Balance at<br/>June 30, 2012<br/>As Restated</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Balance at<br/>June 30, 2013</b> |
|-------------------------------------------------|-----------------------------------------------------|---------------------|------------------|-------------------------------------|
| Capital assets, not being depreciated:          |                                                     |                     |                  |                                     |
| Land                                            | \$ 1,190,859                                        | \$ -                | \$ -             | \$ 1,190,859                        |
| Construction in progress                        | 732,270                                             | 5,817,343           | -                | 6,549,613                           |
|                                                 | <u>1,923,129</u>                                    | <u>5,817,343</u>    | <u>-</u>         | <u>7,740,472</u>                    |
| Capital assets, being depreciated:              |                                                     |                     |                  |                                     |
| Building and structures                         | 22,757,534                                          | 594,421             | -                | 23,351,955                          |
| Land improvements                               | 1,331,980                                           | -                   | -                | 1,331,980                           |
| Equipment                                       | 113,987                                             | 19,829              | -                | 133,816                             |
| Total capital assets,<br>being depreciated      | <u>24,203,501</u>                                   | <u>614,250</u>      | <u>-</u>         | <u>24,817,751</u>                   |
| Less accumulated depreciation for:              |                                                     |                     |                  |                                     |
| Building and structures                         | (1,646,287)                                         | (467,040)           | -                | (2,113,327)                         |
| Land improvements                               | (1,252,597)                                         | (58,559)            | -                | (1,311,156)                         |
| Equipment                                       | (101,117)                                           | (10,926)            | -                | (112,043)                           |
| Total accumulated depreciation                  | <u>(3,000,001)</u>                                  | <u>(536,525)</u>    | <u>-</u>         | <u>(3,536,526)</u>                  |
| Total capital assets, being<br>depreciated, net | <u>21,203,500</u>                                   | <u>77,725</u>       | <u>-</u>         | <u>21,281,225</u>                   |
| Total capital assets, net                       | <u>\$ 23,126,629</u>                                | <u>\$ 5,895,068</u> | <u>\$ -</u>      | <u>\$ 29,021,697</u>                |

Depreciation expense for the year ended June 30, 2013 was \$536,525.

As discussed in Note 7, the transfers of capital assets from the former Agency to the Successor Agency are pending approval of the Department of Finance and oversight board upon submission of the Successor Agency's long-range property management plan that will address the disposition and use of real properties of the former Agency. Certain capital assets that were previously funded using the former Agency's monies

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

continue to be reported in the City's financial statements because they are either titled in the City's name or maintained by the City.

**Long-term debt – Successor Agency**

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2013.

|                                          | Balance<br>June 30, 2012 | Additions           | Retirements           | Balance<br>June 30, 2013 | Amount Due<br>Within One<br>Year |
|------------------------------------------|--------------------------|---------------------|-----------------------|--------------------------|----------------------------------|
| <b>Debt long-term liabilities</b>        |                          |                     |                       |                          |                                  |
| <b>Bonds payable:</b>                    |                          |                     |                       |                          |                                  |
| 1995 series "C" refunding tax allocation |                          |                     |                       |                          |                                  |
| capital appreciation bonds - taxable     | \$ 10,137,530            | \$ -                | \$ -                  | \$ 10,137,530            | \$ 1,319,906                     |
| Add: Interest accretion                  | 27,500,491               | 3,047,823           | -                     | 30,548,314               | -                                |
| 2006 series "A" refunding tax allocation |                          |                     |                       |                          |                                  |
| bonds - tax exempt                       | 16,610,000               | -                   | (8,090,000)           | 8,520,000                | 8,520,000                        |
| Less: Deferred loss on refunding         | (326,333)                | -                   | 326,333               | -                        | -                                |
| Add: Bond premium                        | 278,233                  | -                   | (278,233)             | -                        | -                                |
| 2010 series "A", "B" and "C" Community   |                          |                     |                       |                          |                                  |
| Redevelopment Agency second lien tax     |                          |                     |                       |                          |                                  |
| allocation bonds                         | 99,920,000               | -                   | (830,000)             | 99,090,000               | 855,000                          |
| Less: Discount on issue                  | (707,629)                | -                   | 23,588                | (684,041)                | -                                |
| <b>Total bonds payable</b>               | <u>153,412,292</u>       | <u>3,047,823</u>    | <u>(8,848,312)</u>    | <u>147,611,803</u>       | <u>10,694,906</u>                |
| <b>Other long-term liabilities</b>       |                          |                     |                       |                          |                                  |
| Taxsharing indebtedness                  | 1,000,000                | -                   | (1,000,000)           | -                        | -                                |
| Due to Los Angeles County                | 5,516,641                | -                   | -                     | 5,516,641                | -                                |
| <b>Total other long-term liabilities</b> | <u>6,516,641</u>         | <u>-</u>            | <u>(1,000,000)</u>    | <u>5,516,641</u>         | <u>-</u>                         |
| <b>Total Successor Agency</b>            |                          |                     |                       |                          |                                  |
| <b>long-term liabilities</b>             | <u>\$ 159,928,933</u>    | <u>\$ 3,047,823</u> | <u>\$ (9,848,312)</u> | <u>\$ 153,128,444</u>    | <u>\$ 10,694,906</u>             |

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

The 1995 Series "C" Refunding Tax Allocation Capital Appreciation bonds were issued in 1995 but repayment of the liability will commence in 2014 and with the final payment due in 2024. During the grace period before the loan payment commences, the interest on the bond is added as an accretion to the bond balance. The amount of the bond was \$10,137,530 while total accretion as of June 30, 2013 was \$30,548,314.

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

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

\* Accretion in the amount of \$30,548,314 is included as interest for debt service payment schedule.

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

On July 6, 2006, the former Agency issued \$51.2 million in Tax Allocation Bonds with an average interest rate of 5.0 percent to advance refund \$32 million of outstanding 1995A Series Bonds, \$14.7 million of 1995B Series Bonds and \$19.3 million of outstanding 1995-1 Series bonds. The former Agency defeased the old bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the financial statements. On June 30, 2013, \$18.9 million of the bonds outstanding are considered defeased.

The Series 2006 A Tax Allocation Bonds are special obligations of the former Agency, which are secured by an irrevocable pledge of the tax revenues payable to the former Agency. Total principal and interest remaining on the bonds is \$8,733,000 payable through August 2013. The Successor Agency had debt service payments totaling \$8,718,250 during the fiscal year ended June 30, 2013.

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>   |
|-----------------------------|---------------------|-------------------|
| 2014                        | <u>\$ 8,520,000</u> | <u>\$ 213,000</u> |

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

On June 9, 2010, the former Agency issued \$118,985,000 of Second Lien Tax Allocation Bonds made up of Series "A" (\$31,130,000 for Housing projects), Series B (\$69,595,000 for general redevelopment projects) and Series C (\$18,260,000 Taxable - for other redevelopment projects). The bonds interest rates are between 3.00% and 5.00% for Series A, 5.00% and 5.75% for Series B and 7.29% and 7.74% for Series C. The amount of principal outstanding at June 30, 2013 for all of the 2010 Series was \$99,090,000.

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

The 2010 Second Lien Tax Allocation Bonds are special obligations of the former Agency, which are secured by an irrevocable pledge of the tax revenues payable to the former Agency. Total principal and interest remaining on the bonds is \$188,457,643. The bonds are payable as follows - Series A (August 2011 through 2042), Series B (August 2011 through 2042) and Series C (August 2011 through 2042). The Successor Agency had debt service payments totaling \$6,670,779 during the fiscal year ended June 30, 2013.

| <b>Year Ending June 30,</b> | <b>Principal</b>     | <b>Interest</b>      |
|-----------------------------|----------------------|----------------------|
| 2014                        | \$ 855,000           | \$ 5,815,880         |
| 2015                        | 2,265,000            | 5,790,229            |
| 2016                        | 2,390,000            | 5,667,938            |
| 2017                        | 2,520,000            | 5,532,199            |
| 2018                        | 2,670,000            | 5,388,465            |
| 2019-2023                   | 15,950,000           | 24,320,748           |
| 2024-2028                   | 28,500,000           | 18,006,409           |
| 2029-2033                   | 19,400,000           | 10,764,975           |
| 2034-2038                   | 11,880,000           | 5,713,500            |
| 2039-2043                   | 12,660,000           | 2,367,300            |
| Total                       | <u>\$ 99,090,000</u> | <u>\$ 89,367,643</u> |

**Property Tax Sharing Obligation**

The former Agency received revenues from property taxes collected on its behalf by the Los Angeles County. A portion of the property tax revenue is required to be deposited in a trust fund to be established by and administered for the Compton Unified School District unless the amount is spent on a mutually beneficial and agreed project between the former Agency and the Compton Unified School District. There was a dispute between the former Agency and the Compton Unified School District on the amount of the property tax share, which has not been spent on a mutually agreed project. Subsequent to dissolution of the former Agency, the Successor Agency and the Compton Unified School entered into a settlement for the amount of \$1,000,000 in January 2013. This settlement was paid by the Successor Agency on June 28, 2013.

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

**Due to Los Angeles County**

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

**NOTE 15 – SUBSEQUENT EVENTS**

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

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

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

**CITY OF COMPTON, CALIFORNIA**  
Notes to Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2013

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

6. Modifies the Long-Range Property Management Plan process allowing the transfer to a city of property identified in an approved redevelopment plan for disposition or liquidation by including properties listed in a community plan or a five-year implementation plan for such transfer.
7. Beginning in fiscal year 2013-14, the maximum loan repayment amount to a city or county that created a former redevelopment agency is based on 1/2 of the increase between the amount distributed to the taxing entities in that fiscal year and the amount distributed to the taxing entities in the 2012-13 base year. The legislation clarifies that in calculating the loan repayment amount, the amounts distributed to taxing entities during the 2012-13 base year shall not include amounts distributed to taxing entities as a result of the DDR process.

b. Tax Revenue Anticipation Notes

In July 2013 and 2014, the City issued the 2013-14 Tax and Revenue Anticipation Notes, Series A and the 2014-15 Tax and Revenue Anticipation Notes, Series A in the aggregate principal amounts of \$10,600,000 and \$12,210,000, respectively. The notes were issued for the purpose of financing expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City and have an interest rate of 3.75% for the 2013-14 Tax and Revenue Anticipation Notes, Series A and 2.75% for the 2014-15 Tax and Revenue Anticipation Notes, Series A. The 2013-14 Tax and Revenue Anticipation Notes, Series A have a maturity date of June 1, 2014 and were paid in full by the City by the maturity date. The 2014-15 Tax and Revenue Anticipation Notes, Series A have a maturity date of June 1, 2015 and were paid in full by the City by the maturity date. These notes are general obligations of the City and payable out of 1% property tax labeled account number “132.01- City-Compton TD #1” by the County of Los Angeles Auditor/Controller, vehicle licensing fee revenues, and sales and use tax revenues collected by the County on behalf of the City. On June 16, 2015, the City Council authorized Tax and Revenue Anticipation Notes not to exceed \$16,000,000 to be issued by the end of July 2015.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF COMPTON, CALIFORNIA**

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

|                                   | Budgeted Amounts |               | Actual        | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------------|------------------|---------------|---------------|---------------------------------------------------------|
|                                   | Original         | Final         | Amount        |                                                         |
| Revenues:                         |                  |               |               |                                                         |
| Taxes and special assessments     | \$ 24,119,973    | \$ 24,569,973 | \$ 27,173,000 | \$ 2,603,027                                            |
| Licenses and permits              | 2,872,221        | 2,961,221     | 3,845,518     | 884,297                                                 |
| Intergovernmental revenues        | 8,016,250        | 8,016,250     | 9,671,896     | 1,655,646                                               |
| Fines, forfeitures, and penalties | 1,656,165        | 1,656,165     | 1,606,039     | (50,126)                                                |
| Use of money and property         | 593,827          | 2,414,155     | 1,135,488     | (1,278,667)                                             |
| Charges for services              | 5,421,920        | 5,811,920     | 5,991,239     | 179,319                                                 |
| Other                             | 114,221          | 114,221       | 114,222       | 1                                                       |
| Total revenues                    | 42,794,577       | 45,543,905    | 49,537,402    | 3,993,497                                               |
| Expenditures:                     |                  |               |               |                                                         |
| General government:               |                  |               |               |                                                         |
| City attorney                     | 1,395,418        | 1,355,904     | 1,107,456     | 248,448                                                 |
| City clerk                        | 1,105,965        | 1,105,966     | 907,367       | 198,599                                                 |
| City controller                   | 1,757,205        | 1,757,005     | 1,212,428     | 544,577                                                 |
| City council                      | 849,524          | 849,524       | 543,117       | 306,407                                                 |
| City manager                      | 3,040,626        | 3,286,417     | 3,187,141     | 99,276                                                  |
| City treasurer                    | 503,070          | 506,524       | 437,514       | 69,010                                                  |
| Total general government          | 8,651,808        | 8,861,340     | 7,395,023     | 1,466,317                                               |
| Management services:              |                  |               |               |                                                         |
| General services                  | 2,944,181        | 2,944,812     | 2,960,698     | (15,886)                                                |
| Non-departmental                  | 3,696,462        | 1,530,026     | 1,351,516     | 178,510                                                 |
| Human resources                   | 616,144          | 616,144       | 364,096       | 252,048                                                 |
| Total management services         | 7,256,787        | 5,090,982     | 4,676,310     | 414,672                                                 |
| Public safety:                    |                  |               |               |                                                         |
| Fire                              | 10,685,304       | 10,671,160    | 11,305,670    | (634,510)                                               |
| Municipal Law                     | 3,444,487        | 3,438,363     | 3,003,669     | 434,694                                                 |
| Los Angeles County Sheriff        | 18,054,419       | 18,054,419    | 17,575,407    | 479,012                                                 |
| Total public safety               | 32,184,210       | 32,163,942    | 31,884,746    | 279,196                                                 |
| Public works:                     |                  |               |               |                                                         |
| Public works - street maintenance | 244,076          | 243,321       | 288,312       | (44,991)                                                |
| Public works - engineering        | 1,092,904        | 589,810       | 201,834       | 387,976                                                 |
| Total public works                | 1,336,980        | 833,131       | 490,146       | 342,985                                                 |

Continued

**CITY OF COMPTON, CALIFORNIA**

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

|                                                              | Budgeted Amounts |                 | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------------------------------|------------------|-----------------|------------------|---------------------------------------------------------|
|                                                              | Original         | Final           |                  |                                                         |
| Environmental and human services:                            |                  |                 |                  |                                                         |
| Building and safety                                          | 997,320          | 1,086,320       | 958,616          | \$ 127,704                                              |
| Careerlink                                                   | 31,055           | 31,055          | 15,993           | 15,062                                                  |
| Planning and economic development                            | 656,752          | 656,002         | 502,272          | 153,730                                                 |
| Parks and recreation                                         | 2,520,131        | 2,520,131       | 1,715,111        | 805,020                                                 |
| Total environmental and<br>human services                    | 4,205,258        | 4,293,508       | 3,191,992        | 1,101,516                                               |
| Total expenditures                                           | 53,635,043       | 51,242,903      | 47,638,217       | 3,604,686                                               |
| Excess (deficiency) of revenues<br>over (under) expenditures | (10,840,466)     | (5,698,998)     | 1,899,185        | 7,598,183                                               |
| Other financing uses:                                        |                  |                 |                  |                                                         |
| Transfers out                                                | -                | -               | (508,080)        | (508,080)                                               |
| Net change in fund balance                                   | (10,840,466)     | (5,698,998)     | 1,391,105        | 7,090,103                                               |
| Fund balance (deficit) at<br>beginning of year               | (37,911,406)     | (37,911,406)    | (37,911,406)     | -                                                       |
| Fund balance (deficit) at end of year                        | \$ (48,751,872)  | \$ (43,610,404) | \$ (36,520,301)  | \$ 7,090,103                                            |

See Accompanying Notes to the Required Supplementary Information.

**CITY OF COMPTON, CALIFORNIA**

Federal Grants Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

|                                                              | Budgeted Amounts |               | Actual        | Variance with<br>Final Budget |
|--------------------------------------------------------------|------------------|---------------|---------------|-------------------------------|
|                                                              | Original         | Final         | Amount        | Positive<br>(Negative)        |
| Revenues:                                                    |                  |               |               |                               |
| Intergovernmental revenues                                   | \$ 15,275,398    | \$ 15,507,082 | \$ 15,585,998 | \$ 78,916                     |
| Use of money and property                                    | 2,962,043        | 2,962,043     | 22,650        | (2,939,393)                   |
| Charges for services                                         | 806,630          | 806,630       | -             | (806,630)                     |
| Other                                                        | 4,352,508        | 6,353,756     | 506,751       | (5,847,005)                   |
| Total revenues                                               | 23,396,579       | 25,629,511    | 16,115,399    | (9,514,112)                   |
| Expenditures:                                                |                  |               |               |                               |
| Current:                                                     |                  |               |               |                               |
| Public safety                                                | 539,276          | 618,694       | 593,551       | 25,143                        |
| Environmental and<br>human services                          | 20,048,090       | 22,910,402    | 14,413,663    | 8,496,739                     |
| Debt service:                                                |                  |               |               |                               |
| Principal                                                    | 300,000          | 300,000       | 300,000       | -                             |
| Interest                                                     | 52,635           | 52,635        | 52,488        | 147                           |
| Capital outlay                                               | 324,465          | 41,818        | 80,504        | (38,686)                      |
| Total expenditures                                           | 21,264,466       | 23,923,549    | 15,440,206    | 8,483,343                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | 2,132,113        | 1,705,962     | 675,193       | (1,030,769)                   |
| Fund balance at beginning of year,<br>as restated            | 2,253,551        | 2,253,551     | 2,253,551     | -                             |
| Fund balance at end of year                                  | \$ 4,385,664     | \$ 3,959,513  | \$ 2,928,744  | \$ (1,030,769)                |

See Accompanying Notes to the Required Supplementary Information.

**CITY OF COMPTON, CALIFORNIA**

Retirement Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

|                                                              | Budgeted Amounts |               | Actual        | Variance with<br>Final Budget |
|--------------------------------------------------------------|------------------|---------------|---------------|-------------------------------|
|                                                              | Original         | Final         | Amount        | Positive<br>(Negative)        |
| Revenues:                                                    |                  |               |               |                               |
| Taxes and special assessments                                | \$ 13,166,476    | \$ 16,042,476 | \$ 20,583,580 | \$ 4,541,104                  |
| Intergovernmental revenues                                   | 270,000          | 270,000       | 304,874       | 34,874                        |
| Use of money and property                                    | 1,000            | 1,000         | 50,869        | 49,869                        |
| Other                                                        | 229,106          | 229,106       | -             | (229,106)                     |
| Total revenues                                               | 13,666,582       | 16,542,582    | 20,939,323    | 4,396,741                     |
| Expenditures:                                                |                  |               |               |                               |
| Current:                                                     |                  |               |               |                               |
| General government                                           | 2,082,634        | 2,082,635     | 956,776       | 1,125,859                     |
| Public safety                                                | 5,340,430        | 5,340,430     | 4,878,981     | 461,449                       |
| Public works                                                 | 37,135           | 37,135        | 12,496        | 24,639                        |
| Management services                                          | 4,741,531        | 7,616,611     | 8,520,498     | (903,887)                     |
| Environmental and<br>human services                          | 1,465,771        | 1,465,771     | 1,012,212     | 453,559                       |
| Total expenditures                                           | 13,667,501       | 16,542,582    | 15,380,963    | 1,161,619                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | (919)            | -             | 5,558,360     | 5,558,360                     |
| Fund balance at beginning of year,                           | 12,450,883       | 12,450,883    | 12,450,883    | -                             |
| Fund balance at end of year                                  | \$ 12,449,964    | \$ 12,450,883 | \$ 18,009,243 | \$ 5,558,360                  |

See Accompanying Notes to the Required Supplementary Information.

**CITY OF COMPTON, CALIFORNIA**

Required Supplementary Information  
Schedules of Funding Progress  
For the Fiscal Year Ended June 30, 2013

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

| <b>Valuation Date</b> | <b>Entry Age Normal Cost Actuarial Accrued Liability</b> | <b>Actuarial Value of Assets</b> | <b>Unfunded Actuarial Accrued Liability (UAAL)</b> | <b>Funded Ratio</b> | <b>Annual Covered Payroll</b> | <b>UAAL as a % of Covered Payroll</b> |
|-----------------------|----------------------------------------------------------|----------------------------------|----------------------------------------------------|---------------------|-------------------------------|---------------------------------------|
|                       | <b>(A)</b>                                               | <b>(B)</b>                       | <b>(A-B)</b>                                       | <b>(B/A)</b>        | <b>(C)</b>                    | <b>[(A-B)/C]</b>                      |
| 6/30/2011             | \$ 167,117,156                                           | \$130,053,396                    | \$ 37,063,760                                      | 77.82%              | \$17,963,289                  | 206.33%                               |
| 6/30/2012             | 170,305,337                                              | 131,823,644                      | 38,481,693                                         | 77.40%              | 12,707,049                    | 302.84%                               |
| 6/30/2013             | 173,153,644                                              | 117,268,967                      | 55,884,677                                         | 67.73%              | 12,933,325                    | 432.10%                               |

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

| <b>Valuation Date</b> | <b>Entry Age Normal Cost Actuarial Accrued Liability</b> | <b>Actuarial Value of Assets</b> | <b>Unfunded Actuarial Accrued Liability (UAAL)</b> | <b>Funded Ratio</b> | <b>Annual Covered Payroll</b> | <b>UAAL as a % of Covered Payroll</b> |
|-----------------------|----------------------------------------------------------|----------------------------------|----------------------------------------------------|---------------------|-------------------------------|---------------------------------------|
|                       | <b>(A)</b>                                               | <b>(B)</b>                       | <b>(A-B)</b>                                       | <b>(B/A)</b>        | <b>(C)</b>                    | <b>[(A-B)/C]</b>                      |
| 6/30/2007             | \$ 113,725,000                                           | \$ -                             | \$ 113,725,000                                     | 0.00%               | \$19,855,000                  | 572.78%                               |
| 6/30/2009             | 125,693,000                                              | -                                | 125,693,000                                        | 0.00%               | 23,920,000                    | 525.47%                               |
| 6/30/2011             | 116,939,000                                              | -                                | 116,939,000                                        | 0.00%               | 26,315,000                    | 444.38%                               |

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**CITY OF COMPTON, CALIFORNIA**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2013

**Budgetary Information**

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

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

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

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

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

**Budgetary Controls**

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

Budgets for governmental funds are sometimes adopted based upon accounting for certain transactions on a basis other than the accounting principles generally accepted accounting principles (GAAP). As a result, the General Fund's principal and interest expenditures in the amounts of \$298,748 and \$81,498, respectively, were included in the budgetary comparison schedule for the General Fund under general government expenditures. The General Fund's capital outlay expenditure in the amount of \$20,313 was also included in the budgetary comparison schedule for the General Fund under public safety expenditure. In addition, a transfer in from the Tax Revenue Anticipation Notes Fund to the General Fund in the amount of \$407,805 and interest expenditures in the amount of \$268,645 paid by the Tax Revenue Anticipation Notes, which is blended with the General Fund in the GAAP financial statements, is excluded from the budgetary comparison schedule for the General Fund.

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## **SUPPLEMENTARY INFORMATION**

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**CITY OF COMPTON, CALIFORNIA**  
Description of Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2013

**SPECIAL REVENUE FUNDS**

**County Transportation Fund**

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

**Gasoline Tax Fund**

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

**Department of Health Service Grant Fund**

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

**Special Assessments Fund**

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

**Other Special Revenue Fund**

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

**CAPITAL PROJECTS FUNDS**

**California Department of Transportation Grant Fund**

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

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

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

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

|                                          | Special Revenue Funds    |                   |                                             |
|------------------------------------------|--------------------------|-------------------|---------------------------------------------|
|                                          | County<br>Transportation | Gasoline<br>Tax   | Department<br>of Health<br>Service<br>Grant |
| <b>Assets</b>                            |                          |                   |                                             |
| Cash and investments                     | \$ 4,795,727             | \$ 426,910        | \$ -                                        |
| Taxes and special assessments receivable | -                        | -                 | -                                           |
| Accounts receivable                      | -                        | 29,691            | -                                           |
| Grants receivable                        | -                        | -                 | -                                           |
| Due from other funds                     | 1,300                    | -                 | -                                           |
| Advances to other funds                  | -                        | -                 | 1,483                                       |
| Total assets                             | <u>\$ 4,797,027</u>      | <u>\$ 456,601</u> | <u>\$ 1,483</u>                             |
| <b>Liabilities and Fund Balances</b>     |                          |                   |                                             |
| <b>Liabilities:</b>                      |                          |                   |                                             |
| Accounts payable                         | \$ 162,386               | \$ 6,350          | \$ -                                        |
| Accrued liabilities                      | 131,123                  | 12,093            | -                                           |
| Unearned revenue                         | -                        | -                 | -                                           |
| Due to other funds                       | 550,849                  | -                 | 98,889                                      |
| Total liabilities                        | <u>844,358</u>           | <u>18,443</u>     | <u>98,889</u>                               |
| <b>Fund balances:</b>                    |                          |                   |                                             |
| Restricted for:                          |                          |                   |                                             |
| Road improvements                        | 3,611,175                | 438,158           | -                                           |
| Transit systems                          | 341,494                  | -                 | -                                           |
| Police services                          | -                        | -                 | -                                           |
| Recycling and clean air                  | -                        | -                 | -                                           |
| Unassigned                               | -                        | -                 | (97,406)                                    |
| Total fund balances (deficit)            | <u>3,952,669</u>         | <u>438,158</u>    | <u>(97,406)</u>                             |
| Total liabilities and fund balances      | <u>\$ 4,797,027</u>      | <u>\$ 456,601</u> | <u>\$ 1,483</u>                             |

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

| Special Revenue Funds |                     | Capital Projects Funds                        |                                               | Total                |
|-----------------------|---------------------|-----------------------------------------------|-----------------------------------------------|----------------------|
| Special Assessments   | Other               | California Department of Transportation Grant | California Department of Parks and Recreation |                      |
| \$ -                  | \$ 556,520          | \$ 2,611,811                                  | \$ 2,023                                      | \$ 8,392,991         |
| 151,616               | 27,123              | -                                             | -                                             | 178,739              |
| -                     | -                   | 1,433                                         | -                                             | 31,124               |
| -                     | 51,379              | 341,136                                       | -                                             | 392,515              |
| -                     | -                   | -                                             | -                                             | 1,300                |
| -                     | 1,022,048           | 1,383,414                                     | 54,473                                        | 2,461,418            |
| <u>\$ 151,616</u>     | <u>\$ 1,657,070</u> | <u>\$ 4,337,794</u>                           | <u>\$ 56,496</u>                              | <u>\$ 11,458,087</u> |
| <br>                  |                     |                                               |                                               |                      |
| \$ 136,336            | \$ 84,701           | \$ 376,166                                    | \$ 39,314                                     | \$ 805,253           |
| 31,095                | 6,182               | 3,393                                         | -                                             | 183,886              |
| -                     | 290,067             | -                                             | -                                             | 290,067              |
| 1,943,557             | 882,071             | 537,920                                       | 442,490                                       | 4,455,776            |
| <u>2,110,988</u>      | <u>1,263,021</u>    | <u>917,479</u>                                | <u>481,804</u>                                | <u>5,734,982</u>     |
| <br>                  |                     |                                               |                                               |                      |
| -                     | -                   | 3,420,315                                     | -                                             | 7,469,648            |
| -                     | -                   | -                                             | -                                             | 341,494              |
| -                     | 43,703              | -                                             | -                                             | 43,703               |
| -                     | 350,346             | -                                             | -                                             | 350,346              |
| (1,959,372)           | -                   | -                                             | (425,308)                                     | (2,482,086)          |
| <u>(1,959,372)</u>    | <u>394,049</u>      | <u>3,420,315</u>                              | <u>(425,308)</u>                              | <u>5,723,105</u>     |
| <br>                  |                     |                                               |                                               |                      |
| <u>\$ 151,616</u>     | <u>\$ 1,657,070</u> | <u>\$ 4,337,794</u>                           | <u>\$ 56,496</u>                              | <u>\$ 11,458,087</u> |

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

|                                                              | Special Revenue Funds      |                          |                                             |
|--------------------------------------------------------------|----------------------------|--------------------------|---------------------------------------------|
|                                                              | County<br>Transportation   | Gasoline<br>Tax          | Department<br>of Health<br>Service<br>Grant |
| Revenues:                                                    |                            |                          |                                             |
| Taxes and special assessments                                | \$ -                       | \$ -                     | \$ -                                        |
| Intergovernmental revenues                                   | 2,822,273                  | 1,453,994                | -                                           |
| Use of money and property                                    | 110,395                    | -                        | 7                                           |
| Charges for services                                         | -                          | -                        | -                                           |
| Others                                                       | -                          | -                        | -                                           |
| Total revenues                                               | <u>2,932,668</u>           | <u>1,453,994</u>         | <u>7</u>                                    |
| Expenditures:                                                |                            |                          |                                             |
| Current:                                                     |                            |                          |                                             |
| General government                                           | 72,154                     | -                        | -                                           |
| Public safety                                                | -                          | -                        | -                                           |
| Public works                                                 | 1,094,222                  | 993,071                  | -                                           |
| Management services                                          | -                          | -                        | -                                           |
| Environmental and human services                             | 597,450                    | -                        | -                                           |
| Total expenditures                                           | <u>1,763,826</u>           | <u>993,071</u>           | <u>-</u>                                    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>1,168,842</u>           | <u>460,923</u>           | <u>7</u>                                    |
| Other financing sources:                                     |                            |                          |                                             |
| Transfers in                                                 | <u>-</u>                   | <u>-</u>                 | <u>-</u>                                    |
| Net change in fund balances                                  | 1,168,842                  | 460,923                  | 7                                           |
| Fund balances (deficit) at beginning of year                 | <u>2,783,827</u>           | <u>(22,765)</u>          | <u>(97,413)</u>                             |
| Fund balances (deficit) at end of year                       | <u><u>\$ 3,952,669</u></u> | <u><u>\$ 438,158</u></u> | <u><u>\$ (97,406)</u></u>                   |

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2013

| Special Revenue Funds |            | Capital Project Funds                         |                                               |              |
|-----------------------|------------|-----------------------------------------------|-----------------------------------------------|--------------|
| Special Assessments   | Other      | California Department of Transportation Grant | California Department of Parks and Recreation | Total        |
| \$ 4,353,182          | \$ -       | \$ -                                          | \$ -                                          | \$ 4,353,182 |
| -                     | 608,483    | 4,355,256                                     | 15,958                                        | 9,255,964    |
| -                     | 5,034      | 13,181                                        | 317                                           | 128,934      |
| -                     | -          | 13,003                                        | -                                             | 13,003       |
| -                     | 12,379     | -                                             | -                                             | 12,379       |
| 4,353,182             | 625,896    | 4,381,440                                     | 16,275                                        | 13,763,462   |
| -                     | -          | -                                             | -                                             | 72,154       |
| -                     | 154,685    | -                                             | -                                             | 154,685      |
| 3,787,243             | 866        | 344,343                                       | -                                             | 6,219,745    |
| -                     | 26,178     | -                                             | -                                             | 26,178       |
| -                     | 594,798    | -                                             | -                                             | 1,192,248    |
| 3,787,243             | 776,527    | 880,670                                       | 43,161                                        | 8,244,498    |
| 565,939               | (150,631)  | 3,500,770                                     | (26,886)                                      | 5,518,964    |
| -                     | 131,606    | -                                             | -                                             | 131,606      |
| 565,939               | (19,025)   | 3,500,770                                     | (26,886)                                      | 5,650,570    |
| (2,525,311)           | 413,074    | (80,455)                                      | (398,422)                                     | 72,535       |
| \$ (1,959,372)        | \$ 394,049 | \$ 3,420,315                                  | \$ (425,308)                                  | \$ 5,723,105 |

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**CITY OF COMPTON, CALIFORNIA**  
Description of Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2013

**ENTERPRISE FUNDS**

**Golf Course Fund**

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

**Recreation Fund**

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

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**CITY OF COMPTON, CALIFORNIA**

Nonmajor Enterprise Funds  
Combining Statement of Net Position  
June 30, 2013

|                                          | <u>Golf Course</u> | <u>Recreation</u> | <u>Total</u>      |
|------------------------------------------|--------------------|-------------------|-------------------|
| <b>Assets</b>                            |                    |                   |                   |
| Current assets:                          |                    |                   |                   |
| Cash and investments                     | \$ 38,527          | \$ 3,587          | \$ 42,114         |
| Accounts receivable                      | <u>1,249</u>       | <u>-</u>          | <u>1,249</u>      |
| Total current assets                     | 39,776             | 3,587             | 43,363            |
| Noncurrent assets:                       |                    |                   |                   |
| Advances to other funds                  | <u>49,474</u>      | <u>121,358</u>    | <u>170,832</u>    |
| Total assets                             | <u>89,250</u>      | <u>124,945</u>    | <u>214,195</u>    |
| <b>Liabilities</b>                       |                    |                   |                   |
| Current liabilities:                     |                    |                   |                   |
| Deposits                                 | -                  | 68,834            | 68,834            |
| Other postemployment benefits obligation | <u>242</u>         | <u>-</u>          | <u>242</u>        |
| Total current liabilities                | <u>242</u>         | <u>68,834</u>     | <u>69,076</u>     |
| Long-term liabilities:                   |                    |                   |                   |
| Other postemployment benefits obligation | <u>1,934</u>       | <u>-</u>          | <u>1,934</u>      |
| Total liabilities                        | <u>2,176</u>       | <u>68,834</u>     | <u>71,010</u>     |
| <b>Net Position</b>                      |                    |                   |                   |
| Net position:                            |                    |                   |                   |
| Unrestricted                             | <u>87,074</u>      | <u>56,111</u>     | <u>143,185</u>    |
| Total net position                       | <u>\$ 87,074</u>   | <u>\$ 56,111</u>  | <u>\$ 143,185</u> |

**CITY OF COMPTON, CALIFORNIA**

## Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2013

|                                   | <u>Golf Course</u> | <u>Recreation</u> | <u>Total</u>      |
|-----------------------------------|--------------------|-------------------|-------------------|
| Operating revenues:               |                    |                   |                   |
| Charges for services              | \$ 79,207          | \$ 135            | \$ 79,342         |
| Operating expenses:               |                    |                   |                   |
| Public works                      | <u>37,300</u>      | <u>-</u>          | <u>37,300</u>     |
| Operating income                  | <u>41,907</u>      | <u>135</u>        | <u>42,042</u>     |
| Nonoperating revenues:            |                    |                   |                   |
| Investment income                 | <u>244</u>         | <u>598</u>        | <u>842</u>        |
| Change in net position            | 42,151             | 733               | 42,884            |
| Net position at beginning of year | <u>44,923</u>      | <u>55,378</u>     | <u>100,301</u>    |
| Net position at end of year       | <u>\$ 87,074</u>   | <u>\$ 56,111</u>  | <u>\$ 143,185</u> |

**CITY OF COMPTON, CALIFORNIA**

Nonmajor Enterprise Funds  
Combining Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013

|                                                                                         | <u>Golf Course</u> | <u>Recreation</u> | <u>Total</u>     |
|-----------------------------------------------------------------------------------------|--------------------|-------------------|------------------|
| Cash flows from operating activities:                                                   |                    |                   |                  |
| Cash received from customers                                                            | \$ 79,327          | \$ 5,032          | \$ 84,359        |
| Cash payments to suppliers for goods and services                                       | <u>(40,800)</u>    | <u>(1,446)</u>    | <u>(42,246)</u>  |
| Net cash provided by operating activities                                               | <u>38,527</u>      | <u>3,586</u>      | <u>42,113</u>    |
| Cash flows from non-capital financing activities:                                       |                    |                   |                  |
| Long-term loans to other funds                                                          | <u>(244)</u>       | <u>(597)</u>      | <u>(841)</u>     |
| Cash flows from investing activities:                                                   |                    |                   |                  |
| Interest received on investments                                                        | <u>244</u>         | <u>598</u>        | <u>842</u>       |
| Net increase in cash and cash equivalents                                               | 38,527             | 3,587             | 42,114           |
| Cash and cash equivalents, beginning of year                                            | <u>-</u>           | <u>-</u>          | <u>-</u>         |
| Cash and cash equivalents, end of year                                                  | <u>\$ 38,527</u>   | <u>\$ 3,587</u>   | <u>\$ 42,114</u> |
| Reconciliation of operating income to net cash provided by operating activities:        |                    |                   |                  |
| Operating income                                                                        | \$ 41,907          | \$ 135            | \$ 42,042        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                    |                   |                  |
| Changes in assets and liabilities:                                                      |                    |                   |                  |
| Decrease in accounts receivable                                                         | 119                | -                 | 119              |
| Decrease in accounts payable                                                            | (3,500)            | -                 | (3,500)          |
| Decrease in accrued liabilities                                                         | -                  | (1,446)           | (1,446)          |
| Increase in deposit payable                                                             | <u>-</u>           | <u>4,898</u>      | <u>4,898</u>     |
| Net cash provided by operating activities                                               | <u>\$ 38,526</u>   | <u>\$ 3,587</u>   | <u>\$ 42,113</u> |

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**CITY OF COMPTON, CALIFORNIA**

Description of Internal Service Funds  
For the Fiscal Year Ended June 30, 2013

**INTERNAL SERVICE FUNDS**

**Equipment Rental Fund**

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

**Central Duplication Fund**

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

**Self-Insurance Fund**

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

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**CITY OF COMPTON, CALIFORNIA**

Internal Service Funds  
Combining Statement of Net Position  
June 30, 2013

|                                  | Equipment<br>Rental | Central<br>Duplication | Self-<br>Insurance     | Total                  |
|----------------------------------|---------------------|------------------------|------------------------|------------------------|
| <b>Assets</b>                    |                     |                        |                        |                        |
| Current assets:                  |                     |                        |                        |                        |
| Cash and investments             | \$ 438,757          | \$ -                   | \$ 781,249             | \$ 1,220,006           |
| Due from other funds             | -                   | -                      | 13,661                 | 13,661                 |
| Inventories                      | 34,784              | -                      | -                      | 34,784                 |
| Total current assets             | <u>473,541</u>      | <u>-</u>               | <u>794,910</u>         | <u>1,268,451</u>       |
| Noncurrent assets:               |                     |                        |                        |                        |
| Capital assets:                  |                     |                        |                        |                        |
| Nondepreciable                   | 44,109              | -                      | -                      | 44,109                 |
| Depreciable, net                 | 60,475              | -                      | -                      | 60,475                 |
| Total noncurrent assets          | <u>104,584</u>      | <u>-</u>               | <u>-</u>               | <u>104,584</u>         |
| Total assets                     | <u>578,125</u>      | <u>-</u>               | <u>794,910</u>         | <u>1,373,035</u>       |
| <b>Liabilities</b>               |                     |                        |                        |                        |
| Current liabilities:             |                     |                        |                        |                        |
| Accounts payable                 | 101,677             | 51,655                 | 33,935                 | 187,267                |
| Accrued liabilities              | 8,856               | 13,986                 | 19,584                 | 42,426                 |
| Due to other funds               | -                   | 166,481                | -                      | 166,481                |
| Self-insurance claims            | -                   | -                      | 2,232,082              | 2,232,082              |
| Capital lease                    | -                   | 85,104                 | -                      | 85,104                 |
| Compensated absences             | 9,775               | 1,046                  | 20,525                 | 31,346                 |
| Total current liabilities        | <u>120,308</u>      | <u>318,272</u>         | <u>2,306,126</u>       | <u>2,744,706</u>       |
| Long-term liabilities:           |                     |                        |                        |                        |
| Advances from fiduciary funds    | -                   | -                      | 5,516,641              | 5,516,641              |
| Self-insurance claims            | -                   | -                      | 10,994,369             | 10,994,369             |
| Compensated absences             | 3,117               | 103,067                | 26,497                 | 132,681                |
| Total long-term liabilities      | <u>3,117</u>        | <u>103,067</u>         | <u>16,537,507</u>      | <u>16,643,691</u>      |
| Total liabilities                | <u>123,425</u>      | <u>421,339</u>         | <u>18,843,633</u>      | <u>19,388,397</u>      |
| <b>Net Position</b>              |                     |                        |                        |                        |
| Net position:                    |                     |                        |                        |                        |
| Net investment in capital assets | 104,584             | (85,104)               | -                      | 19,480                 |
| Unrestricted (deficit)           | <u>350,116</u>      | <u>(336,235)</u>       | <u>(18,048,723)</u>    | <u>(18,034,842)</u>    |
| Total net position               | <u>\$ 454,700</u>   | <u>\$ (421,339)</u>    | <u>\$ (18,048,723)</u> | <u>\$ (18,015,362)</u> |

**CITY OF COMPTON, CALIFORNIA**

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2013

|                                      | <u>Equipment<br/>Rental</u> | <u>Central<br/>Duplication</u> | <u>Self-<br/>Insurance</u>    | <u>Total</u>                  |
|--------------------------------------|-----------------------------|--------------------------------|-------------------------------|-------------------------------|
| Operating revenues:                  |                             |                                |                               |                               |
| Charges to other funds               | \$ 2,196,285                | \$ 241,555                     | \$ 2,700,889                  | \$ 5,138,729                  |
| Other                                | -                           | -                              | 407,484                       | 407,484                       |
| Total operating revenues             | <u>2,196,285</u>            | <u>241,555</u>                 | <u>3,108,373</u>              | <u>5,546,213</u>              |
| Operating expenses:                  |                             |                                |                               |                               |
| Administration and personnel service | 1,805,291                   | 367,634                        | 1,932,119                     | 4,105,044                     |
| Self-insurance service               | -                           | -                              | 3,770,561                     | 3,770,561                     |
| Depreciation                         | <u>12,096</u>               | <u>78,830</u>                  | <u>-</u>                      | <u>90,926</u>                 |
| Total operating expenses             | <u>1,817,387</u>            | <u>446,464</u>                 | <u>5,702,680</u>              | <u>7,966,531</u>              |
| Operating income (loss)              | <u>378,898</u>              | <u>(204,909)</u>               | <u>(2,594,307)</u>            | <u>(2,420,318)</u>            |
| Nonoperating expenses:               |                             |                                |                               |                               |
| Interest expense                     | <u>(1,108)</u>              | <u>(10,917)</u>                | <u>-</u>                      | <u>(12,025)</u>               |
| Change in net position               | 377,790                     | (215,826)                      | (2,594,307)                   | (2,432,343)                   |
| Net position at beginning of year    | <u>76,910</u>               | <u>(205,513)</u>               | <u>(15,454,416)</u>           | <u>(15,583,019)</u>           |
| Net position at end of year          | <u><u>\$ 454,700</u></u>    | <u><u>\$ (421,339)</u></u>     | <u><u>\$ (18,048,723)</u></u> | <u><u>\$ (18,015,362)</u></u> |

# CITY OF COMPTON, CALIFORNIA

## Internal Service Funds Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2013

|                                                                                                           | Equipment<br>Rental | Central<br>Duplication | Self-<br>Insurance  | Total               |
|-----------------------------------------------------------------------------------------------------------|---------------------|------------------------|---------------------|---------------------|
| Cash flows from operating activities:                                                                     |                     |                        |                     |                     |
| Cash received from interfund services, net                                                                | \$ 655,362          | \$ 293,210             | \$ 1,162,903        | \$ 2,111,475        |
| Cash received from others                                                                                 | -                   | -                      | 407,484             | 407,484             |
| Cash payments to suppliers for goods and services                                                         | -                   | -                      | (1,891,148)         | (1,891,148)         |
| Cash payments to employees for services                                                                   | (206,258)           | (417,260)              | (333,953)           | (957,471)           |
| Net cash provided by (used for) operating activities                                                      | 449,104             | (124,050)              | (654,714)           | (329,660)           |
| Cash flows from non-capital financing activities:                                                         |                     |                        |                     |                     |
| Short-term loans from other funds                                                                         | -                   | 166,481                | -                   | 166,481             |
| Repayments of short-term loans to other funds                                                             | 16,060              | 48,307                 | 36,535              | 100,902             |
| Repayments of short-term loans to fiduciary funds                                                         | -                   | -                      | 1,312,142           | 1,312,142           |
| Net cash provided by non-capital financing activities                                                     | 16,060              | 214,788                | 1,348,677           | 1,579,525           |
| Cash flows from capital and related financing activities:                                                 |                     |                        |                     |                     |
| Capital lease payment                                                                                     | (25,299)            | (79,821)               | -                   | (105,120)           |
| Interest paid on long-term debt                                                                           | (1,108)             | (10,917)               | -                   | (12,025)            |
| Net cash used for capital and related financing activities                                                | (26,407)            | (90,738)               | -                   | (117,145)           |
| Net increase in cash and cash equivalents                                                                 | 438,757             | -                      | 693,963             | 1,132,720           |
| Cash and cash equivalents, beginning of year                                                              | -                   | -                      | 87,286              | 87,286              |
| Cash and cash equivalents, end of year                                                                    | <u>\$ 438,757</u>   | <u>\$ -</u>            | <u>\$ 781,249</u>   | <u>\$ 1,220,006</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:        |                     |                        |                     |                     |
| Operating income (loss)                                                                                   | \$ 378,898          | \$ (204,909)           | \$ (2,594,307)      | \$ (2,420,318)      |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |                     |                        |                     |                     |
| Depreciation expense                                                                                      | 12,096              | 78,830                 | -                   | 90,926              |
| Changes in assets and liabilities:                                                                        |                     |                        |                     |                     |
| Decrease in accounts receivable                                                                           | -                   | -                      | 10,502              | 10,502              |
| Increase in accounts payable                                                                              | 101,677             | 51,655                 | 33,935              | 187,267             |
| Increase (decrease) in accrued liabilities                                                                | (41,817)            | (57,126)               | 17,004              | (81,939)            |
| Increase (decrease) in compensated absences                                                               | (1,750)             | 7,500                  | (1,261)             | 4,489               |
| Increase in self-insurance claims                                                                         | -                   | -                      | 1,879,413           | 1,879,413           |
| Net cash provided by (used for) operating activities                                                      | <u>\$ 449,104</u>   | <u>\$ (124,050)</u>    | <u>\$ (654,714)</u> | <u>\$ (329,660)</u> |