



**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
June 30, 2018**



CITY OF COMPTON, CALIFORNIA

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JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Compton
Compton, California

Report on the Financial Statements

We have audited the statements of financial position and balance sheets of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Compton, California (the City), as of June 30, 2018, and the related notes to the 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 the 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.



EADIE + PAYNE

*Celebrating a Century
of Quality Service*

Eadie + Payne, LLP

3880 Lemon St., Ste. 300
Riverside, CA 92501

P.O. Box 1529
Riverside, CA 92502-1529

Office: 951-241-7800

www.eadiepaynellp.com

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 qualified audit opinions.

Bases for Qualified Opinions

- The City has been unable to properly reconcile the pooled cash account. As part of the June 30, 2018 bank reconciliation an unsubstantiated adjustment debiting fund balance and crediting cash in the amount of approximately \$6.9 million was recorded. The allocation of cash to the various funds has not been properly reconciled. We were unable to obtain sufficient appropriate audit evidence about the allocation of cash between funds. We were unable to determine whether any adjustments to these amounts were necessary. All opinion units are affected by this qualification.
- The City has not maintained capital asset records or recorded capital asset activity, which is not in compliance with General Accepted Accounting Principles. As a result, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the City's capital assets. Recorded capital assets as of June 30, 2018 amounted to approximately \$125.0 million, however, we are unable to quantify the potential misstatement. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This affects the Governmental Activities and the Business-Type Activities in the statement of net position, the Water, Rubbish, Sewer and Internal Service Funds in the statement of net position - proprietary funds and the Successor Agency Private-Purpose Trust Fund in the statement of fiduciary net position.
- The City has recorded land held for resale of approximately \$16.1 million in the governmental activities and approximately \$17.6 million in the Successor Agency Private-Purpose Trust Fund. The City was not able to provide a listing of land held for resale or any documentation to support the carrying value. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the land held for resale. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This affects the Governmental Activities in the statement of net position and the Successor Agency Private-Purpose Trust Fund in the statement of net position - fiduciary funds.

- The City has not determined whether amounts recorded as deferred grant revenues of approximately \$4.0 million have been earned or if the City has received any other grant proceeds that should have been recorded as deferred revenue as of June 30, 2018. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. This affects the Governmental Activities in the statement of net position and the Nonmajor Governmental Funds in the governmental balance sheet.

Qualified Opinions

In our opinion, except for the possible effects of the matters described in the “Bases for Qualified Opinions”, 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 of Compton as of June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Incomplete Presentation

These financial statements present only the financial position and balance sheets of the City as of June 30, 2018. The statements of activities, revenues, expenditures and changes in fund balance – governmental funds, revenues, expenses and changes in net position – proprietary funds, cash flows, and changes in fiduciary net position have been omitted from these financial statements. As a result, these financial statements are not complete basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Other Post-Employment Benefits

As discussed in Note I. C. to the financial statements, effective July 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of the statement resulted in liabilities of approximately \$128.4 million and \$8.0 million for governmental activities and business-type activities, respectively. Our opinion is not modified with respect to this matter.

Fund Balances

As discussed in Note II. I. to the financial statements, the City has an approximate total negative net position of \$132.2 million, deficit fund balance in its general fund of approximately \$23.6 million, deficit fund balance in the Public Finance Authority fund of \$0.1 million and deficit fund balances in 23 other funds totaling approximately \$33.6 million. See Note V. B for the City's comments regarding its financial condition. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion, and analysis, budgetary comparison information for the General Fund, Major Federal Grants, Retirement Special Revenue Funds, the schedules of changes in net pension liability and related ratios, schedule of proportionate share of the net pension liability and related ratios, the schedules of plan contributions, and the schedule of changes in total OPEB liability and related ratios 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 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 statement in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the City of Compton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Compton's 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 City of Compton's internal control over financial reporting and compliance.

Eddie and Payne HP

December 12, 2019
Riverside, California

CITY OF COMPTON, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 73,446,913	\$ 22,421,311	\$ 95,868,224
Receivables, net	7,231,802	4,267,104	11,498,906
Other assets	877,698	219,830	1,097,528
Noncurrent Assets			
Internal balances	(21,506,542)	21,506,542	-
Restricted investments	17,756,965	8,964,182	26,721,147
Loans receivable, net	586,038	-	586,038
Land held for resale	16,137,052	-	16,137,052
Capital assets:			
Nondepreciable	22,368,940	5,163,611	27,532,551
Depreciable, net	67,724,043	29,747,029	97,471,072
Total assets	<u>184,622,909</u>	<u>92,289,609</u>	<u>276,912,518</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of bonds	162,708	-	162,708
Deferred outflow on pension and OPEB	33,431,934	1,927,719	35,359,653
Total deferred outflows of resources	<u>33,594,642</u>	<u>1,927,719</u>	<u>35,522,361</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	12,660,943	4,092,430	16,753,373
Other liabilities	894,093	1,582,428	2,476,521
Due to Successor Agency	5,771,114	-	5,771,114
Deferred grants revenue	3,951,024	-	3,951,024
Self-insurance claims	4,512,212	-	4,512,212
Bonds and notes payable	2,245,953	1,915,000	4,160,953
Noncurrent Liabilities			
Compensated absences	5,106,223	563,410	5,669,633
Self-insurance claims	16,599,420	-	16,599,420
Bonds and notes payable	43,723,251	57,283,828	101,007,079
Net pension liabilities	130,535,856	8,687,791	139,223,647
Other post-employment benefits payable (OPEB)	123,853,247	7,686,238	131,539,485
Total liabilities	<u>349,853,336</u>	<u>81,811,125</u>	<u>431,664,461</u>
DEFERRED INFLOW ON RESOURCES			
Deferred inflow on pension and OPEB	12,379,425	597,721	12,977,146
Total deferred inflows of resources	<u>12,379,425</u>	<u>597,721</u>	<u>12,977,146</u>
NET POSITION			
Net investment in capital assets	90,092,983	-	90,092,983
Restricted for:			
Debt service	3,698,068	6,854,292	10,552,360
Capital projects	1,209,189	3,426,249	4,635,438
Retirement	35,097,920	-	35,097,920
Low/moderate income housing	43,776,242	-	43,776,242
Federal grants	1,104,375	-	1,104,375
Road improvements	3,226,299	-	3,226,299
Transit systems	4,654,990	-	4,654,990
Safety	1,209,189	-	1,209,189
Recycling and clean air	1,104,375	-	1,104,375
Infrastructure developments	324,200	-	324,200
Unrestricted	(329,513,040)	1,527,941	(327,985,099)
Total net position	<u>\$ (144,015,210)</u>	<u>\$ 11,808,482</u>	<u>\$ (132,206,728)</u>

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

CITY OF COMPTON, CALIFORNIA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

		Special Revenue	Debt Service
	General	Retirement	Public Finance Authority
Assets			
Cash and investments	\$ 10,316,208	\$ 41,709,346	\$ (4,601,952)
Restricted investments	-	-	3,698,068
Accounts receivable and other receivables, net	5,889,366	655,041	-
Due from other funds	416,548	-	-
Other assets	166,520	86,931	1,433
Advances to other funds	171,678	-	811,045
Loans receivable, net	-	-	-
Land held for resale	50,000	-	-
Total Assets	<u>\$ 17,010,320</u>	<u>\$ 42,451,318</u>	<u>\$ (91,406)</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 8,982,277	\$ 633,720	\$ 23,125
Other liabilities	128,418	-	-
Due to other funds	-	-	-
Due to Successor Agency	-	-	-
Deferred grants revenue	-	-	-
Advances from other funds	30,618,461	-	-
Total Liabilities	<u>39,729,156</u>	<u>633,720</u>	<u>23,125</u>
Deferred inflows of resources			
Revenues earned but unavailable	839,341	6,632,747	-
Total deferred inflows of resources	<u>839,341</u>	<u>6,632,747</u>	<u>-</u>
Fund balances (Deficit)			
Nonspendable			
Other assets	166,520	86,931	1,433
Loans receivable, net	-	-	-
Land held for resale	50,000	-	-
Restricted for:			
Debt service	-	-	3,698,068
Retirement	-	35,097,920	-
Low/moderate income housing	-	-	-
Federal grants	-	-	-
Road improvements	-	-	-
Transit systems	-	-	-
Safety	-	-	-
Recycling and clean air	-	-	-
Infrastructure developments	-	-	-
Committed to:			
Regional park	2,500,000	-	-
Unassigned	(26,274,697)	-	(3,814,032)
Total fund balances	<u>(23,558,177)</u>	<u>35,184,851</u>	<u>(114,531)</u>
Total liabilities and fund balances	<u>\$ 17,010,320</u>	<u>\$ 42,451,318</u>	<u>\$ (91,406)</u>

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

CITY OF COMPTON, CALIFORNIA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

Capital Projects			
Compton Housing Successor	Nonmajor Governmental Funds	Total Governmental Funds	
\$ 14,224,964	\$ 13,566,888	\$ 75,215,454	Assets
14,058,897	-	17,756,965	Cash and investments
12,000	675,395	7,231,802	Restricted investments
-	490,758	907,306	Accounts receivable and other receivables, net
-	596,818	851,702	Due from other funds
5,380,878	2,748,318	9,111,919	Other assets
-	586,038	586,038	Advances to other funds
16,087,052	-	16,137,052	Loans receivable, net
\$ 49,763,791	\$ 18,664,215	\$ 127,798,238	Land held for resale
			Total Assets
			Liabilities, deferred inflows of resources and fund balances
			Liabilities
\$ 216,435	\$ 2,661,547	\$ 12,517,104	Accounts payable and accrued liabilities
-	192,583	321,001	Other liabilities
-	907,306	907,306	Due to other funds
5,771,114	-	5,771,114	Due to Successor Agency
-	3,951,024	3,951,024	Deferred grants revenue
-	-	30,618,461	Advances from other funds
5,987,549	7,712,460	54,086,010	Total Liabilities
			Deferred inflows of resources
-	68,930	7,541,018	Revenues earned but unavailable
-	68,930	7,541,018	Total deferred inflows of resources
			Fund balances (Deficit)
			Nonspendable
-	596,818	851,702	Other assets
-	586,038	586,038	Loans receivable, net
-	-	50,000	Land held for resale
			Restricted for:
-	-	3,698,068	Debt service
-	-	35,097,920	Retirement
43,776,242	-	43,776,242	Low/moderate income housing
	2,145,205	2,145,205	Federal grants
-	3,226,299	3,226,299	Road improvements
-	4,654,990	4,654,990	Transit systems
-	1,209,189	1,209,189	Safety
-	1,104,375	1,104,375	Recycling and clean air
-	324,200	324,200	Infrastructure developments
			Committed to:
-	129	2,500,129	Regional park
-	(2,964,418)	(33,053,147)	Unassigned
43,776,242	10,882,825	66,171,210	Total fund balances
\$ 49,763,791	\$ 18,664,215	\$ 127,798,238	Total liabilities and fund balances

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

CITY OF COMPTON, CALIFORNIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

Fund balances of governmental funds \$ 66,171,210

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

Capital related items

Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds financial statement, but are reported in the governmental activities of the Statement of Net Position.

Capital assets, not being depreciated	22,324,831	
Capital assets, being depreciated	277,002,175	
Less: accumulated depreciation	<u>(210,080,110)</u>	89,246,896

Deferred outflows of resources

Deferred outflows of resources used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.

Deferred pension and other post-employment benefits outflows	32,776,020	
Deferred amount on refunding, net of amortization	<u>162,708</u>	32,938,728

Long-term liabilities and deferred inflows of resources

Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.

Accrued interest	(573,092)	
Compensated absences	(5,106,223)	
Bonds and notes payable	(41,930,263)	
Liabilities resulting from redevelopment agency dissolution	<u>(4,038,941)</u>	(51,648,519)

Liabilities and deferred inflows of resources for pension and other post-employment benefits are not due and payable in the current period, and therefore are not reported in the governmental funds.

Net pension liability	(127,112,310)	
Other postemployment benefits obligation	(123,678,560)	
Deferred pension and other post-employment benefits inflows	<u>(12,353,393)</u>	(263,144,263)

Certain revenues do not provide current financial resources and therefore are unavailable at the fund level.

7,541,018

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.

(25,120,280)

Net position of governmental activities in the Statement of Net Position

\$ (144,015,210)

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

CITY OF COMPTON, CALIFORNIA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Rubbish	Sewer	Total	
ASSETS					
Current assets					
Cash and investments	\$ 18,401,493	\$ 1,800,295	\$ 2,219,523	\$ 22,421,311	\$ (1,768,541)
Receivables, net	2,326,293	1,695,969	244,842	4,267,104	-
Other assets	218,552	1,278	-	219,830	25,996
Total current assets	<u>20,946,338</u>	<u>3,497,542</u>	<u>2,464,365</u>	<u>26,908,245</u>	<u>(1,742,545)</u>
Noncurrent Assets					
Advances to other funds	13,696,657	-	7,809,885	21,506,542	-
Restricted investments	3,372,790	123,332	5,468,060	8,964,182	-
Capital assets :					
Nondepreciable	2,695,839	-	2,467,772	5,163,611	44,109
Depreciable, net	25,787,236	-	3,959,793	29,747,029	801,978
Total noncurrent assets	<u>45,552,522</u>	<u>123,332</u>	<u>19,705,510</u>	<u>65,381,364</u>	<u>846,087</u>
Total assets	<u>66,498,860</u>	<u>3,620,874</u>	<u>22,169,875</u>	<u>92,289,609</u>	<u>(896,458)</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred outflow on pension and OPEB	1,715,181	31,480	181,058	1,927,719	655,914
Total deferred outflow of resources	<u>1,715,181</u>	<u>31,480</u>	<u>181,058</u>	<u>1,927,719</u>	<u>655,914</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	2,074,013	1,822,638	195,779	4,092,430	143,839
Other liabilities	1,582,428	-	-	1,582,428	-
Self-insurance claims	-	-	-	-	4,512,212
Bonds and notes payable	950,000	115,000	850,000	1,915,000	-
Total current liabilities	<u>4,606,441</u>	<u>1,937,638</u>	<u>1,045,779</u>	<u>7,589,858</u>	<u>4,656,051</u>
Noncurrent liabilities					
Compensated absences	490,928	38,970	33,512	563,410	-
Self-insurance claims	-	-	-	-	16,599,420
Bonds and notes payable	38,222,769	245,000	18,816,059	57,283,828	-
Net pension liabilities	7,768,374	165,917	753,500	8,687,791	3,423,546
Other post-employment benefits payable	6,638,115	-	1,048,123	7,686,238	174,687
Total noncurrent liabilities	<u>53,120,186</u>	<u>449,887</u>	<u>20,651,194</u>	<u>74,221,267</u>	<u>20,197,653</u>
Total liabilities	<u>57,726,627</u>	<u>2,387,525</u>	<u>21,696,973</u>	<u>81,811,125</u>	<u>24,853,704</u>
DEFERRED INFLOW OF RESOURCES					
Deferred inflow on pension and OPEB	517,237	640	79,844	597,721	26,032
Total deferred inflow of resources	<u>517,237</u>	<u>640</u>	<u>79,844</u>	<u>597,721</u>	<u>26,032</u>
NET POSITION					
Net investment in capital assets	-	-	-	-	846,087
Restricted for:					
Debt service	3,367,348	123,332	3,363,612	6,854,292	-
Capital projects	5,442	-	3,420,807	3,426,249	-
Unrestricted (deficit)	6,597,387	1,140,857	(6,210,303)	1,527,941	(25,966,367)
Total net position (deficit)	<u>\$ 9,970,177</u>	<u>\$ 1,264,189</u>	<u>\$ 574,116</u>	<u>\$ 11,808,482</u>	<u>\$ (25,120,280)</u>

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

CITY OF COMPTON, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 13,101,179	\$ 393,990
Restricted investments	17,245,474	-
Accounts receivable	39,823	30,892
Due from Compton Housing Successor	5,771,114	-
Land held for resale	17,569,190	-
Capital assets:		
Nondepreciable	13,088,953	-
Depreciable, net	29,192,254	-
Total Assets	<u>96,007,987</u>	<u>\$ 424,882</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 3,073,908	\$ 70,865
Other liabilities	371,672	354,017
Long-term liabilities:		
Due within one year	6,563,598	-
Due in more than one year	113,534,266	-
Total Liabilities	<u>123,543,444</u>	<u>\$ 424,882</u>
Fiduciary Net Position		
Total Net Position	<u>\$ (27,535,457)</u>	

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

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Compton, California (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. The City is governed by an elected Mayor and City Council. These financial statements present the City (the primary government) and its component units. For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities, and has considered all potential component units for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

This set of financial statements include only the Statement of Net Position and the Balance Sheets. All other financial statements have been omitted.

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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Reporting Entity (continued)

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

Public Finance Authority (PFA). The 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 debt service fund.

City of Compton Housing Authority (Housing Authority). The 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 (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.

B. Financial Statement Presentation

In accordance with Governmental Accounting Standards Board Statement No. 34, the City's basic financial statements should consist of the following:

- Government-Wide Financial Statements;
- Fund Financial Statements; and
- Notes to the Basic Financial Statements.

These basic financial statements do not include a Statement of Activities, a Statement of Revenues, Expenditures and Changes in Fund Balances, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and Statement of Changes in Fiduciary Net Position, and are therefore not in accordance with GASB No. 34, which is described as follows:

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present financial information for the City as a whole, while distinguishing between governmental and business-type activities. Fiduciary activities of the City are not included in these statements.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

B. Financial Statement Presentation (continued)

Most of the City's basic services are considered to be governmental activities, including general government, public safety, public works, management services, and environmental and human services. Property tax, utility user tax, franchise tax, special assessments, transient occupancy tax, real property transfer tax, and user fees and charges financially support these activities.

The City's enterprise operations are classified as business-type activities. These operations consist of water, rubbish, and sewer. These activities generally recover the cost of providing services from customer fees and charges.

Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services; (2) grants and other contributions; and (3) capital grants and contributions.

The Statement of Activities demonstrates the degree to which expenses, both direct and indirect, 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. Indirect expenses are allocated based on the City's cost allocation plan.

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) operating and capital 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.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities. In the Statement of Net Position, internal service assets and liabilities have been combined with the governmental funds and presented as governmental activities.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

B. Financial Statement Presentation (continued)

A reconciliation of the difference between the Governmental Fund Financial Statement and the Government-Wide Financial Statement is provided as part of the Governmental Fund Financial Statements.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the major governmental funds. Non-Major Governmental Funds are combined for presentation in Governmental Fund Statements. The following funds have been determined to be the City's major governmental funds:

- General Fund: This fund is always a major fund and is used to account for financial resources traditionally associated with government activities, which are not legally required to be accounted for in another fund.
- 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 Debt Service Fund: This fund was set up to finance various capital improvements and equipment within the City and account for the payment of interest and principal on the outstanding long-term indebtedness issued by the PFA, as well as to lease from and leaseback to the City certain property under the lease agreement dated September 1, 1997. The principal source of resources of this fund is the Base Rental Payments made by the City to the PFA, which are reported as interfund transfers.
- Compton Housing Successor Capital Projects Fund: This fund is used to account for the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Agency.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

B. Financial Statement Presentation (continued)

Governmental funds are accounted for using a "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues available if they are collected within 60 days after year-end with the exception of sales tax, which is based on the California Board of Equalization reporting period through June of the fiscal year for which payment is received in September. Property tax, sales tax, intergovernmental revenues, and other taxes are accrued as appropriate. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The availability period for revenue recognition for grants receivable is one year after the year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for unmatured principal and interest on long-term debt, which is recognized when due.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows for each major fund. A column representing Internal Service Funds in total is also presented in these statements.

The proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises wherein the cost of goods and services to the general public are financed or recovered primarily through user charges. The following enterprise funds have been determined to be the City's major proprietary 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

B. Financial Statement Presentation (continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included within the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use the 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.

Internal Service Funds

Internal service funds account for services to other departments on a cost-recovery basis. Internal service funds include workers' compensation, public liability and property damage, utility customer services, information systems, facilities maintenance, and fleet services. Internal service funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Internal service funds are reported in total on the proprietary funds statements.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The City's fiduciary funds consist of the following:

- **Agency Funds:** Agency funds are used to account for funds in which the City is acting as an agent for another agency.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

B. Financial Statement Presentation (continued)

- 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.

The Trust Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting.

The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. However, the agency funds do utilize the accrual basis of accounting. The City's agency funds are as follows:

- Cable TV Government Access Fund
- Cable Public Access Fund
- Employee Concession Fund
- Refundable Deposits Fund

Successor Agency to the Community Redevelopment Agency (Successor Agency). The Successor Agency was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency. The Successor Agency is a separate public entity from the City, subject to the direction of an oversight board. The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. New Accounting Pronouncements

The City implemented the following GASB pronouncements that became effective in the fiscal year ended June 30, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement parallels GASB Statement No. 68 and replaces GASB Statement No. 45.

GASB Statement No. 85, Omnibus 2017. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, Certain Debt Extinguishment Issues. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The GASB has issued several pronouncements prior to June 30, 2018, that have effective dates that may impact future financial presentations. The impact of the implementation of these Statements to the City's financial Statements has not been assessed at this time.

Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations, legally enforceable liabilities associated with the retirement of a tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The provisions of this Statement are effective for fiscal years beginning after June 15, 2019.

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement improves consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for fiscal years beginning after June 15, 2019.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

D. Cash and Investments

Cash and Cash Equivalents

For reporting purposes, 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

The City's investments are stated at fair value. The City's investment in 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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets;

Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and

Level 3: Investments reflect prices based upon unobservable sources.

Investment Income

Investment income earned on pooled cash and investments is allocated monthly to the General Fund and those other funds for which such allocation is a legal contractual requirement based on the average month-end cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related fund. Income from non-pooled investments is recorded in the appropriate fund based on the specific investments held by the trustee of the fund. Changes in the fair value of investments are recognized in investment income at the end of each year.

E. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

E. Receivables (continued)

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the City, including amounts for unbilled services. Receivables are shown net of an allowance for uncollectible accounts where applicable.

Notes receivable include both the current and long-term portions of loans issued by the City. Business development loans are reported in both special revenue and fiduciary funds. Notes receivable are reported as an asset in the amount of loan proceeds disbursed, net of allowance. Depending on the original funding source, the City reports unavailable revenue equal to the loan amount and recognize a revenue when principal payments are received.

In the government-wide financial statements, receivables are recognized as revenue when earned. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed.

F. Inventories

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

G. Land Held for Resale

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

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

H. Capital Assets

The City's assets for governmental, business-type and fiduciary activities are capitalized at historical cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. City policy has set the capitalization threshold at \$5,000 or \$50,000 for infrastructure. Contributions of capital assets are recorded at acquisition value when received.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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.

Infrastructure assets are defined as "long-lived capital assets" that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Land is valued at original cost without depreciation.

I. Capitalized Interest on Indebtedness

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed.

J. Compensated Absences

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

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

K. 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.

L. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position and Governmental Fund Balance Sheet report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for pension contributions made after the actuarial measurement date, deferred outflows for pension plan related changes in proportion and differences between expected and actual experiences, deferred outflows for charges on debt refunding in the Government-Wide and Proprietary Fund Statements of Net Position and Fiduciary Funds. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. Other deferred outflows on pension plans are amortized over 4.8 to 5 years. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the remaining life of the refunded or refunding debt.

In addition to liabilities, the Statements of Net Position and Governmental Fund Balance Sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

M. Deferred Outflows/Inflows of Resources (continued)

The City has unearned revenues that qualifies for reporting in this category in the Governmental Fund Balance Sheet. The governmental funds report unearned revenues from four sources: investment income, taxes, grants, and miscellaneous charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City has deferred inflows of resources relating to the net pension obligation reported in the Government-Wide Statement of Net Position, the Proprietary Funds, and the Fiduciary Funds. These deferred inflows of resources are the result of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and differences between expected and actual experiences. These amounts are deferred and amortized over a 4.8 to 5 year period on a straight-line basis.

N. Fund Balances and Net Position

The accompanying financial statements report the components of fund balances for governmental funds consistent with GASB 54.

Nonspendable fund balance - This includes amounts that cannot be spent because they are either not spendable in form (such as prepaid items) or legally or contractually required to be maintained intact (such as endowments).

Restricted fund balance - This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance - This includes amounts that can be used only for 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 in 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.

Assigned fund balance - This includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

N. Fund Balances and Net Position (continued)

Unassigned fund balance - this includes all amounts not included in other classifications.

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 the Government-Wide and Proprietary Funds Financial Statements, net position of the City includes the following categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings, including any related debt premiums, and discounts, that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the unspent proceeds and the amount of the related debt are included in the calculation of restricted net position.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted assets are reduced by liabilities related to those assets in determining restricted net position.

Unrestricted net position - This resulting category presents the remaining City net position, and this measure of equity is unrestricted, legally or otherwise.

The accounting policies of the City consider restricted funds spent first when expenditure is incurred for purposes for which both restricted and unrestricted funds are available. When an expenditure is incurred for purpose for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

O. Property Tax Revenue

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.

P. Utility Revenue

Utility revenue is recorded when earned and customers are billed monthly. The estimated value of services provided, but unbilled at year-end, is included in the accompanying basic financial statements.

Q. Use of Estimates

The preparation of the City's basic financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the basic financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates.

R. Budgets and Budgetary Accounting

The City develops and presents a one-year budget to the City Council. Annual operating and capital improvement expenditures are adopted by resolution. This resolution constitutes the authorized expenditures for the fiscal year. The City's annual budget is the legally-adopted expenditure control document of the City. Budgets are prepared on the modified accrual basis of accounting, consistent with GAAP. The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. Budgeted expenditures may be reallocated within a fund by the City Manager and within a department by the department director.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

S. Encumbrances

Appropriations in governmental fund types are encumbered upon issuance of purchase orders for goods and/or services. Even though unencumbered appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments, including restricted investments with fiscal agents, consist of the following at June 30, 2018:

Cash on hand	\$ 1,700
Deposits with financial institutions	41,183,327
Investments	<u>112,144,987</u>
Total cash and investments	<u>\$ 153,330,014</u>

The City's deposits and investments are reflected in the accompanying basic financial statements as follows at June 30, 2018:

Statement of net position

Cash and investments	\$ 95,868,224
Restricted cash and investments	26,721,147

Statement of fiduciary net position

Cash and investments	13,495,169
Restricted cash and investments	<u>17,245,474</u>
Total cash and investments	<u>\$ 153,330,014</u>

Investment Policy

The City's 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.

Authorized Investments by City's Investment Policy

The table below identifies the investment types that are authorized for the investments by 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 THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Cash and Investments (continued)

Investments are limited to:

	Maximum maturity		Maximum % of portfolio*		Maximum investment in one issuer	
	CGC	City	CGC	City	CGC	City
Mutual funds	N/A	5 years	20%	20%	10%	15%*
Bankers' acceptances	180 days	180 days	40%	40%	30%	15%*
Commercial paper	270 days	270 days	25%	15%	10%	10%
U.S. treasury bills	5 years	5 years	None**	None**	None**	None**
U.S. treasury notes	5 years	5 years	None**	None**	None**	None**
Federal agency securities	5 years	5 years	None**	None**	None**	15%
Negotiable certificates of deposit	5 years	5 years	30%	30%	None**	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%	10%	15%*
Medium term corporate notes	5 years	5 years	30%	30%	None**	15%
Money market funds	N/A	90 days	20%	20%	10%	15%*
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.

Authorized Investments 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. Investments are limited to:

Authorized investment type	Maximum maturity	Maximum % of portfolio	Maximum investment in one issuer
U.S. treasury obligations	None*	None*	None*
Federal agencies obligations	None*	None*	None*
Time deposits	360 days	None*	None*
Bankers' acceptances	360 days	None*	None*
Commercial paper	270 days	None*	None*
Money market funds	None*	None*	None*
Pre-refunded municipal obligation	None*	None*	None*
Municipal obligations	None*	None*	None*
Investment agreements	None*	None*	None*
LAIF	N/A	None*	None*
Repurchase agreements	None*	None*	None*

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

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates, and the greater the interest rate risk. 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 from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations or debt service requirements.

Information about the sensitivity of the fair value of the City's investments (including restricted investments held by fiscal agents) to market interest rate fluctuation is provided by the following table that shows the distribution of the City's investments by maturity.

<u>Investment type</u>	<u>Amounts</u>	<u>Remaining maturity (in months) 12 months or less</u>
Held by fiscal agent		
Money market funds	43,966,621	\$ 43,966,621
State investment pool (LAIF)	68,178,366	68,178,366
	<u>\$ 112,144,987</u>	<u>\$ 112,144,987</u>

Credit Risk

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

<u>Investment type</u>	<u>Amounts</u>	<u>Minimum legal rating</u>	<u>Not rated</u>
Held by fiscal agent			
Money market funds	\$ 43,966,621	N/A	\$ 43,966,621
State investment pool (LAIF)	68,178,366	N/A	68,178,366
	<u>\$ 112,144,987</u>		<u>\$ 112,144,987</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Cash and Investments (continued)

Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds that represent 5% or more of total entity-wide investments represent a concentration of credit risk. At June 30, 2018, there were no investments in any such issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of 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 CGC and the City's 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 CGC 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 waived by the government unit). The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the City's deposits with financial institutions totaled \$41,660,328 of which \$500,000 was covered by FDIC coverage and the remaining portion was uninsured and collateral was held in accordance with CGC by pledging financial institution in the City's name.

Investment in State Investment Pool

The City is a voluntary participant in LAIF which is considered an external investment pool. LAIF is part of the State's Pooled Money Investment Account (PMIA), which was established in 1953. Oversight of the PMIA is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Cash and Investments (continued)

Direct oversight for LAIF is provided by the Local Agency Investment Advisory Board. The board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members qualified by training and experience in the field of investment or finance and two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city, or local district or municipal corporation of this state, are appointed by the State Treasurer. LAIF is required to invest in accordance with state statute.

Fair Value Measurements

The City has the following recurring fair value measurements as of June 30, 2018:

	INVESTMENTS AT FAIR VALUE AS OF JUNE 30, 2018			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment type				
Held by fiscal agent				
Money market funds	\$ 43,966,621	\$ -	\$ -	\$ 43,966,621
State investment pool (LAIF)	-	68,178,366	-	68,178,366
	<u>43,966,621</u>	<u>68,178,366</u>	<u>-</u>	<u>112,144,987</u>

B. Receivables

Receivables at June 30, 2018 included in the accompanying Statement of Net Position primarily consist of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes and special assessments	\$ 1,215,358	\$ 66,641	\$ 1,281,999
Accounts	1,321,645	5,395,348	6,716,993
Grants	415,890	-	415,890
Intergovernmental	4,055,371	-	4,055,371
Other	183,242	4,024	187,266
Allowance for doubtful accounts	40,296	(1,198,909)	(1,158,613)
Total	<u>\$ 7,231,802</u>	<u>\$ 4,267,104</u>	<u>\$ 11,498,906</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Loans Receivable

The City provides assistance to residents and home owners of the community. This assistance is in the form of first time home buyers (FTHB) assistance and residential rehabilitation assistance programs. In addition, the former Agency also provided assistance to qualified community housing development organization (CHDO) for low and moderate housing developments. These programs are funded through the Compton Housing Successor Capital Projects Fund and Federal Grants Special Revenue Fund – Home Investment Partnerships Program (HOME) and Community Development Block Grants Section 108 Loan Guarantees programs. As of June 30, 2018, the Federal Grants Special Revenue Fund had loans receivable of \$3,980,446 netted against an allowance for doubtful accounts of \$3,980,446 for a net loans receivable balance of \$- and the Compton Housing Successor Capital Projects Fund had loans receivable of \$15,366,950 netted against an allowance for doubtful accounts of \$15,366,950 for a net loans receivable balance of \$-.

GOVERNMENTAL ACTIVITIES

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 by 10% annually. Ultimately, if the borrower lives in the property for 15 years consecutively, the loan is forgiven and treated as a grant to the borrower. Both the property and the applicant must meet certain criteria in order to be eligible to participate in the program. It is the City's policy to record an allowance for the full amount of the loan receivable as such loans are usually forgiven in accordance with the terms of loan. Any payments made on these loans will be recorded as revenue in the year received.

As of June 30, 2018, the Federal Grants Special Revenue Fund had loan receivables of \$3,980,446 netted against an allowance for doubtful accounts of \$3,980,446 for a net loan receivable of \$- and the Compton Housing Successor Capital Projects Fund had loan receivables of \$10,241,950 netted against an allowance of \$10,241,950 for a net loan receivable balance of \$-.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Loans Receivable (continued)

Loans to Community Housing Development Organization (CHDO)

The City provides funds to the CHDO to boost construction of new homes in the City. These loans are non-interest bearing loans with repayment terms of 15 to 20 years based upon the loan amount. It is the City's policy to record an allowance for the full amount of the loan receivable given the long time frame and uncertainty of collection of these loans. The loans receivable balance was \$1,857,676 netted against an allowance for doubtful accounts of \$1,857,676 for a net loan receivable of the \$- for the Federal Grants Special Revenue Fund as of June 30, 2018.

Loans to Alameda Court, LLC

To facilitate the sale of the Alameda Court Town Homes (Subject Property) to low and moderate income homebuyer, the City provided a non-interest bearing loan of \$2,300,000 to a property redeveloper, Alameda Court, LLC (Redeveloper). The loan was secured by a subordinate deed of trust in the name of the former Agency encumbering 19 units of the Subject Property. Repayment of the loans shall be made to the Federal Grants Special Revenue Fund and Compton Housing Successor Capital Projects Fund by the Redeveloper on a pro-rata basis following the sale of each unit to a qualified low/moderate income buyer. A lump sum payment was due from the Developer on February 1, 2014, which was never paid by the Developer. The City recorded an allowance for the full amount of the \$2,300,000 as of June 30, 2014. Since then the City collected \$855,000 and has adjusted the allowance to \$1,445,000 as of June 30, 2018.

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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Loans Receivable (continued)

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 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.

Community Development Block Grants Section 108 Loan Guarantees Loan

The City provided a loan of \$250,000 to a local business owner to assist with the preconstruction and interior improvements to a facility to be used for a restaurant. This loan bears interest rate of 5% per annum and shall be amortized over a period of 15 years. The City granted a loan of \$550,000 during fiscal year 2013 to a local business owner to assist with tenant improvements to develop a new medical facility. This loan bears interest rate of 4.5% per annum and shall be amortized over a period of 15 years. As of June 30, 2018, the loans receivable balance was \$586,038.

Compton Senior Apartments Loan

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

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

D. Capital Assets

A summary of the City's capital assets as of June 30, 2018 is as follows:

Governmental Activities:

	Balance at June 30, 2018
Capital assets, not being depreciated	
Land	\$ 14,905,212
Construction in progress	<u>7,463,728</u>
Total capital assets, not being depreciated	<u>22,368,940</u>
Capital assets, being depreciated	
Building and structures	33,895,219
Land improvements	5,896,322
Equipment	58,407,490
Infrastructure	<u>186,522,762</u>
Total capital assets, being depreciated	<u>284,721,793</u>
Less accumulated depreciation	
Building and structures	(23,191,343)
Land improvements	(5,795,992)
Equipment	(51,613,609)
Infrastructure	<u>(136,396,806)</u>
Total accumulated depreciation	<u>(216,997,750)</u>
Total capital assets, being depreciated, net	<u>67,724,043</u>
Total capital assets, net	<u>\$ 90,092,983</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

D. Capital Assets (continued)

Business-Type Activities:

	Balance at June 30, 2018
Capital assets, not being depreciated	
Land	\$ 162,096
Construction in progress	5,001,515
Total capital assets, not being depreciated	<u>5,163,611</u>
Capital assets, being depreciated	
Building and structures	1,254,963
Land improvements	157,045
Equipment	21,807,947
Infrastructure	38,721,649
Total capital assets, being depreciated	<u>61,941,604</u>
Less accumulated depreciation	
Building and structures	(1,202,159)
Land improvements	(160,897)
Equipment	(21,262,507)
Infrastructure	(9,569,012)
Total accumulated depreciation	<u>(32,194,575)</u>
Total capital assets, being depreciated, net	<u>29,747,029</u>
Total capital assets, net	<u>\$ 34,910,640</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

E. Interfund Receivables and Payables

The following table summarizes interfund receivables and payables at June 30, 2018:

Due to other funds	Due from other funds			Total
	General Fund	Fiduciary Funds	Non-major Governmental Funds	
Governmental Funds				
Non-major Governmental Funds	\$ 416,548	\$ -	\$ 490,758	\$ 907,306
Successor Agency- Compton Housing Successor	-	5,771,114	-	5,771,114
Total interfund balances	<u>\$ 416,548</u>	<u>\$ 5,771,114</u>	<u>\$ 490,758</u>	<u>\$6,678,420</u>

Interfund balances result from a time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) allocated revenues between funds are recorded; and 3) pending cash transfers.

Long-term interfund receivables and payables at June 30, 2018 are as follows:

	Advances from other funds	Advances to other funds
Governmental Funds		
General Fund	\$ 30,618,461	\$ -
Federal Grants Special Revenue Fund	-	1,149,528
Public Finance Authority Capital Projects Fund	-	811,045
Compton Housing Successor Capital Projects Fund	-	5,380,878
Non-major Governmental Funds	-	1,770,468
Total Governmental Funds	<u>30,618,461</u>	<u>9,111,919</u>
Enterprise Funds		
Water Fund	-	13,696,657
Sewer Fund	-	7,809,885
Total Enterprise Funds	<u>-</u>	<u>21,506,542</u>
Total	<u>\$ 30,618,461</u>	<u>\$30,618,461</u>

These advances are a result of cash shortfalls in the General Fund in previous years. The City borrowed approximately \$1.1 million in federal grant funds in violation of grant agreements. See Note V.B. City's Financial Condition and Management Plans.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

F. Long-term Debt

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Amount due within one
Governmental Activities					
Bonds payable					
Lease Revenue Refunding Bonds, Series 2008	\$ 10,610,000	\$ -	\$ (450,000)	\$ 10,160,000	\$ 470,000
Less: Discount on issue	(100,678)	-	100,678	-	-
Lease Revenue Refunding Bonds, Series 2016	27,645,000	-	-	27,645,000	-
Add: Premium on issue	1,099,529	-	-	1,099,529	-
Total bonds payable	39,253,851	-	(349,322)	38,904,529	470,000
Mortgage loan payable					
Energy retrofit/revenue enhancement	1,785,288	-	(294,198)	1,491,090	241,309
Notes payable					
Housing Section 108 notes	2,500,000	-	(1,000,000)	1,500,000	500,000
Installment Payment Agreement					
Los Angeles County	4,628,000	-	(589,059)	4,038,941	1,000,000
Capital lease obligations					
Copier Lease	169,903	-	(135,259)	34,644	34,644
Total governmental long-term debt	\$ 48,337,042	\$ -	\$ (2,367,838)	\$ 45,969,204	\$ 2,245,953
Business-type activities					
Bonds payable:					
1998 Sewer revenue refunding bonds	\$ 3,895,000	\$ -	\$ (830,000)	\$ 3,065,000	\$ 445,000
2006 Solid waste revenue bonds	575,000	-	(215,000)	360,000	115,000
Water revenue bonds, series 2009	41,610,000	-	(1,700,000)	39,910,000	950,000
Less: Discount on issue of water revenue bonds, series 2009	(804,250)	-	67,020	(737,230)	-
Sewer revenue bonds, series 2009	17,670,000	-	(755,000)	16,915,000	405,000
Less: Discount on issue of sewer revenue bonds, series 2009	(342,481)	-	28,540	(313,941)	-
Total bonds payable	62,603,269	-	(3,404,440)	59,198,829	1,915,000
Total Business-type activities long-term debt	\$ 62,603,269	\$ -	\$ (3,404,440)	\$ 59,198,829	\$ 1,915,000
Total long-term debt	\$ 110,940,311	\$ -	\$ (5,772,278)	\$ 105,168,033	\$ 4,160,953

Debt Service

The annual debt service requirements are summarized below and detailed in each description of the long-term debt:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES (1)			FISCAL YEAR	BUSINESS-TYPE ACTIVITIES (2)		
	PRINCIPAL	INTEREST	TOTAL		PRINCIPAL	INTEREST	TOTAL
2019	\$ 2,245,953	\$ 4,466,530	\$ 6,712,483	2019	\$ 1,915,000	\$ 3,439,210	\$ 5,354,210
2020	3,861,971	4,284,621	8,146,592	2020	2,005,000	3,345,771	5,350,771
2021	3,974,868	4,073,142	8,048,010	2021	2,100,000	3,246,084	5,346,084
2022	3,600,096	3,856,013	7,456,109	2022	2,085,000	3,136,647	5,221,647
2023	2,318,941	3,636,525	5,955,466	2023	2,200,000	3,017,475	5,217,475
2024-2028	12,965,000	14,711,675	27,676,675	2024-2028	10,390,000	13,323,494	23,713,494
2029-2033	15,902,846	7,594,106	23,496,952	2029-2033	13,125,000	9,991,950	23,116,950
2034-2038	-	-	-	2034-2038	17,715,000	5,399,250	23,114,250
2039-2043	-	-	-	2039-2043	8,715,000	530,550	9,245,550
TOTALS	\$ 44,869,675	\$ 42,622,612	\$ 87,492,287		\$ 60,250,000	\$ 45,430,431	\$ 105,680,431

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-term Debt (continued)

Description of Long-term Debt

Governmental Activities

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% 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.

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.

On August 1, 2016, the City issued \$27,645,000 of Lease Revenue Refunding Bonds, Series 2016 to partially refund and defease a portion of the Series 2008 bonds. A refunding payment of \$1,710,000 was made from the escrow fund and \$31,785,000 was defeased by placing funds in an irrevocable trust. 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, 2018, \$30.44 million of the bonds outstanding are considered defeased. The remaining balance on the Series 2008 bonds after the refunding and defeasance was \$10,610,000.

The annual requirements to amortize the bonds are as follows:

<u>Year ending June 30,</u>	Bonds, Series 2008	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 470,000	\$ 2,195,888
2020	495,000	2,108,263
2021	520,000	2,016,263
2022	545,000	1,919,638
2023	575,000	1,818,263
2024-2028	3,345,000	7,355,838
2029-2033	4,210,000	3,796,444
Total	<u>\$ 10,160,000</u>	<u>\$ 21,210,594</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-term Debt (continued)

Compton Public Finance Authority Lease Revenue Refunding, Series 2016

On August 1, 2016, the City issued \$27,645,000 of Lease Revenue Refunding Bonds, Series 2016 to partially refund and defease a portion of the Series 2008 bonds. The balance of the defeased bonds is disclosed in the Series 2008 note above.

The annual requirements to amortize the bonds are as follows:

<u>Year ending June 30,</u>	Lease Revenue Refunding Bonds, Series 2016	
	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ 2,195,888
2020	1,520,000	2,108,263
2021	1,575,000	2,016,263
2022	1,640,000	1,919,638
2023	1,705,000	1,818,263
2024-2028	9,620,000	7,355,838
2029-2033	11,585,000	3,796,444
Total	<u>\$ 27,645,000</u>	<u>\$ 21,210,594</u>

Energy Retrofit/Revenue Enhancement Mortgage Loan

On July 31, 2006, the City entered into a mortgage loan agreement of \$4,012,187 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 annual requirements to amortize the mortgage loan are as follows:

<u>Year ending June 30,</u>	Mortgage loan	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 241,309	\$ 47,830
2020	346,971	50,720
2021	379,868	34,492
2022	415,096	16,738
2023	107,846	1,218
Total	<u>\$ 1,491,090</u>	<u>\$ 150,998</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-term Debt (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, 2018 was \$1,500,000.

The annual requirements to amortize the Housing Section 108 note are as follows:

<u>Year ending June 30,</u>	Housing Section 108	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 500,000	\$ 26,925
2020	500,000	17,375
2021	500,000	6,125
Total	<u>\$ 1,500,000</u>	<u>\$ 50,425</u>

Installment Payment Agreement – Los Angeles County

The results of due diligence review procedures performed on assets transferred from the former Agency to the Housing Successor resulted in a liability to Los Angeles County. An installment payment agreement was entered into on December 24, 2015 for the amount outstanding.

The annual requirements on the installment payment agreement are as follows:

<u>Year ending June 30,</u>	Los Angeles County	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,000,000	\$ -
2020	1,000,000	-
2021	1,000,000	-
2022	1,000,000	-
2023	38,941	-
Total	<u>\$ 4,038,941</u>	<u>\$ -</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-term Debt (continued)

Business-Type Activities

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, 2018, \$3.9 million of the bonds outstanding are considered defeased.

The Sewer Refunding bonds are secured by the City's pledge of certain revenues, which consist of sewer service charges imposed by the City upon its property owners for the use of the sewer system for each year less certain operation and maintenance expenses incurred by the City in connection with the operation of the sewer system.

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, 2018, the outstanding bond balance is \$3,065,000. The annual requirements of amortize the 1998 Sewer Refunding Bonds, including interest payments, are as follows:

<u>Year ending June 30,</u>	<u>1998 Sewer refunding bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 445,000	\$ 152,784
2020	470,000	128,194
2021	495,000	102,259
2022	525,000	74,847
2023	550,000	45,956
2024	580,000	15,588
Total	<u>\$ 3,065,000</u>	<u>\$ 519,628</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 another equipment for the City's Solid Waste Management Program. The Convertible Bonds bear a fixed rate of 4.80%. The Convertible Bonds are secured by a pledge of 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-term Debt (continued)

Interest on the bonds is payable on February 1 and August 1 for each year until maturity, redemption, or purchase thereof. As of June 30, 2018, the outstanding bond balance is \$360,000. The annual requirements to amortize the Convertible Bonds, including interest payments, are as follows:

<u>Year ending June 30,</u>	<u>Solid waste revenue bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 115,000	\$ 14,520
2020	120,000	8,880
2021	125,000	3,000
Total	<u>\$ 360,000</u>	<u>\$ 26,400</u>

Water Revenue Bonds, Series 2009

On May 20, 2009, the City issued \$44,040,000 of Water Revenue Bonds with an interest 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 at least 150%. As of June 30, 2018 the pledged revenues equaled 209% of debt service payments due and payable.

Total principal remaining on the bonds are \$39,910,000. The annual requirements to amortize the 2009 water revenue bonds, including interest payments, are as follows:

<u>Year ending June 30,</u>	<u>Water revenue bonds, series 2009</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 950,000	\$ 2,298,000
2020	995,000	2,253,616
2021	1,040,000	2,205,906
2022	1,095,000	2,150,409
2023	1,160,000	2,086,988
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>\$ 39,910,000</u>	<u>\$ 31,523,919</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-term Debt (continued)

Sewer Revenue Bonds, Series 2009

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

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. The ratio of net revenues to annual debt service during the bond year must equal at least 110%. As of June 30, 2018 the pledged revenues equaled 111% of debt service payments due and payable.

Total principal remaining on the bonds are \$16,915,000. The annual requirements of amortize the 2009 sewer revenue bonds, including interest payments, are as follows:

<u>Year ending June 30,</u>	Sewer revenue bonds, series 2009	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 405,000	\$ 973,906
2020	420,000	955,081
2021	440,000	934,919
2022	465,000	911,391
2023	490,000	884,531
2024-2028	2,920,000	3,961,406
2029-2033	3,910,000	2,974,200
2034-2038	5,270,000	1,607,100
2039-2040	<u>2,595,000</u>	<u>157,950</u>
Total	<u>\$ 16,915,000</u>	<u>\$ 13,360,484</u>

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

The City, PFA, and former Agency are required to submit audited financial statements to the bond trustees within 180 to 240 days of year-end for all bonds and certificates of participation as required by the continuing disclosure requirements under SEC Rule 15c2-12. The City, PFA, and former Agency have not been in compliance with the reporting provisions of the indentures since fiscal year 2013 as audited financial statements were not issued within the time frame allowed. The City filed a financial operating filing for the fiscal years 2014 and 2015 on April 29, 2015 and February 29, 2016, respectively. No reports have been filed since that date.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-term Debt (continued)

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. No arbitrage liability existed at June 30, 2018.

Credit Rating

As of June 30, 2018, the City bond ratings have been suspended.

G. Other Long-Term Liabilities

Compensated Absences

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2018</u>
Governmental Activities	\$ 4,510,657	\$ 3,120,871	\$ (2,525,305)	\$ 5,106,223
Business-type activities	<u>532,174</u>	<u>309,873</u>	<u>(278,637)</u>	<u>563,410</u>
	<u>\$ 5,042,831</u>	<u>\$ 3,430,744</u>	<u>\$ (2,803,942)</u>	<u>\$ 5,669,633</u>

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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

G. Other Long-Term Liabilities (continued)

Risk Management – Claims and Judgments (continued)

All funds of the City participate in general liability and workers' compensation insurance programs and make payments to internal service funds on the basis of loss experience and exposure. The total unpaid claims and claims adjustment expense liability (long-term obligations) of \$21,111,632 recorded at June 30, 2018, is based on results of actuarial studies and includes an estimate for claims incurred but not reported at the balance sheet date. Claims liabilities are calculated considering the effects of inflation, recent claims settlement trends including frequency and amounts of payouts, and other economic and societal factors. General liability and workers' compensation liabilities are carried at present value using a discount rate of 1.0%.

In addition, the City is in compliance with the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

During the past five-year period, the average claims filed each year for general liability amounted to 151 claims totaling \$776,200 per year (an average of \$5,140 per claim).

Within the City's self-insured program for workers' compensation, there has been an average of 57 claims filed per year for the past five years, with an average of approximately \$1,318,159 per year in total reported losses (an average of \$23,126 per claim).

The total unpaid claims and claims adjustment expense liability (long-term obligations) recorded at June 30, 2018 were as follows:

	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Total</u>
Claims liabilities, July 1, 2017	\$ 5,970,004	\$ 6,494,372	\$ 12,464,376
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	<u>\$ 4,213,395</u>	<u>\$ 4,433,861</u>	<u>\$ 8,647,256</u>
Claims liabilities, June 30, 2018	<u>\$ 10,183,399</u>	<u>\$ 10,928,233</u>	<u>\$ 21,111,632</u>
Amount due within one year	\$ 2,324,828	\$ 2,187,384	\$ 4,512,212

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Fund Balances

The following funds had deficit fund balances as of June 30, 2018:

	<u>Deficit</u>
Major Funds	
General	\$ (23,558,177)
Public Finance Authority	(114,531)
Nonmajor Funds	
Special Revenue Funds	
Department of Health Service Grant	(97,399)
Special Assessments	(679,603)
California State Parks Grant	(513,899)
California Gang Reduction	(23,235)
Alondra Regional Park	(12,621)
City Operated Gang Prevention	(114,687)
Lueders Park Rehabilitation	(192,112)
Click It or Ticket Program	(4,294)
Sobriety Checkpoint	(28,718)
Used Oil 13th Cycle	(1,086)
Brickyard Site Transit Plan	(68,262)
Used Oil Payment Program	(294)
SD2 2012 Excess Funds Program	(244,698)
Tree Planting	(122,049)
Leuders Park	(318,148)
Compton Camp Fire Regional Act Center	(300,000)
Wilson Park LA County	(39,284)
Annual Maintenance and Service	(10,022)
Energy Efficiency and Conservation	(36,204)
Compton Creek Regional Biketrail	(1,293)
Internal Service Funds	
Reproduction Fund Administration	(995,143)
Workers' Compensation	(11,404,232)
Liability	(18,389,676)

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

III. DEFINED BENEFIT PENSION PLANS

California Public Employees' Retirement System

A. Retirement Plan Description

The City contributes to the California Public Employees' Retirement System (CalPERS). The miscellaneous employees of the City are part of an agent multiple-employer public employee defined benefit pension plan and the safety employees are part of a cost-sharing multiple-employer public employee defined benefit pension plan. The safety employees are further divided into two different rate tiers: Safety – Fire and Safety – Police. CalPERS provides retirement and disability benefit, annual cost of living adjustment, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through a City Council resolution. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, CA 95814 or from the CalPERS website <http://www.calpers.ca.gov>.

During the year ended June 30, 2013, California's Public Employees' Pension Reform Act (PEPRA) went into effect. PEPRA requires new benefits and member contributions for new members as defined by PEPRA that are hired after January 1, 2013. Employees who were CalPERS members before January 1, 2013 are considered "Classic members".

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

Classic members or PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members become eligible for retirement at age 52 with at least five years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The benefit factor depends on the benefit formula specified in the employer's contract. The years of service is the amount credited by CalPERS to a member while he or she is employed in this group. The final compensation is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

B. Benefits Provided (continued)

All members are eligible for nonduty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The standard death benefit for Safety members is the Special Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially-determined rate and the contribution rate of employees.

Participants in the Miscellaneous and Safety plans are required to contribute a percentage of their annual covered salary. With the exception of the PEPRA members, the City pays the contributions required of City employees on their behalf. The City is required to contribute the actuarially-determined remaining amounts necessary to fund the benefits for its members.

For the year ended June 30, 2018, the City's total contributions (including amounts paid on behalf of members) were \$7,140,763 for the Miscellaneous and \$5,622,013 for the Safety Plans.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Contributions (continued)

The Plan's provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2013	On or After January 1, 2013	PEPRA
Hire date			
Benefit formula	2.7% at 55	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67+	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	2.00% to 2.70%	1.43% to 2.42%	1.00% to 2.50%
Required employee contribution rates	8.00%	7.00%	6.50%
Required employer contribution rates	9.989%	9.989%	9.989%

	Safety – Fire		
	Prior to January 1, 2013	On or After January 1, 2013	PEPRA
Hire date			
Benefit formula	3.0% at 50	3.0% at 50	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55+	50 - 55+	50 - 57+
Monthly benefits, as a % of eligible compensation	3.00%	3.00%	2.00% to 2.70%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates	21.418%	21.418%	12.729%

	Safety – Police	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.0% at 50	2.0% at 50
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55+	50 - 55+
Monthly benefits, as a % of eligible compensation	3.00%	3.00%
Required employee contribution rates	0.00%	0.00%
Required employer contribution rates	0.00%	0.00%

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Contributions (continued)

At June 30, 2017 (measurement date), the following employees were covered by the benefit terms of the Plan:

Description	Number of Members		
	Miscellaneous	Safety – Fire	Safety – Police
Active members	274	64	0
Transferred members	144	20	14
Terminated members	167	15	2
Retired members	483	142	261
TOTALS	1068	241	277

D. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liability for the June 30, 2017 measurement period was determined in a June 30, 2016 actuarial valuation, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following actuarial assumptions and methods.

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017
Reporting date	June 30, 2018
Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB 68

Actuarial Assumptions

Discount Rate/investment return	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power
Increase	Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

E. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return ⁽¹⁾ Years 1 - 10	Real Return ⁽²⁾ Years 11+
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	80.00%	2.27%
Inflation Sensitive	6.00%	60.00%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	0.40%	0.90%
	<u>100.00%</u>		

⁽¹⁾ An expected inflation of 2.5% used for this period

⁽²⁾ An expected inflation of 3.0% used for this period

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

The City's net pension liability is measured as the total pension liability less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures.

The following tables show the plan fiduciary net position and the net pension liabilities for the Miscellaneous Plan and the respective changes in net pension liabilities recognized over the measurement period.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Miscellaneous Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 (Valuation Date)	\$ 192,664,937	\$ 124,610,189	\$ 68,054,748
Changes Recognized for the Measurement Period			
Service cost	\$ 3,033,911		\$ 3,033,911
Interest on the total pension liability	14,306,576		14,306,576
Changes of assumptions	11,024,331		11,024,331
Differences between expected and actual experience	595,677		595,677
Net plan to plan resource movement		\$ 16,090	(16,090)
Employer contributions		5,782,821	(5,782,821)
Employee contributions (paid by employer)		1,357,942	(1,357,942)
Net investment income		13,777,155	(13,777,155)
Benefit payments, included refunds of employee contributions	(11,419,854)	(11,419,854)	-
Administrative expense	-	(183,979)	183,979
Net changes	\$ 17,540,641	\$ 9,330,175	\$ 8,210,466
Balance at June 30, 2017 (Measurement Date)	\$ 210,205,578	\$ 133,940,364	\$ 76,265,214

The following shows the Safety-Fire and Police Plans' proportionate share of the risk pool collective net pension liability over the measurement period.

Safety Plan (Fire and Police)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Proportionate Share
Balance at June 30, 2016 (Valuation Date)	\$ 195,251,824	\$ 137,921,169	\$ 57,330,655	1.10694%
Net changes during 2016-2017	13,811,052	8,183,274	5,627,778	-0.05328%
Balance at June 30, 2017 (Measurement Date)	\$ 209,062,876	\$ 146,104,443	\$ 62,958,433	1.05366%

The City's proportionate share of the collective net pension liability was determined by CalPERS based on the following allocation methodology:

The schedules of employer allocation by rate plan include three ratios:

- (1) *Actuarial Accrued Liability* - Determined based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2016 used for funding purposes.
- (2) *Market Value of Assets* - Determined based on the sum of the Market Value of Assets (MVA) from the most recent Actuarial Valuation as June 30, 2016 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

(3) Contributions - Determined based on the legally- or statutorily-required employer contributions for the fiscal year ended June 30, 2017, including reported contribution adjustments and suspended payroll information. Legally or statutorily required employer contributions were determined by multiplying the employer's contribution rate by the annual benefit compensation (payroll) for the fiscal year and excluding payments for benefit improvements known as Golden Handshakes, which CalPERS considers to be separately financed employer-specific liabilities.

The total pension liability was allocated based on the rate plan's share of the Actuarial Accrued Liability. The fiduciary net position was allocated based on the rate plan's share of the Market Value of Assets. The net pension liability was derived by subtracting the fiduciary net position from the total pension liability. Deferred outflows of resources, deferred inflows of resources, and pension expense were allocated based on the rate plan's share of contributions.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 6,614,599	
Differences between expected and actual experience	357,406	294,218
Net difference between projected and actual earnings on pension plan investments	1,752,581	
Pension contributions subsequent to the measurement date	5,745,544	-
	<u>\$ 14,470,130</u>	<u>\$ 294,218</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Safety - Fire & Police

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	8,854,262	679,338
Differences between expected and actual experience	610,547	159,186
Net difference between projected and actual earnings on pension plan investments	1,930,619	
Differences between employer's contributions and proportionate share of contributions	587,031	204,199
Changes in employer's proportion Pension contributions subsequent to the measurement date	4,126,402	1,984,583
	<u>\$ 16,108,861</u>	<u>\$ 3,027,306</u>

The deferred outflows of resources related to contributions subsequent to the measurement date of \$9,871,946 are recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

G. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Miscellaneous

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	2019	\$ 4,211,049
2019	2020	4,467,645
2020	2021	770,946
2021	2022	(1,019,272)
2022	2023	-
Thereafter	Thereafter	-
		<u>\$ 8,430,368</u>

Safety - Fire & Police

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	2019	\$ 1,495,552
2019	2020	5,307,651
2020	2021	3,281,623
2021	2022	(1,129,673)
2022	2023	-
Thereafter	Thereafter	-
		<u>\$ 8,955,153</u>

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date June 30, 2017, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
<u>Net Pension Liability (Asset)</u>			
Miscellaneous	\$ 102,359,563	\$ 76,265,214	\$ 56,548,656
Safety – Fire	92,209,897	62,958,433	39,046,820
TOTALS	<u>\$ 194,569,460</u>	<u>\$ 139,223,647</u>	<u>\$ 95,595,476</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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 CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, CA 95814 or from the CalPERS website <http://www.calpers.ca.gov>.

B. Benefits Provided

The City provides a contribution up to the CalPERS Region 3 Kaiser Basic (non-Medicare) family premium, regardless of the coverage level (single, 2-party, family) or the enrollment level (non-Medicare, Medicare). The Kaiser family premium is \$1,727.41 for 2020. The City-provided contribution is continued for lifetime of retiree. Upon death of retiree, continued access to benefits (with the explicit subsidy) is available for the lifetime of the spouse. A City contribution towards surviving child dependents is also available, if they were enrolled in the plan prior to retiree death.

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

C. Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

	Number of Covered <u>Participants</u>
Active employees electing coverage	303
Active employees waiving coverage	9
Retirees electing coverage	<u>441</u>
	<u><u>753</u></u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

D. Total OPEB Liability

The City's total OPEB liability of \$131,539,485 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.56%
Inflation	2.50%
Salary increases	2.75% annually plus merit and promotion increases
Healthcare cost trend rates	6.8% for FY 2018, gradually decreasing over several decades to an ultimate rate of 4.0% in FY 2076 and later years
Retirees' share of benefit-related costs	Cost of monthly premiums less the City subsidy of \$1,727.41. This is the City-provided contribution for monthly premiums for health coverage in effect for January 1, 2020 through December 31, 2020 used in the valuation, before reflecting any reduction due to subsidies, are based on premiums for CalPERS Region 3. This valuation assumes that PEMHCA administrative fees are paid separately by the City and are not valued as an OPEB cost.

The discount rate was based on the Fidelity 20-year Municipal Bonds GO AA Index.

Mortality rates were based on the Public Agency Miscellaneous, Police, and Fire members published in the December 2017 CalPERS Experience Study.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

E. Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 140,532,171	\$ -	\$ 140,532,171
Changes for the year:			
Service cost	4,163,800	-	4,163,800
Interest	4,156,698	-	4,156,698
Changes of assumptions	(12,626,584)	-	(12,626,584)
Employer contributions	-	4,686,600	(4,686,600)
Benefit payments	(4,686,600)	(4,686,600)	-
Net changes	(8,992,686)	-	(8,992,686)
Balances at June 30, 2018	\$ 131,539,485	\$ -	\$ 131,539,485

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current discount rate (3.56 percent):

	Discount Rate		
	1% Decrease (2.56%)	Current Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 152,085,447	\$ 131,539,485	\$ 114,933,024

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.8 percent decreasing to 3.0 percent) or 1 percentage point higher (7.8 percent decreasing to 5.0 percent) than the current healthcare cost trend rate (6.8 percent decreasing to 4.0 percent):

	Healthcare Trend Rate		
	1% Decrease (5.8% to 3.0%)	Current Trend (6.8% to 4.0%)	1% Increase (7.8% to 5.0%)
Net OPEB liability	\$ 113,659,461	\$ 131,539,485	\$ 153,927,424

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 4,780,662	\$ -
Changes of assumptions or other inputs	-	9,655,623
	<u>\$ 4,780,662</u>	<u>\$ 9,655,623</u>

The deferred outflows of resources related to OPEB contributions subsequent to the measurement date of \$4,780,662 will be recognized as a reduction of the total net OPEB liability for the fiscal year ending June 30, 2019.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Inflows of Resources
2019	\$ 2,970,961
2020	2,970,961
2021	2,970,961
2022	742,740
2023	-
Thereafter	-
	<u>\$ 9,655,623</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

V. OTHER INFORMATION

A. 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 grantor or their representative. The City's grant programs have also been audited in accordance with Uniform Guidance, 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 July 11, 2019, Audit Report No. 2019-LA-1008. The audit related to the Compton Housing Authority's Housing Choice Voucher Program. The report concluded that the Compton Housing Authority did not follow proper procurement or financial management procedures and ensure the timely submission of audited financial statements in accordance with HUD requirements. (1) Professional auditing services in the amount of \$77,542 were charged to the Housing Authority. There were no supporting documentation provided, including the lack of competitive procurement process, signed contract or agreement, and end product of the service. (2) The City has not completed and submitted audited financial statements for the fiscal years 2010/11 through 2017/18. (3) The Compton Housing Authority also over-reimbursed \$30,562 in HAP administrative fees to the City's general fund.

The OIG report recommended that the Director of Los Angeles Office of Public Housing require the City to repay the program \$77,542 from non-federal funds for the unreasonable professional auditing service payments; establish and implement additional procedures and controls to ensure that procurement and contacting requirements are followed, along with the associated maintenance of applicable documentation; complete and submit the audited financial statements for all past-due fiscal years; consider imposing administrative sanctions and remedies for non-submission of audited financial statements for all overdue fiscal years; and the City to develop and implement additional procedures and controls to ensure that the administrative fees for the portability HAP are accurately calculated. The \$30,562 over-reimbursement was resolved by reimbursing the fund prior to the completion of the audit.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Commitments and Contingencies (continued)

In October 2019, the Compton Housing Authority received a Management Decision Letter from HUD summarizing the findings and recommendations of the aforementioned OIG report and establishing target dates for the recommendations to get addressed. The Letter also acknowledged that due to the extraordinary circumstances outside the control of the City in regard to ongoing litigation with a prior auditing firm as well as significant turnover of key staff that the City will focus its time and accounting efforts on the 2018 and 2019 accounting periods. Therefore, the Compton Housing Authority shall complete and submit electronically through HUD's FASS-PH system the unaudited and audited submissions for the fiscal year ending June 30, 2019 by March 31, 2020. For the past due financial statements for the prior years, the LAOPH will send a request to implement administrative sanctions of the Compton Housing Authority to the Housing Voucher Financial Management Division Director, as well as reduce the SEMAP score level on the fiscal 2019 report.

The U.S. Department of Housing and Urban Development (HUD), Los Angeles, California office conducted a monitoring of the City's Community Development Block Grant Program (CDBG) and Emergency Solutions Grants Program (ESG). The monitoring report identified eighteen findings that the City is required to respond to. The City is in the process of preparing their responses. Some of the findings, if not cleared, could result in the City being required to return funds to HUD. The ultimate outcome of this monitoring is not known at this time, however management does not believe that it will have a material effect on the City of Compton.

On July 18, 2018, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) notified the City that they were initiating a review of the City's administration of Neighborhood Stabilization Programs (NSP) 1 and 3 funds in compliance with HUD requirements. The period of the review is from July 1, 2008 through June 30, 2019. This review is currently in process.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Commitments and Contingencies (continued)

Encumbrances

Encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end.

B. 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. As of June 30, 2018, the City's General Fund has an ending fund deficit of \$23,558,177 and the combined deficit fund balances in other funds totaled \$33,711,490. Additionally, the General Fund has advances due to other funds of \$30,618,461. The General Fund's cash balance was \$10,316,208 at June 30, 2018 and the General Fund has accounts payable and accrued liabilities of \$9,110,695 indicating significant liquidity problems at June 30, 2018.

The significant majority of management was not in their current positions on June 30, 2018. The City's strategy for financial stability has not yet been fully addressed by management and the City Council and as such these statements will not include the City's Management Plan.

C. Notes to the Financial Statements – Successor Agency

a. Reporting Entity

The Successor Agency was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency is a separate public entity from the City, subject to the direction of an oversight board. The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Notes to the Financial Statements – Successor Agency (continued)

a. Reporting Entity (continued)

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

1. City/Successor Agency Loans: Upon issuance of a FOC, loans made by the City to the Successor Agency may be repaid if the Oversight Board finds that the loan was for a legitimate redevelopment purpose. Repayment is subject to certain restrictions, including a reduction of the interest rate to the 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 Bonds 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.

b. Land Held for Resale – Successor Agency

Long-Range Property Management Plan (LRPMP): Upon receiving a FOC, the Successor Agency shall prepare a LRPMP that addresses the disposition and use of real property assets. The plan addresses the use or disposition of all properties, which may include (i) retention of property for governmental use, (ii) retention of property for future development, (iii) sale of the property, or (iv) use of property to fulfill an enforceable obligation. The City submitted their LRPMP on December 23, 2015 and the DOF approved the use or disposition of all properties in the plan as of December 30, 2015. Land held for resale at June 30, 2018 was \$17,569,189.

c. Notes Receivable – Successor Agency

In May 2016, outstanding notes receivable from Bakewell and Bankley Investment Company, Compton Commercial Development Company, and Compton Commercial Plaza Company were delivered 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 negotiated a payment plan and has received the entire balance of the obligation during the period ended June 30, 2018.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Notes to the Financial Statements – Successor Agency (continued)

d. Loans Receivable – Successor Agency

Loan to Compton Commercial Development Renaissance Plaza, LLC

In 2011, the former Agency provided a loan for \$2,850,000 in connection with the major renovation of the Compton Renaissance Plaza Shopping Center, to property developer, Compton Commercial Development Renaissance Plaza, LLC, in connection with the renovation of the Compton Renaissance Plaza Shopping Center. The loan had an interest rate of 3.0% per annum and shall be for a period of 10 years with a maturity date of January 15, 2021. The Successor Agency has received the entire remaining balance of the obligation during the period ended June 30, 2018.

e. Capital Assets – Successor Agency

The following summarizes the Successor Agency capital assets as of June 30, 2018:

	Balance at June 30, 2018
Capital assets, not being depreciated:	
Land	\$ 7,450,350
Construction in progress	5,638,603
Total capital assets, not being depreciated	<u>13,088,953</u>
Capital assets, being depreciated:	
Building and structures	31,760,723
Land improvements	1,331,980
Equipment	133,816
Total capital assets, being depreciated	<u>33,226,519</u>
Less accumulated depreciation for:	
Building and structures	(2,580,366)
Land improvements	(1,331,980)
Equipment	(121,919)
Total accumulated depreciation	<u>(4,034,265)</u>
 Total capital assets, being depreciated, net	 <u>29,192,254</u>
 Total capital assets, net	 <u>\$ 42,281,207</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Notes to the Financial Statements – Successor Agency (continued)

f. Long-Term Liabilities – Successor Agency

The following is a summary of changes in the Successor Agency's long-term debt for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Amount due within one
Debt long-term liabilities:					
Bonds payable:					
1995 series "C" refunding tax allocation capital appreciation bonds - taxable	\$ 35,439,388	\$ -	\$ (3,165,423)	\$ 32,273,965	\$ 3,743,598
2010 series "A", "B", "C" Community Redevelopment Agency second lien tax allocation bonds	91,060,000	-	(2,670,000)	88,390,000	2,820,000
Less: Discount on issue	(636,865)	-	70,764	(566,101)	
Total bonds payable	<u>125,862,523</u>	<u>-</u>	<u>(5,764,659)</u>	<u>120,097,864</u>	<u>6,563,598</u>
Other long-term liabilities:					
Due to Los Angeles County	410,941	-	(410,941)	-	-
Total other long-term liabilities	<u>410,941</u>	<u>-</u>	<u>(410,941)</u>	<u>-</u>	<u>-</u>
Total Successor Agency long-term liabilities	<u>\$ 126,273,464</u>	<u>\$ -</u>	<u>\$ (6,175,600)</u>	<u>\$ 120,097,864</u>	<u>\$ 6,563,598</u>

Description of Long-term Debt – Successor Agency

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 commenced on August 1, 2014 with the final payment due on August 1, 2024. During the grace period before the bond payment commenced, the interest on the bonds was added as an accretion to the bond balance. The amount of the bond was \$10,137,530 while total accretion less payments of principal as of June 30, 2018 was \$32,273,965.

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.

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

Year ending June 30,	1995 C	
	Principal	Interest
2019	\$ 3,743,598	\$ 2,056,402
2020	3,879,543	1,920,457
2021	4,193,713	1,606,287
2022	4,533,299	1,266,701
2023	4,900,405	899,595
2024-2025	11,023,407	576,593
Total	<u>\$ 32,273,965</u>	<u>\$ 8,326,035</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Notes to the Financial Statements – Successor Agency (continued)

f. Long-Term Liabilities – Successor Agency (continued)

Description of Long-term Debt – Successor Agency

Community Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010 A (Housing), 2010 B, and 2010 C (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 amount of principal outstanding at June 30, 2018 for all of the 2010 Series was \$88,390,000.

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 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. The bonds are payable as follows: Series A (August 2011 through 2042, Series B (August 2011 through 2042), and Series C (August 2011 through 2024).

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

Year ending June 30,	2010 A, B, C	
	Principal	Interest
2019	\$ 2,820,000	\$ 5,147,833
2020	2,990,000	4,971,866
2021	3,170,000	4,781,284
2022	3,375,000	4,572,369
2023	3,595,000	4,345,168
2024-2028	28,500,000	17,190,385
2029-2033	19,400,000	10,203,285
2034-2038	11,880,000	5,357,100
2039-2043	12,660,000	1,987,500
Total	<u>\$ 88,390,000</u>	<u>\$ 58,556,789</u>

Due to Los Angeles County

The results of the SCO's review and DDR 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 in relation to the agreed-upon procedures report commissioned by the County of Los Angeles issued on August 17, 2012. The Successor Agency has no remaining balance as of June 30, 2018.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

D. Subsequent Event

In preparation of these financial statements, the City considered subsequent events through December 12, 2019, which is the date these financial statements were available to be issued. Please also see Note V.A. Commitment and Contingencies.