



**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
Fiscal Year Ended June 30, 2019**



CITY OF COMPTON, CALIFORNIA

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JUNE 30, 2019

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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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Compton, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted 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.



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

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

Bases for Qualified Opinions

- 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, 2019 amounted to approximately \$167.3 million, no costs were capitalized and depreciation expense was not recorded for the year ended June 30, 2019. 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 basic financial statements of the Governmental Activities and the Business-Type Activities, the Water, Rubbish, Sewer and Internal Service Funds and the Successor Agency Private-Purpose Trust Fund.
- 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 fiduciary net position.
- The City has not determined whether amounts recorded as unearned grant revenues of approximately \$4.1 million have been earned as of June 30, 2019. 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Balances

As discussed in Note III.H. to the financial statements, the City has an approximate total negative net position of \$113.3 million, deficit fund balance in its general fund of approximately \$16.4 million, and deficit fund balances in 17 other funds totaling approximately \$34.9 million. See Note VI. 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability and related ratios, schedule of proportionate share of the net pension liability and related ratios, the schedule of plan contributions, the schedule of changes in total OPEB liability and related ratios, and the schedule of contributions – OPEB on pages 75-81 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 82-88 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the combining and individual nonmajor fund financial statements of the matters described in the "Bases for Qualified Opinions", the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, 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

November 25, 2020
Riverside, California

CITY OF COMPTON, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 94,913,324	\$ 26,064,871	\$ 120,978,195
Receivables, net	8,659,693	4,494,097	13,153,790
Other assets	1,674,689	214,946	1,889,635
Noncurrent Assets			
Internal balances	(22,319,544)	22,319,544	-
Restricted investments	3,729,988	8,196,802	11,926,790
Loans receivable, net	538,624	-	538,624
Land held for resale	16,137,052	-	16,137,052
Capital assets:			
Nondepreciable	22,368,940	5,163,611	27,532,551
Depreciable, net	67,724,044	29,747,029	97,471,073
Total assets	<u>193,426,810</u>	<u>96,200,900</u>	<u>289,627,710</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of bonds	151,861	-	151,861
Deferred outflow on pension and OPEB	26,359,936	1,351,040	27,710,976
Total deferred outflows of resources	<u>26,511,797</u>	<u>1,351,040</u>	<u>27,862,837</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6,148,947	6,109,960	12,258,907
Other liabilities	937,829	3,358,884	4,296,713
Compensated absences due within one year	939,757	89,435	1,029,192
Self-insurance claims	4,512,212	-	4,512,212
Bonds and notes payable	3,779,710	2,005,000	5,784,710
Noncurrent Liabilities			
Compensated absences	4,168,196	419,113	4,587,309
Self-insurance claims	16,599,187	-	16,599,187
Bonds and notes payable	39,666,574	55,326,608	94,993,182
Net pension liabilities	126,993,290	8,394,901	135,388,191
Other post-employment benefits payable (OPEB)	125,083,141	7,762,565	132,845,706
Total liabilities	<u>328,828,843</u>	<u>83,466,466</u>	<u>412,295,309</u>
DEFERRED INFLOW ON RESOURCES			
Unearned grants revenue	4,120,200	-	4,120,200
Deferred inflow on pension and OPEB	13,681,481	680,986	14,362,467
Total deferred inflows of resources	<u>17,801,681</u>	<u>680,986</u>	<u>18,482,667</u>
NET POSITION			
Net investment in capital assets	50,685,640	-	50,685,640
Restricted for:			
Debt service	3,729,988	7,498,239	11,228,227
Capital projects	1,209,189	2,575,797	3,784,986
Retirement	52,002,550	-	52,002,550
Low/moderate income housing	44,266,509	-	44,266,509
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	(290,209,221)	3,330,452	(286,878,769)
Total net position	<u>\$ (126,691,917)</u>	<u>\$ 13,404,488</u>	<u>\$ (113,287,429)</u>

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

CITY OF COMPTON, CALIFORNIA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 20,993,758	\$ 2,359,744	\$ 274,990	\$ -
Public safety	45,756,203	2,886,794	343,702	-
Public works	9,168,448	10,661,696	3,119,915	1,658,685
Management services	21,544,010	-	-	-
Environmental and human services	14,155,652	561,752	10,329,033	-
Interest on long-term debt	1,538,708	-	-	-
Total governmental activities	<u>113,156,779</u>	<u>16,469,986</u>	<u>14,067,640</u>	<u>1,658,685</u>
Business-type activities:				
Water	17,008,910	18,971,336	-	-
Rubbish	15,220,527	13,737,207	-	-
Sewer	1,383,699	1,786,689	-	-
Total business-type activities	<u>33,613,136</u>	<u>34,495,232</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 146,769,915</u>	<u>\$ 50,965,218</u>	<u>\$ 14,067,640</u>	<u>\$ 1,658,685</u>

General revenues:
 Taxes:
 Property taxes
 Sales taxes
 Utility user taxes
 Franchise taxes
 Special assessments
 Transient occupancy taxes
 Real property transfer taxes
 Intergovernmental not restricted to specific programs
 Investment earnings
 Other income
 Total general revenues and transfers
 Change in net position
 Net position at beginning of year, as previously reported
 Prior period adjustments
 Net position at beginning of year, as restated
 Net position at end of year

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

Net (Expense) Revenue
And Change in Net Position

Governmental Activities	Business-Type Activities	Total	Functions/Programs
			Governmental activities:
\$ (18,359,024)	\$ -	\$ (18,359,024)	General government
(42,525,707)	-	(42,525,707)	Public safety
6,271,848	-	6,271,848	Public works
(21,544,010)	-	(21,544,010)	Management services
(3,264,867)	-	(3,264,867)	Environmental and human services
(1,538,708)	-	(1,538,708)	Interest on long-term debt
<u>(80,960,468)</u>	<u>-</u>	<u>(80,960,468)</u>	Total governmental activities
			Business-type activities:
-	1,962,426	1,962,426	Water
-	(1,483,320)	(1,483,320)	Rubbish
-	402,990	402,990	Sewer
<u>-</u>	<u>882,096</u>	<u>882,096</u>	Total business-type activities
<u>(80,960,468)</u>	<u>882,096</u>	<u>(80,078,372)</u>	Total
			General revenues:
			Taxes:
47,683,391		47,683,391	Property taxes
24,696,437		24,696,437	Sales taxes
11,615,005		11,615,005	Utility user taxes
2,580,905		2,580,905	Franchise taxes
4,286,989	932,245	5,219,234	Special assessments
116,408		116,408	Transient occupancy taxes
286,660		286,660	Real property transfer taxes
665,678		665,678	Intergovernmental not restricted to specific programs
1,510,362	172,551	1,682,913	Investment earnings
4,578,558		4,578,558	Other income
<u>98,020,393</u>	<u>1,104,796</u>	<u>99,125,189</u>	Total general revenues and transfers
17,059,925	1,986,892	19,046,817	Change in net position
(144,015,210)	11,808,482	(132,206,728)	Net position at beginning of year, as previously reported
263,368	(390,886)	(127,518)	Prior period adjustments
<u>(143,751,842)</u>	<u>11,417,596</u>	<u>(132,334,246)</u>	Net position at beginning of year, as restated
<u>\$ (126,691,917)</u>	<u>\$ 13,404,488</u>	<u>\$ (113,287,429)</u>	Net position at end of year

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

CITY OF COMPTON, CALIFORNIA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue		Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
	General	Retirement	Compton Housing Successor		
Assets					
Cash and investments	\$ 19,079,541	\$ 43,269,519	\$ 22,813,373	\$ 12,660,422	\$ 97,822,855
Restricted investments	-	-	-	3,729,988	3,729,988
Receivable, net	6,485,605	1,283,244	-	890,844	8,659,693
Due from other funds	504,553	7,248,541	-	-	7,753,094
Other assets	62,421	948,222	-	645,066	1,655,709
Advances to other funds	171,678	-	5,380,878	3,559,363	9,111,919
Loans receivable, net	-	-	-	538,624	538,624
Land held for resale	50,000	-	16,087,052	-	16,137,052
Total Assets	\$ 26,353,798	\$ 52,749,526	\$ 44,281,303	\$ 22,024,307	\$ 145,408,934
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 4,814,712	\$ 19,088	\$ 14,794	\$ 1,212,473	\$ 6,061,067
Other liabilities	104,712	-	-	199,263	303,975
Due to other funds	7,248,541	-	-	504,553	7,753,094
Advances from other funds	30,618,461	-	-	-	30,618,461
Total Liabilities	42,786,426	19,088	14,794	1,916,289	44,736,597
Deferred inflows of resources					
Unearned grants revenue	-	-	-	4,189,130	4,189,130
Total deferred inflows of resources	-	-	-	4,189,130	4,189,130
Fund balances (Deficit)					
Nonspendable					
Other assets	62,421	948,222	-	645,066	1,655,709
Loans receivable, net	-	-	-	538,624	538,624
Land held for resale	50,000	-	-	-	50,000
Restricted for:					
Debt service	-	-	-	3,729,988	3,729,988
Retirement	-	52,002,550	-	-	52,002,550
Low/moderate income housing	-	-	44,266,509	-	44,266,509
Federal grants	-	-	-	2,145,205	2,145,205
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
Committed to:					
Regional park	2,500,000	-	-	129	2,500,129
Unassigned	(19,045,049)	(220,334)	-	(1,659,177)	(20,924,560)
Total fund balances	(16,432,628)	52,730,438	44,266,509	15,918,888	96,483,207
Total liabilities and fund balances	\$ 26,353,798	\$ 52,749,526	\$ 44,281,303	\$ 22,024,307	\$ 145,408,934

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, 2019

Fund balances of governmental funds \$ 96,483,207

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	(210,080,110)	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	25,932,562	
Deferred amount on refunding, net of amortization	151,861	26,084,423

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	(5,107,953)	
Bonds and notes payable	(40,407,342)	
Liabilities resulting from redevelopment agency dissolution	(3,038,942)	(49,127,329)

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	(123,685,163)	
Other postemployment benefits obligation	(124,906,719)	
Deferred pension and other post-employment benefits inflows	(13,597,579)	(262,189,461)

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

68,930

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.

(27,258,583)

Net position of governmental activities in the Statement of Net Position \$ (126,691,917)

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

CITY OF COMPTON, CALIFORNIA
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue		Capital Projects	NonMajor Governmental Funds	Total Governmental Funds
	General	Retirement	Compton Housing Successor		
Revenue:					
Taxes and special assessments	\$ 51,975,870	\$ 31,229,853	\$ 82,924	\$ 7,977,148	\$ 91,265,795
Licenses and permits	8,014,480	-	-	-	8,014,480
Intergovernmental revenues	31,293	243,697	-	16,117,013	16,392,003
Fines, forfeitures, and penalties	2,349,932	-	-	-	2,349,932
Use of money and property	658,821	473,185	106,723	271,633	1,510,362
Charges for services	6,045,506	-	-	60,068	6,105,574
Other	2,910,379	(211)	433,487	1,233,478	4,577,133
Total Revenue	<u>71,986,281</u>	<u>31,946,524</u>	<u>623,134</u>	<u>25,659,340</u>	<u>130,215,279</u>
Expenditures:					
Current:					
General government	8,239,035	949,597	99,444	180,035	9,468,111
Public safety	37,823,834	3,644,763	-	126,479	41,595,076
Public works	1,272,291	887,380	-	6,149,304	8,308,975
Management services	4,896,239	14,114,456	-	4,317	19,015,012
Environmental and human services	3,813,291	1,437,488	33,423	9,049,970	14,334,172
Debt service:					
Principal	1,792,650	-	-	500,000	2,292,650
Interest	1,731,206	-	-	26,925	1,758,131
Capital outlay	5,705,072	-	-	5,161,537	10,866,609
Total expenditures	<u>65,273,618</u>	<u>21,033,684</u>	<u>132,867</u>	<u>21,198,567</u>	<u>107,638,736</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,712,663</u>	<u>10,912,840</u>	<u>490,267</u>	<u>4,460,773</u>	<u>22,576,543</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	581,766	581,766
Transfers out	(581,766)	-	-	-	(581,766)
Total Other Financing Sources (Uses)	<u>(581,766)</u>	<u>-</u>	<u>-</u>	<u>581,766</u>	<u>-</u>
Net Change in Fund Balance	<u>6,130,897</u>	<u>10,912,840</u>	<u>490,267</u>	<u>5,042,539</u>	<u>22,576,543</u>
Fund balances (deficit), beginning, as previously reported	(23,558,177)	35,184,851	43,776,242	10,768,294	66,171,210
Prior period adjustment	994,652	6,632,747	-	108,055	7,735,454
Fund balances (deficit), beginning, as restated	<u>(22,563,525)</u>	<u>41,817,598</u>	<u>43,776,242</u>	<u>10,876,349</u>	<u>73,906,664</u>
Fund Balances, Ending	<u>\$ (16,432,628)</u>	<u>\$ 52,730,438</u>	<u>\$ 44,266,509</u>	<u>\$ 15,918,888</u>	<u>\$ 96,483,207</u>

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

CITY OF COMPTON, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds \$ 22,576,543

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

Long-term liabilities transactions

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

Principal payments	2,328,212
Bond amortization expense	183,861
Increase in compensated absences	(1,730)
Increase in pension liability	(4,660,499)
Increase in other postemployment benefits obligation	(1,228,159)

Internal Service Funds

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

(2,138,303)

Change in net position of governmental activities \$ 17,059,925

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

CITY OF COMPTON, CALIFORNIA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
 JUNE 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities	
	Water	Rubbish	Sewer	Internal Service Funds	
ASSETS					
Current assets					
Cash and investments	\$ 20,666,753	\$ 1,679,452	\$ 3,718,666	\$ 26,064,871	\$ (2,909,531)
Receivables, net	2,339,226	1,930,279	224,592	4,494,097	-
Other assets	213,668	1,278	-	214,946	18,980
Total current assets	<u>23,219,647</u>	<u>3,611,009</u>	<u>3,943,258</u>	<u>30,773,914</u>	<u>(2,890,551)</u>
Noncurrent Assets					
Advances to other funds	13,696,657	-	7,809,885	21,506,542	-
Restricted investments	3,434,082	126,808	4,635,912	8,196,802	-
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	801,979
Total noncurrent assets	<u>45,613,814</u>	<u>126,808</u>	<u>18,873,362</u>	<u>64,613,984</u>	<u>846,088</u>
Total assets	<u>68,833,461</u>	<u>3,737,817</u>	<u>22,816,620</u>	<u>95,387,898</u>	<u>(2,044,463)</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred outflow on pension and OPEB	1,199,425	20,401	131,214	1,351,040	427,374
Total deferred outflow of resources	<u>1,199,425</u>	<u>20,401</u>	<u>131,214</u>	<u>1,351,040</u>	<u>427,374</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	3,732,279	1,967,858	409,823	6,109,960	87,880
Other liabilities	1,758,884	1,600,000	-	3,358,884	60,762
Compensated absences	80,942	3,194	5,299	89,435	-
Self-insurance claims	-	-	-	-	4,512,212
Bonds and notes payable	995,000	120,000	890,000	2,005,000	-
Total current liabilities	<u>6,567,105</u>	<u>3,691,052</u>	<u>1,305,122</u>	<u>11,563,279</u>	<u>4,660,854</u>
Noncurrent liabilities					
Compensated absences	382,187	6,349	30,577	419,113	-
Self-insurance claims	-	-	-	-	16,599,187
Bonds and notes payable	37,261,279	125,000	17,940,329	55,326,608	-
Net pension liabilities	7,506,479	160,324	728,098	8,394,901	3,308,127
Other post-employment benefits payable	6,704,033	-	1,058,532	7,762,565	176,422
Total noncurrent liabilities	<u>51,853,978</u>	<u>291,673</u>	<u>19,757,536</u>	<u>71,903,187</u>	<u>20,083,736</u>
Total liabilities	<u>58,421,083</u>	<u>3,982,725</u>	<u>21,062,658</u>	<u>83,466,466</u>	<u>24,744,590</u>
DEFERRED INFLOW OF RESOURCES					
Deferred inflow on pension and OPEB	593,751	3,519	83,716	680,986	83,902
Total deferred inflow of resources	<u>593,751</u>	<u>3,519</u>	<u>83,716</u>	<u>680,986</u>	<u>83,902</u>
NET POSITION					
Net investment in capital assets	-	-	-	-	846,088
Restricted for:					
Debt service	3,428,545	126,808	3,942,886	7,498,239	-
Capital projects	5,537	-	2,570,260	2,575,797	-
Unrestricted (deficit)	7,583,970	(354,834)	(4,711,686)	2,517,450	(27,291,669)
Total net position (deficit)	<u>\$ 11,018,052</u>	<u>\$ (228,026)</u>	<u>\$ 1,801,460</u>	<u>\$ 12,591,486</u>	<u>\$ (26,445,581)</u>
Adjustment to reflect the consolidation of internal service fund activities				813,002	
Total Net Position of Business-type Activities				<u>\$ 13,404,488</u>	

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

CITY OF COMPTON, CALIFORNIA
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
 PROPRIETARY FUNDS**
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water	Rubbish	Sewer	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 18,971,336	\$ 13,631,622	\$ -	\$ 32,602,958	\$ -
Charges to other funds	-	-	-	-	5,522,226
Sewer capital improvement charges	-	-	1,786,689	1,786,689	-
Other	-	105,585	-	105,585	1,425
Total operating revenues	<u>18,971,336</u>	<u>13,737,207</u>	<u>1,786,689</u>	<u>34,495,232</u>	<u>5,523,651</u>
Operating expenses:					
General government	-	-	-	-	45,824
Public works	-	-	277,965	277,965	859,473
Administration and personnel services	-	-	-	-	3,045,009
Environmental and human services	15,476,936	15,218,406	-	30,695,342	-
Self-insurance services	-	-	-	-	2,898,646
Total operating expenses	<u>15,476,936</u>	<u>15,218,406</u>	<u>277,965</u>	<u>30,973,307</u>	<u>6,848,952</u>
Operating income (loss)	<u>3,494,400</u>	<u>(1,481,199)</u>	<u>1,508,724</u>	<u>3,521,925</u>	<u>(1,325,301)</u>
Nonoperating revenues (expenses):					
Investment income	61,667	1,204	109,680	172,551	-
Principal payment	-	-	-	-	-
Interest expense	(2,313,698)	(12,220)	(1,126,913)	(3,452,831)	-
Taxes and special assessments	-	-	932,245	932,245	-
Total nonoperating revenues (expenses)	<u>(2,252,031)</u>	<u>(11,016)</u>	<u>(84,988)</u>	<u>(2,348,035)</u>	<u>-</u>
Income (loss) before transfers	<u>1,242,369</u>	<u>(1,492,215)</u>	<u>1,423,736</u>	<u>1,173,890</u>	<u>(1,325,301)</u>
Change in net position	1,242,369	(1,492,215)	1,423,736	1,173,890	(1,325,301)
Net position (deficit), beginning, as previously reported	9,970,177	1,264,189	574,116		(25,120,280)
Prior period adjustment	(194,494)	-	(196,392)		-
Net position (deficit), beginning, as restated	<u>9,775,683</u>	<u>1,264,189</u>	<u>377,724</u>		<u>(25,120,280)</u>
Net position, ending	<u>\$ 11,018,052</u>	<u>\$ (228,026)</u>	<u>\$ 1,801,460</u>		<u>\$ (26,445,581)</u>
Adjustment to reflect the consolidation of internal service fund activities				813,002	
Changes in Net Position of Business-type Activities				<u>\$ 1,986,892</u>	

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

CITY OF COMPTON, CALIFORNIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water	Rubbish	Sewer	Total	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 18,958,403	\$ 13,536,662	\$ 1,795,860	34,290,925	5,523,651
Cash payments to suppliers for goods and services	(10,106,781)	(13,424,641)	(113,245)	(23,644,667)	(4,195,832)
Cash payment to employees for services	(3,144,243)	(101,072)	(91,933)	(3,337,248)	(2,468,808)
Net cash provided by (used in) operating activities	5,707,379	10,949	1,590,682	7,309,010	(1,140,989)
Cash flows from non-capital financing activities:					
Taxes and special assessments	-	-	943,324	943,324	-
Net cash provided by (used in) non-capital financing Activities	-	-	943,324	943,324	-
Cash flows from capital and related financing activities:					
Interest paid on long-term debt	(2,331,510)	(14,520)	(1,140,961)	(3,486,991)	-
Principal paid on long-term debt	(916,490)	(115,000)	(835,730)	(1,867,220)	-
Net cash used in capital and related financing activities	(3,248,000)	(129,520)	(1,976,691)	(3,486,991)	-
Cash flows from investing activities:					
Decrease (increase) in restricted investment	(61,292)	(3,476)	832,148	767,380	-
Interest received on investments	61,667	1,204	109,680	172,551	-
Net cash provided by (used in) investing activities	375	(2,272)	941,828	939,931	-
Net increase (decrease) in cash and cash equivalents	2,459,754	(120,843)	1,499,143	5,705,274	(1,140,989)
Cash and cash equivalents, beginning	18,206,999	1,800,295	2,219,523	22,226,817	(1,768,542)
Cash and cash equivalents, ending	\$ 20,666,753	\$ 1,679,452	\$ 3,718,666	26,064,871	\$ (2,909,531)
Reconciliation of operating income (loss) to net					
Cash provided by (used in) operating activities:					
Operating income (loss)	3,494,400	(1,481,199)	1,508,724	3,521,925	(1,325,301)
Changes in operating assets and liabilities:					
Decrease (increase) in taxes receivable	-	(33,765)	-	(33,765)	-
Decrease (increase) in accounts receivable	(12,933)	(200,545)	9,171	(204,307)	-
Decrease (increase) in inventories, at cost	4,884	-	-	4,884	7,016
Decrease (increase) in deposit receivable	-	-	-	-	-
Increase (decrease) in due to/from	-	-	-	-	-
Increase (decrease) in accounts payable	1,655,853	(851,444)	25,952	830,361	(30,173)
Increase (decrease) in accrued liabilities	62,442	984,197	5,748	1,052,387	34,976
Increase (decrease) in retention payable	(42,217)	-	-	(42,217)	-
Increase (decrease) in deposits payable	176,456	-	-	176,456	-
Increase (decrease) in OPEB	65,918	-	10,409	76,327	1,735
Increase (decrease) in retirement pay	330,375	8,365	28,314	367,054	170,991
Increase (decrease) in other liabilities	-	1,600,000	-	1,600,000	-
Increase (decrease) in self-insurance claims	-	-	-	-	(233)
Increase (decrease) in compensated absences	(27,799)	(14,660)	2,364	(40,095)	-
Net cash provided by (used in) operating activities	\$ 5,707,379	\$ 10,949	\$ 1,590,682	\$ 7,309,010	\$ (1,140,989)

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

CITY OF COMPTON, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2019

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 20,857,480	\$ 404,524
Restricted investments	17,262,189	-
Accounts receivable	91,888	21,766
Land held for resale	17,569,190	-
Capital assets:		
Nondepreciable	13,088,953	-
Depreciable, net	29,192,254	-
Total Assets	98,061,954	\$ 426,290
Liabilities		
Accounts payable and accrued liabilities	\$ 2,723,439	\$ 60,447
Other liabilities	371,672	365,843
Long-term liabilities:		
Due within one year	6,869,543	-
Due in more than one year	106,688,311	-
Total Liabilities	116,652,965	\$ 426,290
Total Net Position	\$ (18,591,011)	

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

CITY OF COMPTON, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2019

	Successor Agency Private-Purpose Trust Fund
Additions:	
Taxes and special assesments	\$ 14,392,604
Use of money and property	621,552
Other revenues	1,105,408
Total Additions	<u>\$ 16,119,564</u>
Deductions:	
Administrative costs	264,875
Debt service - interest	6,910,243
Total deductions	<u>7,175,118</u>
Change in net position	8,944,446
Net position (deficit), beginning	<u>(27,535,457)</u>
Net position (deficit), ending	<u>\$ (18,591,011)</u>

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

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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.

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
FOR THE YEAR ENDED JUNE 30, 2019

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.

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
FOR THE YEAR ENDED JUNE 30, 2019

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
FOR THE YEAR ENDED JUNE 30, 2019

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.
- 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
FOR THE YEAR ENDED JUNE 30, 2019

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 Department of Tax and Fee Administration (CDTFA) 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
FOR THE YEAR ENDED JUNE 30, 2019

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.

Internal Service Funds

Internal service funds account for services to other departments on a cost-recovery basis. Internal service funds include equipment rental, central duplication, and self-insurance. 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
FOR THE YEAR ENDED JUNE 30, 2019

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
FOR THE YEAR ENDED JUNE 30, 2019

C. New Accounting Pronouncements

The GASB has issued several pronouncements prior to June 30, 2019, 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. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statements are effective for reporting periods beginning after June 15, 2021.

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
FOR THE YEAR ENDED JUNE 30, 2019

C. New Accounting Pronouncements (continued)

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. The provisions of this Statement are effective for fiscal years beginning after December 15, 2020.

Statement No. 90, *Major Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*. Statement 91 provides a single method for government issuers to report conduit debt obligations and related commitments and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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."

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 (Unaudited)

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
FOR THE YEAR ENDED JUNE 30, 2019

H. Capital Assets (Unaudited)

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. 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.

J. 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

K. 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.

L. 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 and OPEB contributions made after the actuarial measurement date, deferred outflows for pension and OPEB 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 and OPEB contributions will be recognized in the subsequent fiscal year. Other deferred outflows on pension and OPEB plans are amortized over the expected average remaining service life (EARSL) or 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
FOR THE YEAR ENDED JUNE 30, 2019

L. Deferred Outflows/Inflows of Resources (continued)

The City has unavailable revenues that qualifies for reporting in this category in the Governmental Fund Balance Sheet. The governmental funds report unavailable 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 and OPEB 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 and OPEB plan investments, changes in assumptions, and differences between expected and actual experiences. These amounts are deferred and amortized over the expected average remaining service life (EARSL) or 5 years period on a straight-line basis.

M. 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
FOR THE YEAR ENDED JUNE 30, 2019

M. 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

N. 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.

O. 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.

P. 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.

Q. 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
 FOR THE YEAR ENDED JUNE 30, 2019

R. 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.

S. Subsequent Events

In preparation of these financial statements, the City considered subsequent events through November 25, 2020, which is the date these financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic risks and uncertainties have arisen which could negatively affect the City's operations and its financial results. Management anticipates a negative impact on its revenues resulting in significant budget deficits and layoffs. Please also see Note VI.A. Commitment and Contingencies.

II. PRIOR PERIOD ADJUSTMENT

Effective July 1, 2018, the City made restatements to the fund balances as follows:

Fund Balance	General Fund	Retirement Fund	Nonmajor Governmental Funds	Water	Sewer
Fund Balance, as previously reported, June 30, 2018	\$ (23,558,177)	\$ 35,184,851	\$ 10,768,294	\$9,970,177	\$ 574,116
<u>Correction of Errors</u>					
Unearned revenue	839,341	6,632,747	-	-	-
Cash balances	155,311	-	108,055	(194,494)	
Accounts payable	-	-	-	-	(196,392)
Fund Balance, as restated, June 30, 2018	<u>\$ (22,563,525)</u>	<u>\$ 41,817,598</u>	<u>\$ 10,876,349</u>	<u>\$9,775,683</u>	<u>\$ 377,724</u>

Net Position	Governmental Activities	Business-Type Activities
Net Position, as previously reported, June 30, 2018	\$(144,015,210)	\$ 11,808,482
<u>Correction of Errors</u>		
Cash balances	\$ 263,368	\$ (194,494)
Accounts payable	-	(196,392)
Net Position, as restated, June 30, 2018	<u>\$(143,751,842)</u>	<u>\$ 11,417,596</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

III. 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, 2019:

Cash on hand	\$ 1,700
Deposits with financial institutions	64,613,530
Investments	<u>106,813,948</u>
Total cash and investments	<u>\$ 171,429,178</u>

The City's deposits and investments are reflected in the accompanying basic financial statements as follows at June 30, 2019:

Statement of net position	
Cash and investments	\$ 120,978,195
Restricted cash and investments	11,926,790
Statement of fiduciary net position	
Cash and investments	21,262,004
Restricted cash and investments	<u>17,262,189</u>
Total cash and investments	<u>\$ 171,429,178</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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Cash and Investments (continued)

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. 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
 FOR THE YEAR ENDED JUNE 30, 2019

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.

Investment type	Amounts	Remaining maturity (in months) 12 months or less
Held by fiscal agent		
Money market funds	\$ 29,188,979	\$ 29,188,979
State investment pool (LAIF)	77,624,969	77,624,969
	\$ 106,813,948	\$ 106,813,948

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.

Investment type	Amounts	Minimum legal rating	Not rated
Held by fiscal agent			
Money market funds	\$ 29,188,979	N/A	\$ 29,188,979
State investment pool (LAIF)	77,624,969	N/A	77,624,969
	\$ 106,813,948		\$ 106,813,948

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, 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, 2019, the City's deposits with financial institutions totaled \$67,578,837 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
 FOR THE YEAR ENDED JUNE 30, 2019

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, 2019:

	INVESTMENTS AT FAIR VALUE			TOTAL
	AS OF JUNE 30, 2019			
<u>Investment type</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	
Held by fiscal agent				
Money market funds	\$ 29,188,979	\$ -	\$ -	\$ 29,188,979
State investment pool (LAIF)	-	77,624,969	-	77,624,969
	<u>29,188,979</u>	<u>77,624,969</u>	<u>-</u>	<u>106,813,948</u>

The City's 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 similar observable assets 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

B. Receivables

Receivables at June 30, 2019 included in the accompanying Statement of Net Position primarily consist of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes and special assessments	\$ 1,623,095	\$ 89,327	\$ 1,712,422
Accounts	491,133	5,598,136	6,089,269
Grants	590,549	-	590,549
Intergovernmental	5,522,559	-	5,522,559
Other	432,357	5,543	437,900
Allowance for doubtful accounts	-	(1,198,909)	(1,198,909)
Total	<u>\$ 8,659,693</u>	<u>\$ 4,494,097</u>	<u>\$ 13,153,790</u>

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, 2019, the Federal Grants Special Revenue Fund had loans receivable of \$3,593,952 netted against an allowance for doubtful accounts of \$3,593,952 for a net loans receivable balance of \$- and the Compton Housing Successor Capital Projects Fund had loans receivable of \$13,740,574 netted against an allowance for doubtful accounts of \$13,740,574 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 OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

C. Loans Receivable (continued)

First Time Home Buyers Assistance Program (Continued)

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.

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 \$1,471,183 netted against an allowance for doubtful accounts of \$1,471,183 for a net loan receivable of the \$- for the Federal Grants Special Revenue Fund as of June 30, 2019.

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 not 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, 2019.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

C. Loans Receivable (continued)

Residential Rehabilitation Assistance Program

This program comprises the Fix-it Repair Grant, Emergency Assistance Grant and Deferred Equity Loan. The Fix-it Repair Grant provides up to \$7,000 to assist low to moderate income owner occupied households with minor repairs in their homes. No repayment or lien is required for this program as it is strictly a grant.

The Emergency Assistance Grant is designed to assist low income owner occupied households of single family homes within the City limits with extreme emergency repairs subject to a maximum of \$10,000. The beneficiary is required to repay the grant to the City only upon the sale, refinance, transfer, and foreclosure of the property or the death or relocation of the home owner from the property.

The Deferred Equity Loan is provided to low/moderate-income home owners who meet the eligibility criteria subject to a maximum of \$25,000. The beneficiary is required to repay the loan only upon 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, 2019, the loans receivable balance was \$538,624.

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
 FOR THE YEAR ENDED JUNE 30, 2019

D. Capital Assets (UNAUDITED)

A summary of the City's capital assets as of June 30, 2019 is as follows:

	Governmental activities	Business-type activities
	<u> </u>	<u> </u>
Capital assets, not being depreciated		
Land	\$ 14,905,212	\$ 162,096
Construction in progress	<u>7,463,728</u>	<u>5,001,515</u>
Total capital assets, not being depreciated	<u>22,368,940</u>	<u>5,163,611</u>
 Capital assets, being depreciated		
Building and structures	33,895,219	1,254,963
Land improvements	5,896,322	157,045
Equipment	58,407,490	21,807,947
Infrastructure	<u>186,522,762</u>	<u>38,721,649</u>
Total capital assets, being depreciated	<u>284,721,793</u>	<u>61,941,604</u>
 Less accumulated depreciation		
Building and structures	(23,191,342)	(1,202,159)
Land improvements	(5,795,992)	(160,897)
Equipment	(51,613,609)	(21,262,507)
Infrastructure	<u>(136,396,806)</u>	<u>(9,569,012)</u>
Total accumulated depreciation	<u>(216,997,749)</u>	<u>(32,194,575)</u>
 Total capital assets, being depreciated, net	<u>67,724,044</u>	<u>29,747,029</u>
 Total capital assets, net	<u>\$ 90,092,984</u>	<u>\$ 34,910,640</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

E. Interfund Receivables and Payables

The following table summarizes interfund receivables and payables at June 30, 2019:

<u>Due to other funds</u>	<u>Due from other funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Fiduciary Funds</u>	<u>Retirement Special Revenue Fund</u>	
Governmental Funds				
General Fund	\$ -	\$ -	\$ 7,248,541	\$ 7,248,541
Non-major Governmental Funds	504,553	-	-	504,553
Successor Agency- Compton Housing Successor	-	5,771,114	-	5,771,114
Total interfund balances	\$ 504,553	\$ 5,771,114	\$ 7,248,541	\$13,524,208

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, 2019 are as follows:

	<u>Advances from other funds</u>	<u>Advances to other funds</u>
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	30,618,461	9,111,919
Enterprise Funds		
Water Fund	-	13,696,657
Sewer Fund	-	7,809,885
Total Enterprise Funds	-	21,506,542
Total	\$ 30,618,461	\$30,618,461

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 VI.B. City's Financial Condition and Management Plans.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Long-term Debt

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Amount due within one year
Governmental Activities					
Bonds payable					
Lease Revenue Refunding Bonds, Series 2008	\$ 10,160,000	\$ -	\$ (470,000)	\$ 9,690,000	\$ 495,000
Lease Revenue Refunding Bonds, Series 2016	27,645,000	-	-	27,645,000	1,520,000
Add: Premium on issue	1,099,529	-	(194,706)	904,823	-
Total bonds payable	<u>38,904,529</u>	<u>-</u>	<u>(664,706)</u>	<u>38,239,823</u>	<u>2,015,000</u>
Mortgage loan payable					
Energy retrofit/revenue enhancement	1,491,090	-	(323,570)	1,167,520	264,710
Notes payable					
Housing Section 108 notes	1,500,000	-	(500,000)	1,000,000	500,000
Installment Payment Agreement					
Los Angeles County	4,038,941	-	(1,000,000)	3,038,941	1,000,000
Capital lease obligations					
Copier Lease	34,644	-	(34,644)	-	-
Total governmental long-term debt	<u>\$ 45,969,204</u>	<u>\$ -</u>	<u>\$ (2,522,920)</u>	<u>\$ 43,446,284</u>	<u>\$ 3,779,710</u>
Business-type activities					
Debt long-term liabilities					
Bonds payable:					
1998 Sewer revenue refunding bonds	\$ 3,065,000	\$ -	\$ (445,000)	\$ 2,620,000	\$ 470,000
2006 Solid waste revenue bonds	360,000	-	(115,000)	245,000	120,000
Water revenue bonds, series 2009	39,910,000	-	(950,000)	38,960,000	995,000
Less: Discount on issue of water revenue bonds, series 2009	(737,230)	-	33,510	(703,720)	-
Sewer revenue bonds, series 2009	16,915,000	-	(405,000)	16,510,000	420,000
Less: Discount on issue of sewer revenue bonds, series 2009	(313,941)	-	14,269	(299,672)	-
Total bonds payable	<u>59,198,829</u>	<u>-</u>	<u>(1,867,221)</u>	<u>57,331,608</u>	<u>2,005,000</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Long-term Debt (continued)
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
2020	\$ 3,779,710	\$ 1,667,790	\$ 5,447,500	2020	\$ 2,005,000	\$ 3,345,771	\$ 5,350,771
2021	3,974,868	1,567,155	5,542,023	2021	2,100,000	3,246,084	5,346,084
2022	3,600,096	1,452,351	5,052,447	2022	2,085,000	3,136,647	5,221,647
2023	2,426,787	1,341,931	3,768,718	2023	2,200,000	3,017,475	5,217,475
2024	2,380,000	1,240,856	3,620,856	2024	2,325,000	2,891,622	5,216,622
2025-2029	13,525,000	4,530,951	18,055,951	2025-2029	10,385,000	12,735,572	23,120,572
2030-2034	12,855,000	1,203,175	14,058,175	2030-2034	13,935,000	9,180,150	23,115,150
2035-2039	-	-	-	2035-2039	18,815,000	4,303,350	23,118,350
2040-2044	-	-	-	2040-2044	4,485,000	134,550	4,619,550
TOTALS	<u>\$ 42,541,461</u>	<u>\$ 13,004,209</u>	<u>\$ 55,545,670</u>		<u>\$ 58,335,000</u>	<u>\$ 41,991,221</u>	<u>\$ 100,326,221</u>

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, 2019, \$30.44 million of the bonds outstanding are considered defeased. The remaining balance on the Series 2008 bonds after the refunding and defeasance was \$9,690,000.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Long-term Debt (continued)

The annual requirements to amortize the bonds are as follows:

<u>Year ending June 30,</u>	Lease Revenue Refunding Bonds, Series 2008	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 495,000	\$ 480,488
2021	520,000	455,113
2022	545,000	428,488
2023	575,000	400,488
2024	605,000	370,231
2025-2029	3,515,000	1,330,538
2030-2033	3,435,000	348,625
Total	<u>\$ 9,690,000</u>	<u>\$ 3,813,971</u>

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 with an interest rate of 4.00-4.50% 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 2016 Lease Revenue Bonds are secured by the Authority’s pledge of certain base rental payments made by the City to the Authority pursuant to the Facility Lease. The pledge of and charge and lien upon the revenues securing the Series 2008 bonds is equal to pledge of and charge and lien upon the revenues securing the 2016 Lease Revenue Bonds.

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>
2020	\$ 1,520,000	\$ 1,133,325
2021	1,575,000	1,071,425
2022	1,640,000	1,007,125
2023	1,705,000	940,225
2024	1,775,000	870,625
2025-2029	10,010,000	3,200,413
2030-2033	9,420,000	854,550
Total	<u>\$ 27,645,000</u>	<u>\$ 9,077,688</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Long-term Debt (continued)

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>	<u>Mortgage loan</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 264,710	\$ 36,602
2021	379,868	34,492
2022	415,096	16,738
2023	107,846	1,218
2024	-	-
Total	<u>\$ 1,167,520</u>	<u>\$ 89,050</u>

Housing Section 108 Note

Housing Section 108 note in the amount of \$5,000,000 is a note payable to HUD, which was issued in August 2001. Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides the City with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. This note payable is guaranteed by the City's current and future CDBG allocations. In November 2011, the City opted to participate in a Section 108 public offering to refinance the note which resulted in interest payment savings of \$1,010,975 over the life of the note. The amount of principal outstanding at June 30, 2019 was \$1,000,000. The annual requirements to amortize the Housing Section 108 note are as follows:

<u>Year ending June 30,</u>	<u>Housing Section 108</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 500,000	\$ 17,375
2021	500,000	6,125
2022	-	-
Total	<u>\$ 1,000,000</u>	<u>\$ 23,500</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Long-term Debt (continued)

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>	<u>Los Angeles County</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,000,000	\$ -
2021	1,000,000	-
2022	1,000,000	-
2023	38,941	-
2024	-	-
Total	<u>\$ 3,038,941</u>	<u>\$ -</u>

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, 2019, \$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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Long-term Debt (continued)

Interest on the bonds is payable semiannually on March 1 and September 1. Principal maturity occurs on September 1 of each year starting in 1999 through 2023. As of June 30, 2019, the outstanding bond balance is \$2,620,000. 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>
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>\$ 2,620,000</u>	<u>\$ 366,844</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.

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, 2019, the outstanding bond balance is \$245,000. 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>
2020	\$ 120,000	\$ 8,880
2021	125,000	3,000
Total	<u>\$ 245,000</u>	<u>\$ 11,880</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Long-term Debt (continued)

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, 2019 the pledged revenues equaled 209% of debt service payments due and payable.

Total principal remaining on the bonds are \$38,960,000. The annual requirements to amortize the 2009 water revenue bonds, including interest payments, are as follows:

<u>Year ending June 30,</u>	Water revenue bonds, series 2009	
	<u>Principal</u>	<u>Interest</u>
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	1,225,000	2,019,909
2025-2029	7,295,000	8,944,491
2030-2034	9,785,000	6,447,750
2035-2039	13,215,000	3,022,350
2040	3,150,000	94,500
Total	<u>\$ 38,960,000</u>	<u>\$ 29,225,919</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 the pledged revenues equaled 111% of debt service payments due and payable.

Total principal remaining on the bonds are \$16,510,000. 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>
2020	\$ 420,000	\$ 955,081
2021	440,000	934,919
2022	465,000	911,391
2023	490,000	884,531
2024	520,000	856,125
2025-2029	3,090,000	3,791,081
2030-2034	4,150,000	2,732,400
2035-2039	5,600,000	1,281,000
2040	<u>1,335,000</u>	<u>40,050</u>
Total	<u>\$ 16,510,000</u>	<u>\$ 12,386,578</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 has filed unaudited financial information for the years where audited statements were not available.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

Credit Rating

As of June 30, 2019, the City bond ratings have been suspended.

G. Other Long-Term Liabilities

Compensated Absences

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2019</u>	<u>Amount due within one</u>
Governmental Activities	\$ 5,106,223	\$ 1,828,574	\$ (1,826,844)	\$ 5,107,953	\$ 939,757
Business-type Activities	563,410	115,801	(173,857)	505,354	89,435
Total Compensated Absences	<u>5,669,633</u>	<u>1,944,375</u>	<u>(2,000,701)</u>	<u>5,613,307</u>	<u>1,029,192</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
 FOR THE YEAR ENDED JUNE 30, 2019

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 \$21,111,399 recorded at June 30, 2019, 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 158 claims totaling \$780,000 per year (an average of \$4,937 per claim).

Within the City’s self-insured program for workers’ compensation, there has been an average of 55 claims filed per year for the past five years, with an average of approximately \$1,320,476 per year in total reported losses (an average of \$24,009 per claim).

The total unpaid claims and claims adjustment expense liability (long-term obligations) recorded at June 30, 2019 were as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Claims liabilities, July 1, 2018	\$ 10,183,399	\$ 10,928,233	\$ 21,111,632
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	\$ 878,551	\$ 2,496,435	\$ 3,374,986
Payments on claims attributable to events of both the current and prior fiscal years	<u>(878,551)</u>	<u>(2,496,668)</u>	<u>(3,375,219)</u>
Claims liabilities, June 30, 2019	<u>\$ 10,183,399</u>	<u>\$ 10,928,000</u>	<u>\$ 21,111,399</u>
Amount due within one year	\$ 2,324,828	\$ 2,187,384	\$ 4,512,212

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

H. Net Position and Fund Balances

Governmental activities has an unrestricted net deficit in the amount of \$291,430,561 and overall net deficit position of \$126,691,917. Citywide net deficit position is \$113,287,429. These deficits can be largely attributed to the net pension and OPEB liabilities. Pension liabilities are funded by voter approved special tax levies for retirement costs.

The following funds had deficit fund balances as of June 30, 2019:

Major Funds

General	\$ (16,432,628)
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Nonmajor Funds

Special Revenue Funds

Public Finance Authority	(48,625)
Department of Health Service Grant	(97,399)
Special Assessments	(1,048,597)
California State Parks Grant	(513,604)
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)
Tree Planting	(18)
Wilson Park LA County	(39,284)
Annual Maintenance and Service	(10,022)
Energy Efficiency and Conservation	(36,204)

Enterprise Funds

Rubbish	(228,026)
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Internal Service Funds

Reproduction Fund Administration	(1,030,969)
Workers' Compensation	(10,892,115)
Liability	(20,671,895)

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

IV. DEFINED BENEFIT PENSION PLANS

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
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, the City's total contributions (including amounts paid on behalf of members) were \$6,605,708 for the Miscellaneous and \$5,356,450 for the Safety Plans.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

C. Contributions (continued)

The Plan's provisions and benefits in effect at June 30, 2019 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%	8.00%	6.50%
Required employer contribution rates	9.862%	9.862%	9.862%
	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+	52 - 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%	12.75%
Required employer contribution rates	22.346%	22.346%	12.965%
	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
 FOR THE YEAR ENDED JUNE 30, 2019

C. Contributions (continued)

At June 30, 2018 (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	265	64	0
Transferred members	150	21	11
Terminated members	170	17	3
Retired members	485	141	260
TOTALS	1070	243	274

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

The total pension liability for the June 30, 2018 measurement period was determined in a June 30, 2017 actuarial valuation, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following actuarial assumptions and methods.

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018
Reporting date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB 68

Actuarial Assumptions

Discount Rate/investment return	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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 cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class	Current Target Allocation	Real Return ⁽¹⁾ Years 1 - 10	Real Return ⁽²⁾ Years 11+
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

⁽¹⁾ An expected inflation of 2.00% used for this period

⁽²⁾ An expected inflation of 2.92% used for this period

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

F. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2018, 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, 2017, rolled forward to June 30, 2018, 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.

Miscellaneous Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017 (Valuation Date)	\$ 210,205,578	\$ 133,940,364	\$ 76,265,214
Changes Recognized for the Measurement Period			
Service cost	\$ 3,126,034		\$ 3,126,034
Interest on the total pension liability	14,531,962		14,531,962
Changes of assumptions	(1,243,371)		(1,243,371)
Differences between expected and actual experience	(1,529,639)		(1,529,639)
Net plan to plan resource movement		\$ (323)	323
Employer contributions		5,754,105	(5,754,105)
Employee contributions (paid by employer)		1,175,086	(1,175,086)
Net investment income		11,132,320	(11,132,320)
Benefit payments, included refunds of employee contributions	(11,502,752)	(11,502,752)	-
Administrative expense	-	(208,716)	208,716
Other miscellaneous expense	-	(396,366)	396,366
Net changes	\$ 3,382,234	\$ 5,953,354	\$ (2,571,120)
Balance at June 30, 2018 (Measurement Date)	\$ 213,587,812	\$ 139,893,718	\$ 73,694,094

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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

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, 2017 (Valuation Date)	\$ 209,062,876	\$ 146,104,443	\$ 62,958,433	0.63484%
Net changes during 2017-2018	(2,166,069)	(901,733)	(1,264,336)	-0.64023%
Balance at June 30, 2018 (Measurement Date)	\$ 206,896,807	\$ 145,202,710	\$ 61,694,097	-0.00539%

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, 2017 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, 2017 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.
- (3) *Contributions* - Determined based on the legally- or statutorily-required employer contributions for the fiscal year ended June 30, 2018, 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019, the City recognized pension expense of \$10,459,338 and \$7,924,689 for the Miscellaneous and Safety plans, respectively. At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

Miscellaneous

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 2,204,867	\$ (725,300)
Differences between expected and actual experience	119,135	(892,289)
Net difference between projected and actual earnings on pension plan investments	447,591	-
Pension contributions subsequent to the measurement date	6,605,708	-
	<u>\$ 9,377,301</u>	<u>\$ (1,617,589)</u>

Safety - Fire & Police

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	6,053,267	(816,694)
Differences between expected and actual experience	1,325,598	(5,029)
Net difference between projected and actual earnings on pension plan investments	417,698	-
Differences between employer's contributions and proportionate share of contributions	340,471	(1,473,058)
Changes in employer's proportion Pension contributions subsequent to the measurement date	5,356,550	-
	<u>\$ 13,493,584</u>	<u>\$ (4,244,254)</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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

The deferred outflows of resources related to contributions subsequent to the measurement date of \$11,962,258 are recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Miscellaneous</u>			<u>Safety - Fire & Police</u>		
Measurement Period Ended June 30,	Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources	Measurement Period Ended June 30,	Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	2020	\$ 2,950,293	2019	2020	\$ 4,394,205
2020	2021	(53,153)	2020	2021	2,231,743
2021	2022	(1,381,203)	2021	2022	(2,305,844)
2022	2023	(361,933)	2022	2023	(427,324)
2023	2024	-	2023	2024	-
Thereafter	Thereafter	-	Thereafter	Thereafter	-
		<u>\$ 1,154,004</u>			<u>\$ 3,892,780</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, 2018, 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	\$ 99,786,434	\$ 73,694,094	\$ 51,927,195
Safety – Fire	90,216,148	61,694,097	38,325,384
TOTALS	<u>\$ 190,002,582</u>	<u>\$ 135,388,191</u>	<u>\$ 90,252,579</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

V. 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:

	<u>Number of Covered 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
 FOR THE YEAR ENDED JUNE 30, 2019

D. Total OPEB Liability

The City's total OPEB liability of \$132,845,706 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

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	3.62%
Long-term expected investment return	N/A
Inflation	2.50%
Mortality	Based on assumptions for Public Agency Miscellaneous, Police and Fire members published in the December 2017 CalPERS Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016.
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

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

Healthcare trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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, 2018	\$131,539,485	\$ -	\$131,539,485
Changes for the year:			
Service cost	3,731,074	-	3,731,074
Interest	4,730,537	-	4,730,537
Changes of assumptions	(2,374,728)	-	(2,374,728)
Employer contributions	-	4,780,662	(4,780,662)
Benefit payments	(4,780,662)	(4,780,662)	-
Net changes	1,306,221	-	1,306,221
Balances at June 30, 2019	\$132,845,706	\$ -	\$132,845,706

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 (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate (3.62 percent):

	Discount Rate		
	1% Decrease (2.62%)	Current Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability	\$ 153,140,062	\$ 132,845,706	\$ 116,402,317

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) or 1 percentage point higher (7.8 percent) than the current healthcare cost trend rate (6.8 percent):

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB liability	\$ 114,052,688	\$ 132,845,706	\$ 156,430,795

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 4,840,068	\$ -
Changes of assumptions or other inputs	-	(8,500,630)
	<u>\$ 4,840,068</u>	<u>\$ (8,500,630)</u>

The deferred outflows of resources related to OPEB contributions subsequent to the measurement date of \$4,840,068 will be recognized as a reduction of the total net OPEB liability for the fiscal year ending June 30, 2020.

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

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Inflows of Resources</u>
2020	\$ (3,529,721)
2021	(3,529,721)
2022	(1,301,500)
2023	(139,688)
2024	-
Thereafter	-
	<u>\$ (8,500,630)</u>

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

VI. 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 grant funds determined to have been ineligible expenditures.

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. The audit report had three (3) findings: (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. The City also repaid the program \$77,542 and has been acknowledged by the HUD/OIG.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 and waive the requirement for submission of the prior fiscal years 2011-2017.

On September 15, 2020, HUD notified the Compton Housing Authority (CHA) that its SEMAP score will be reduced one level. Also, the LAOPH will proceed with the corrective action to reduce CHA's 2019 SEMAP rating from High Performing to Standard until the PHA submit its FY20 SEMAP certification, at which time HUD will assess its performance managing its HCV program.

The U.S. Department of Housing and Urban Development (HUD), Los Angeles, California office conducted a monitoring of the City's Community Development Blok 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.

Claim of Consolidated Disposal Service, LLC

Consolidated Disposal Service, LLC ("Consolidated") submitted a claim to the City of Compton alleging a breach of the 2012 Amended and Restated Solid Waste Management Services Agreement with the City. On July 1, 2019, Consolidated and the City entered into a 2019 Amended and Restated Agreement for Solid Waste and Recyclable Materials Handling Services which resolves the claim. Pursuant to the 2019 Agreement, the City agreed to pay Consolidated a total of \$1,600,000, payable in installment payments without interest. This contingent claim has been recognized in other liabilities in the Rubbish Fund as of June 30, 2019.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Commitments and Contingencies (continued)

Other Contingent Claims

The City has been named as defendant in numerous lawsuits and claims arising in the course of operations. In aggregate, these claims seek monetary damages in significant amounts. The City intends to vigorously defend itself against these lawsuits. The City has recorded actuarially determined reserves in the internal services funds to adequately cover estimated potential material adverse losses at June 30, 2019.

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, 2019, the City's General Fund has an ending fund deficit of \$16,432,628 and the combined deficit fund balances in other funds totaled \$34,911,230. Additionally, the General Fund has advances due to other funds of \$30,618,461. The City Management will present a strategic fiscal sustainability plan to the City Council for discussion by June 30, 2021.

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, its actions subject to the direction and approval of the LA County Oversight Board, and/or California State Department of Finance (DOF). 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.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

a. Reporting Entity (continued)

Based upon the nature of the Successor Agency’s custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

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 (UNAUDITED)

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, 2019 was \$17,569,190.

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

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

c. Capital Assets – Successor Agency (UNAUDITED)

The following summarizes the Successor Agency capital assets as of June 30, 2019:

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

CITY OF COMPTON, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

C. Notes to the Financial Statements – Successor Agency (continued)
d. 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, 2019:

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Amount due within one year
Debt long-term liabilities:					
Bonds payable:					
1995 series "C" refunding tax allocation capital appreciation bonds - taxable	\$ 32,273,965	\$ -	\$(3,743,598)	28,530,367	\$ 3,879,543
2010 series "A", "B", "C" Community Redevelopment Agency second lien tax allocation bonds	88,390,000	-	(2,820,000)	85,570,000	2,990,000
Less: Discount on issue	(566,101)	-	23,588	(542,513)	
Total bonds payable	<u>120,097,864</u>	<u>-</u>	<u>(6,540,010)</u>	<u>113,557,854</u>	<u>6,869,543</u>
Total Successor Agency long-term liabilities	<u>\$ 120,097,864</u>	<u>\$ -</u>	<u>\$(6,540,010)</u>	<u>\$ 113,557,854</u>	<u>\$ 6,869,543</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, 2019 was \$28,530,367.

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
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	5,297,229	502,771
2024-2025	5,726,178	73,822
Total	<u>\$ 28,530,367</u>	<u>\$ 6,269,633</u>

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

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

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, 2019 for all of the 2010 Series was \$85,570,000.

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
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	3,825,000	4,102,676
2025-2029	28,425,000	15,577,389
2030-2034	19,735,000	9,063,455
2035-2039	10,040,000	4,699,500
2040-2044	10,415,000	1,295,250
Total	<u>\$ 85,570,000</u>	<u>\$ 53,408,956</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, 2019.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF COMPTON, CALIFORNIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CALPERS MISCELLANEOUS PLAN – AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT
PLAN
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

MEASUREMENT DATE	2019	2018	2017	2016	2015
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability					
Service cost	\$ 3,126,034	\$ 3,033,911	\$ 2,482,225	\$ 2,281,155	\$ 2,409,694
Interest	14,531,962	14,306,576	13,997,684	13,735,892	13,355,044
Changes in assumptions	(1,243,371)	11,024,331	-	(3,099,369)	-
Difference between expected and actual experience	(1,529,639)	595,677	(1,765,310)	(361,954)	-
Benefit payments, including refunds of member contributions:	<u>(11,502,752)</u>	<u>(11,419,854)</u>	<u>(11,100,215)</u>	<u>(10,760,128)</u>	<u>(10,744,399)</u>
Net change in total pension liability	3,382,234	17,540,641	3,614,384	1,795,596	5,020,339
Total pension liability, beginning of year	<u>210,205,578</u>	<u>192,664,937</u>	<u>189,050,553</u>	<u>187,254,957</u>	<u>182,234,618</u>
Total pension liability, end of year	213,587,812	210,205,578	192,664,937	189,050,553	187,254,957
Plan Fiduciary Net Position					
Net plan to plan resource movement	(323)	16,090	17362	-	-
Contributions - employee	1,175,086	1,357,942	1,344,793	1,160,045	1,093,771
Contributions - employer	5,754,105	5,782,821	5,311,369	4,214,549	3,064,604
Net investment income ⁽³⁾	11,132,320	13,777,155	629,307	2,875,103	19,935,634
Benefit payments, including refunds of member contributions	(11,502,752)	(11,419,854)	(11,100,215)	(10,760,128)	(10,744,399)
Administrative expenses	(208,716)	(183,979)	(78,305)	(144,665)	-
Other miscellaneous income/(expense) ²	<u>(396,355)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	5,953,365	9,330,175	(3,875,689)	(2,655,096)	13,349,610
Total plan fiduciary net position, beginning of year ³	<u>133,940,364</u>	<u>124,610,189</u>	<u>128,485,878</u>	<u>131,140,974</u>	<u>117,791,364</u>
Total plan fiduciary net position, end of year	139,893,729	133,940,364	124,610,189	128,485,878	131,140,974
Net pension liability - ending	73,694,083	76,265,214	68,054,748	60,564,675	56,113,983
Plan fiduciary net position as a percentage of total pension liability	65.50%	63.72%	64.68%	67.96%	70.03%
Covered payroll	16,378,677	16,448,419	14,400,561	12,954,483	13,321,325
Net pension liability as a percentage of covered-employee payroll	449.94%	463.66%	472.58%	467.52%	421.23%

(1) GASB Statement No. 68, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

(2) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

(3) Net of administrative expenses. Includes any beginning of year adjustment.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 discount rate.

CITY OF COMPTON, CALIFORNIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CALPERS SAFETY PLAN – COST SHARING PLAN
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

MEASUREMENT DATE	2019	2018	2017	2016	2015	Police Only 2015
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2014
Employer's proportion of the net pension liability	0.64023%	0.63484%	0.66255%	0.69644%	0.40840%	0.30740%
Employer's proportionate share of the net pension liability	\$ 61,694,097	\$ 62,958,433	\$ 57,330,655	\$ 47,803,079	\$ 25,412,444	\$ 19,128,147
Employer's covered-employee payroll ⁽²⁾	\$ 5,546,706	\$ 5,386,686	\$ 5,615,357	\$ 5,819,708	\$ 5,819,708	N/A
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1112.27%	1168.78%	1020.96%	821.40%	436.66%	N/A
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	75.26%	73.31%	74.06%	78.40%	75.98%	79.22%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

Fiscal year ended June 30, 2015 was the first year of implementation. Additional years will be added as they become available in the future.

⁽²⁾ Payroll amounts are for the periods ending on the measurement dates.

CITY OF COMPTON, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS – CALPERS
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

MISCELLANEOUS PLAN

MEASUREMENT PERIOD FISCAL YEAR	2018 2018-19	2017 2017-18	2016 2016-17	2015 2015-16	2014 2014-15
Actuarially determined contribution ⁽²⁾	\$ 6,605,708	\$ 5,754,105	\$ 5,782,821	\$ 5,311,369	\$ 4,214,549
Contributions in relation to the actuarially determined contribution ⁽²⁾	<u>(6,605,708)</u>	<u>(5,754,105)</u>	<u>(5,782,821)</u>	<u>(5,311,369)</u>	<u>(4,214,549)</u>
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll ⁽³⁾	\$ 17,450,128	\$ 16,378,677	\$ 16,448,419	\$ 14,400,561	\$ 12,954,483
Contributions as a percentage of employee payroll	37.85%	35.13%	35.16%	36.88%	32.53%

SAFETY

MEASUREMENT PERIOD FISCAL YEAR	2018 2018-19	2017 2017-18	2016 2016-17	2015 2015-16	2014 2014-15
Actuarially determined contribution ⁽²⁾	\$ 5,356,577	\$ 4,126,139	\$ 5,622,013	\$ 5,112,736	\$ 3,973,896
Contributions in relation to the actuarially determined contribution ⁽²⁾	<u>(5,356,550)</u>	<u>(4,126,453)</u>	<u>(5,622,013)</u>	<u>(5,112,736)</u>	<u>(3,973,896)</u>
Contribution deficiency	\$ 27	\$ (314)	\$ -	\$ -	\$ -
Covered-employee payroll ⁽³⁾	\$ 5,546,709	\$ 5,291,998	\$ 5,386,686	\$ 5,615,357	\$ 5,819,708
Contributions as a percentage of employee payroll	96.57%	77.97%	104.37%	91.05%	68.28%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions toward their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(3) Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018; 3.00 percent payroll assumption for fiscal years ended June 2014-17.

Notes to schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for FY 2017-18 were from the June 30, 2015 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report.
Asset valuation method	Market value of assets. For details, see June 30, 2015 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% Net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS experience study for the period from 1997 to 2011
Mortality	The probabilities of mortality are based on the 2014 CalPERS experience study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2017. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden

Changes of Assumptions: In 2017, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

CITY OF COMPTON, CALIFORNIA
SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS (1)

	Fiscal Year Ending	
	6/30/2019	6/30/2018
Total OPEB Liability		
Service cost	\$ 3,731,074	\$ 4,163,800
Interest	4,730,536	4,156,698
Differences between expected and actual experience	-	-
Changes of assumptions	(2,374,728)	(12,626,584)
Changes of benefit terms	-	-
Benefit payments	(4,780,662)	(4,686,600)
Net change in total OPEB liability	1,306,220	(8,992,686)
Total OPEB Liability - beginning of year	131,539,485	140,532,171
Total OPEB Liability - end of year	\$ 132,845,705	\$ 131,539,485
Plan Fiduciary Net Position (FNP, assets)		
Employee contributions	\$ -	\$ -
Employer contributions	4,780,662	4,686,600
Net investment income	-	-
Other additions	-	-
Benefit payments	(4,780,662)	(4,686,600)
Administrative expense	-	-
Other deductions	-	-
Net change in plan fiduciary net position	-	-
Plan Fiduciary Net Position - beginning of year	-	-
Plan Fiduciary Net Position - end of year	\$ -	\$ -
Net OPEB Liability - end of year	\$ 132,845,705	\$ 131,539,485
FNP as a percentage of Total OPEB Liability	0.0%	0.0%
OPEB-eligible payroll for the measurement period	\$ 21,348,829	\$ 21,284,889
Net OPEB Liability as a % of eligible payroll	622.3%	618.0%

(1) GASB Statement No. 75, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2018. Additional years will be added as they become available in the future.

CITY OF COMPTON, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS – OPEB
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS⁽¹⁾

FISCAL YEAR	<u>2018-19</u>	<u>2017-18</u>
Actuarially determined contribution ⁽²⁾	N/A	N/A
Contributions in relation to the actuarially determined contribution	<u>N/A</u>	<u>N/A</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	N/A	N/A
Contributions as a percentage of employee payroll	N/A	N/A

(1) The employer must disclose a 10-year history of the contribution and payroll schedules.

(2) Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The City does not currently calculate an ADC.

CITY OF COMPTON, CALIFORNIA
BUDGETARY COMPARISON – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
Revenue:				
Taxes and special assessments	\$ 49,719,000	\$ 49,719,000	\$ 51,975,870	\$ 2,256,870
Licenses and permits	7,315,500	7,315,500	8,014,480	698,980
Intergovernmental revenues	40,500	40,500	31,293	(9,207)
Fines, forfeitures, and penalties	1,991,180	1,991,180	2,349,932	358,752
Use of money and property	150,000	150,000	658,821	508,821
Charges for services	5,559,000	5,568,000	6,045,506	477,506
Other	3,409,997	3,485,657	2,910,379	(575,278)
Total Revenue	<u>68,185,177</u>	<u>68,269,837</u>	<u>71,986,281</u>	<u>3,716,444</u>
Expenditures:				
General government:				
City Attorney	1,973,022	1,973,022	1,975,638	(2,616)
City Clerk	924,592	924,592	456,108	468,484
City Controller	2,539,836	2,654,733	2,050,608	604,125
City Council	769,521	769,521	648,363	121,158
City Manager	3,007,147	3,015,727	2,567,025	448,702
City Treasurer	551,858	551,858	541,293	10,565
Total general government	<u>9,765,976</u>	<u>9,889,453</u>	<u>8,239,035</u>	<u>1,650,418</u>
Management services:				
General services	1,693,264	1,746,526	1,820,143	(73,617)
Non-departmental	4,906,730	4,358,247	2,526,612	1,831,635
Human resources	841,858	844,858	549,484	295,374
Total management services	<u>7,441,852</u>	<u>6,949,631</u>	<u>4,896,239</u>	<u>2,053,392</u>
Public safety:				
Fire	11,561,905	12,379,425	14,139,698	(1,760,273)
Municipal Law	1,005,127	996,824	958,007	38,817
Los Angeles County Sheriff	22,762,772	22,762,772	22,726,129	36,643
Total public safety	<u>35,329,804</u>	<u>36,139,021</u>	<u>37,823,834</u>	<u>(1,684,813)</u>
Public works:				
Water maintenance	417,501	513,749	653,638	(139,889)
Public works - street maintenance	316,800	321,800	618,653	(296,853)
Total public works	<u>734,301</u>	<u>835,549</u>	<u>1,272,291</u>	<u>(436,742)</u>
Environmental and human services:				
Building and safety	852,835	852,835	720,962	131,873
Careerlink	126,553	126,553	234,071	(107,518)
Planning and economic development	556,448	556,448	551,280	5,168
Parks and recreation	2,661,609	2,672,809	2,306,978	365,831
Total environmental and human services	<u>4,197,445</u>	<u>4,208,645</u>	<u>3,813,291</u>	<u>395,354</u>
Capital Outlay	-	-	5,705,072	(5,705,072)
Debt service:				
Principal	-	-	1,792,650	(1,792,650)
Interest	-	-	1,731,206	(1,731,206)
Total expenditures	<u>57,469,378</u>	<u>58,022,299</u>	<u>65,273,618</u>	<u>(7,251,319)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,715,799</u>	<u>10,247,538</u>	<u>6,712,663</u>	<u>(3,534,875)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(581,766)	581,766
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(581,766)</u>	<u>581,766</u>
Net Change in Fund Balance	10,715,799	10,247,538	6,130,897	(4,116,641)
Fund balances (deficit), beginning, as previously reported			(23,558,177)	
Prior period adjustment			994,652	
Fund balances (deficit), beginning, as restated			(22,563,525)	
Fund Balances, Ending			<u>\$ (16,432,628)</u>	

Note to Budgetary Comparison Schedule:

Budgets are prepared using current financial resources measurement focus and the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

CITY OF COMPTON, CALIFORNIA
BUDGETARY COMPARISON – RETIREMENT SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Revenue:				
Taxes and special assessments	\$ 21,500,000	\$ 21,500,000	\$ 31,229,853	\$ 9,729,853
Intergovernmental revenues	215,000	215,000	243,697	28,697
Use of money and property	95,000	95,000	473,185	378,185
Other	65,000	65,000	(211)	(65,211)
Total Revenue	<u>21,875,000</u>	<u>21,875,000</u>	<u>31,946,524</u>	<u>10,071,524</u>
Expenditures:				
Current:				
General government	2,091,371	2,091,371	949,597	1,141,774
Public safety	6,185,028	6,185,028	3,644,763	2,540,265
Public works	2,022,114	2,022,114	887,380	1,134,734
Management services	11,463,825	11,463,825	14,114,456	(2,650,631)
Environmental and human services	3,244,766	3,244,766	1,437,488	1,807,278
Total expenditures	<u>25,007,104</u>	<u>25,007,104</u>	<u>21,033,684</u>	<u>3,973,420</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,132,104)</u>	<u>(3,132,104)</u>	<u>10,912,840</u>	<u>14,044,944</u>
Net Change in Fund Balance	<u>(3,132,104)</u>	<u>(3,132,104)</u>	<u>10,912,840</u>	<u>14,044,944</u>
Fund balances (deficit), beginning, as previously reported			35,184,851	
Prior period adjustment			<u>6,632,747</u>	
Fund balances (deficit), beginning, as restated			41,817,598	
Fund Balances, Ending			<u>\$ 52,730,438</u>	

Note to Budgetary Comparison Schedule:

Budgets are prepared using current financial resources measurement focus and the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

SUPPLEMENTARY INFORMATION

CITY OF COMPTON, CALIFORNIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Special Revenue Funds					
Assets	Federal Grants	County Transportation	Gasoline Tax	Department of Health Service Grant	Special Assessments
Cash and investments	\$ 4,917,587	\$ 7,497,685	\$ 3,012,913	\$ (98,889)	\$ (717,174)
Restricted investments	-	-	-	-	-
Receivables, net	138,671	267,414	202,071	-	114,366
Other assets	643,633	-	-	-	-
Advances to other funds	1,149,528	-	763,953	1,490	-
Loans receivable, net	538,624	-	-	-	-
Total assets	<u>7,388,043</u>	<u>7,765,099</u>	<u>3,978,937</u>	<u>(97,399)</u>	<u>(602,808)</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ (60,552)	\$ 279,603	\$ 226,354	\$ -	\$ 445,789
Other liabilities	199,263	-	-	-	-
Due to other funds	504,553	-	-	-	-
Total liabilities	<u>643,264</u>	<u>279,603</u>	<u>226,354</u>	<u>-</u>	<u>445,789</u>
Deferred inflows of resources:					
Unearned grants revenue	3,674,261	227,352	-	-	-
Total deferred inflows of resources	<u>3,674,261</u>	<u>227,352</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (Deficit):					
Nonspendable					
Other assets	643,633	-	-	-	-
Loans receivable, net	538,624	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Federal Grants	2,145,205	-	-	-	-
Road improvements	-	-	3,226,299	-	-
Transit systems	-	4,654,990	-	-	-
Police services	-	-	-	-	-
Recycling and clean air	-	-	-	-	-
Infrastructure developments	-	-	-	-	-
Regional park	-	-	-	-	-
Unassigned	(256,944)	2,603,154	526,284	(97,399)	(1,048,597)
Total fund balances (deficit)	<u>3,070,518</u>	<u>7,258,144</u>	<u>3,752,583</u>	<u>(97,399)</u>	<u>(1,048,597)</u>
Total liabilities and fund balances	<u>\$ 7,388,043</u>	<u>\$ 7,765,099</u>	<u>\$ 3,978,937</u>	<u>\$ (97,399)</u>	<u>\$ (602,808)</u>

Special Revenue Funds	Debt Service Fund	Capital Projects Funds		Total	Assets
		California Department of Transportation Grant	California Department of Parks and Recreation Grant		
Other Nonmajor	Public Finance Authority				
\$ 2,123,189	\$ (4,567,966)	\$ 1,030,300	\$ (537,223)	\$ 12,660,422	Cash and investments
-	3,729,988	-	-	3,729,988	Restricted investments
86,333	-	81,910	79	890,844	Receivables, net
-	1,433	-	-	645,066	Other assets
730,321	811,045	48,283	54,743	3,559,363	Advances to other funds
-	-	-	-	538,624	Loans receivable, net
<u>2,939,843</u>	<u>(25,500)</u>	<u>1,160,493</u>	<u>(482,401)</u>	<u>22,024,307</u>	Total assets
Liabilities and fund balances					
Liabilities:					
\$ 61,673	\$ 23,125	\$ 205,278	\$ 31,203	\$ 1,212,473	Accounts payable
-	-	-	-	199,263	Retention payable
-	-	-	-	504,553	Due to other funds
<u>61,673</u>	<u>23,125</u>	<u>205,278</u>	<u>31,203</u>	<u>1,916,289</u>	Total liabilities
Deferred inflows of resources:					
287,517	-	-	-	4,189,130	Unearned grants revenue
<u>287,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,189,130</u>	Total deferred inflows of resources
Fund balances (Deficit):					
Nonspendable					
-	1,433	-	-	645,066	Other assets
-	-	-	-	538,624	Loans receivable, net
Restricted					
-	3,729,988	-	-	3,729,988	Debt service
-	-	-	-	2,145,205	Federal Grants
-	-	-	-	3,226,299	Road improvements
-	-	-	-	4,654,990	Transit systems
1,209,189	-	-	-	1,209,189	Police services
1,104,375	-	-	-	1,104,375	Recycling and clean air
324,200	-	-	-	324,200	Infrastructure developments
129	-	-	-	129	Regional park
(47,240)	(3,780,046)	955,215	(513,604)	(1,659,177)	Unassigned
<u>2,590,653</u>	<u>(48,625)</u>	<u>955,215</u>	<u>(513,604)</u>	<u>15,918,888</u>	Total fund balances (deficit)
<u>\$ 2,939,843</u>	<u>\$ (25,500)</u>	<u>\$ 1,160,493</u>	<u>\$ (482,401)</u>	<u>\$ 22,024,307</u>	Total liabilities and fund balances

CITY OF COMPTON, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				
	Federal Grants	County Transportation	Gasoline Tax	Department of Health Service Grant	Special Assessments
Revenues:					
Taxes and special assessments	\$ -	\$ 3,690,159	\$ -	\$ -	\$ 4,286,989
Intergovernmental revenues	8,068,591	1,520,683	3,729,106	-	-
Use of money and property	28,639	128,919	-	-	-
Charges for services	-	-	-	-	-
Other	1,193,693	39,785	-	-	-
Total revenues	<u>9,290,923</u>	<u>5,379,546</u>	<u>3,729,106</u>	<u>-</u>	<u>4,286,989</u>
Expenditures:					
Current:					
General government	70,153	49,000	-	-	-
Public safety	-	-	-	-	-
Public works	-	1,735,281	1,564,072	-	2,596,053
Management services	-	-	-	-	-
Environmental and human services	8,658,799	313,278	-	-	-
Debt service payment					
Principal	500,000	-	-	-	-
Interest	26,925	-	-	-	-
Capital outlay	412,051	1,012,878	1,638,750	-	2,059,930
Total expenditures	<u>9,667,928</u>	<u>3,110,437</u>	<u>3,202,822</u>	<u>-</u>	<u>4,655,983</u>
Excess (deficiency) of revenue over expenditures	(377,005)	2,269,109	526,284	-	(368,994)
Other financing sources (uses):					
Transfers in	97,177	334,046	-	-	-
Total other financing sources (uses)	<u>97,177</u>	<u>334,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(279,828)	2,603,155	526,284	-	(368,994)
Fund balances (deficit), beginning, as previously reported	3,328,061	4,654,989	3,226,299	(97,399)	(679,603)
Prior period adjustment	22,285	-	-	-	-
Fund balances (deficit), beginning, as restated	<u>3,350,346</u>	<u>4,654,989</u>	<u>3,226,299</u>	<u>(97,399)</u>	<u>(679,603)</u>
Fund balances (deficit), ending	<u>\$ 3,070,518</u>	<u>\$ 7,258,144</u>	<u>\$ 3,752,583</u>	<u>\$ (97,399)</u>	<u>\$ (1,048,597)</u>

Special Revenue Funds	Debt Service Fund	Capital Projects Fund		Total	
		California Department of Transportation Grant	California Department of Parks and Recreation		
		Public Finance Authority			
\$ -	\$ -	\$ -	\$ -	7,977,148	Revenues:
1,480,887	-	1,317,746	-	16,117,013	Taxes and special assessments
-	65,906	47,874	295	271,633	Intergovernmental revenues
60,068	-	-	-	60,068	Use of money and property
-	-	-	-	1,233,478	Charges for services
1,540,955	65,906	1,365,620	295	25,659,340	Other
					Total revenues
					Expenditures:
					Current:
60,882	-	-	-	180,035	General government
126,479	-	-	-	126,479	Public safety
-	-	253,898	-	6,149,304	Public works
4,317	-	-	-	4,317	Management services
77,893	-	-	-	9,049,970	Environmental and human services
-	-	-	-	500,000	Debt service payment
-	-	-	-	26,925	Principal
37,928	-	-	-	5,161,537	Interest
307,499	-	253,898	-	21,198,567	Capital outlay
1,233,456	65,906	1,111,722	295	4,460,773	Total expenditures
					Excess (deficiency) of revenue over expenditures
					Other financing sources (uses):
150,543	-	-	-	581,766	Transfers in
150,543	-	-	-	581,766	Total other financing sources (uses)
1,383,999	65,906	1,111,722	295	5,042,539	Net change in fund balance
1,120,884	(114,531)	(156,507)	(513,899)	10,768,294	Fund balances (deficit), beginning, as previously reported
85,770	-	-	-	108,055	Prior period adjustment
1,206,654	(114,531)	(156,507)	(513,899)	10,876,349	Fund balances (deficit), beginning, as restated
\$ 2,590,653	\$ (48,625)	\$ 955,215	\$ (513,604)	\$ 15,918,888	Fund balances (deficit), ending

CITY OF COMPTON, CALIFORNIA
COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS
 JUNE 30, 2019

	<u>Equipment Rental</u>	<u>Central Duplication</u>	<u>Self-Insurance</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and cash investments	\$ 6,224,335	\$ (311,624)	\$ (8,822,242)	\$ (2,909,531)
Inventories, at cost	18,980	-	-	18,980
Total current assets	<u>6,243,315</u>	<u>(311,624)</u>	<u>(8,822,242)</u>	<u>(2,890,551)</u>
Noncurrent Assets:				
Capital assets :				
Nondepreciable	44,109	-	-	44,109
Depreciable, net	801,979	-	-	801,979
Total noncurrent assets	<u>846,088</u>	<u>-</u>	<u>-</u>	<u>846,088</u>
Total assets	<u>7,089,403</u>	<u>(311,624)</u>	<u>(8,822,242)</u>	<u>(2,044,463)</u>
Deferred Outflow of Resources				
Deferred outflow on pension plans	112,621	102,306	212,447	427,374
Total deferred outflow of resources	<u>112,621</u>	<u>102,306</u>	<u>212,447</u>	<u>427,374</u>
Liabilities:				
Current liabilities:				
Accounts payable	87,372	-	508	87,880
Accrued liabilities	60,541	-	-	60,541
Retention payable	221	-	-	221
Self-insurance claims	-	-	4,512,212	4,512,212
Total current liabilities	<u>148,134</u>	<u>-</u>	<u>4,512,720</u>	<u>4,660,854</u>
Non-current liabilities:				
Other postemployment benefit obligation	-	-	176,422	176,422
Self-insurance claims	-	-	16,599,187	16,599,187
Net pension liabilities	885,066	804,002	1,619,059	3,308,127
Total noncurrent liabilities	<u>885,066</u>	<u>804,002</u>	<u>18,394,668</u>	<u>20,083,736</u>
Total liabilities	<u>1,033,200</u>	<u>804,002</u>	<u>22,907,388</u>	<u>24,744,590</u>
Deferred Inflow of Resources				
Deferred inflow on pension plans	19,427	17,648	46,827	83,902
Total deferred inflow of resources	<u>19,427</u>	<u>17,648</u>	<u>46,827</u>	<u>83,902</u>
Net position:				
Invested in capital assets, net of related debt	846,088	-	-	846,088
Unrestricted	5,303,309	(1,030,968)	(31,564,010)	(27,291,669)
Total net position (deficit)	<u>\$ 6,149,397</u>	<u>\$ (1,030,968)</u>	<u>\$ (31,564,010)</u>	<u>\$ (26,445,581)</u>

CITY OF COMPTON, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION – INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Equipment Rental</u>	<u>Central Duplication</u>	<u>Self-Insurance</u>	<u>Total</u>
Operating revenues:				
Charges to other funds	\$ 1,805,477	\$ 277,326	\$ 3,439,423	\$ 5,522,226
Other	-	-	1,425	1,425
Total operating revenues	<u>1,805,477</u>	<u>277,326</u>	<u>3,440,848</u>	<u>5,523,651</u>
Operating expenses:				
General government	-	32,393	13,431	45,824
Public works	859,473	-	-	859,473
Administration and personnel services	465,378	280,758	2,298,873	3,045,009
Self-insurance services	-	-	2,898,646	2,898,646
Total operating expenses	<u>1,324,851</u>	<u>313,151</u>	<u>5,210,950</u>	<u>6,848,952</u>
Operating income (loss)	<u>480,626</u>	<u>(35,825)</u>	<u>(1,770,102)</u>	<u>(1,325,301)</u>
Change in net position	480,626	(35,825)	(1,770,102)	(1,325,301)
Net position (deficit), beginning	<u>5,668,771</u>	<u>(995,143)</u>	<u>(29,793,908)</u>	<u>(25,120,280)</u>
Net position, ending	<u>\$ 6,149,397</u>	<u>\$ (1,030,968)</u>	<u>\$ (31,564,010)</u>	<u>\$ (26,445,581)</u>

CITY OF COMPTON, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Equipment Rental	Central Duplication	Self- Insurance	Total
Cash flows from operating activities:				
Cash received from customers	\$ 1,805,477	\$ 277,326	\$ 3,440,848	5,523,651
Cash payments to suppliers for goods and services	(1,135,226)	(136,545)	(2,924,061)	(4,195,832)
Cash payment to employees for services	(132,035)	(134,656)	(2,202,117)	(2,468,808)
Net cash provided by (used in) operating activities	<u>538,216</u>	<u>6,125</u>	<u>(1,685,330)</u>	<u>(1,140,989)</u>
Net increase (decrease) in cash and cash equivalents	538,216	6,125	(1,685,330)	(1,140,989)
Cash and cash equivalents, beginning	<u>5,686,119</u>	<u>(317,749)</u>	<u>(7,136,912)</u>	<u>(1,768,542)</u>
Cash and cash equivalents, ending	<u>\$ 6,224,335</u>	<u>\$ (311,624)</u>	<u>\$ (8,822,242)</u>	<u>(2,909,531)</u>

	Equipment Rental	Central Duplication	Self-Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	480,626	(35,825)	(1,770,102)	(1,325,301)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in operating assets and liabilities:				
Decrease (increase) in inventories, at cost	7,016	-	-	7,016
Increase (decrease) in accounts payable	(30,681)	-	508	(30,173)
Increase (decrease) in accrued liabilities	35,076	-	(100)	34,976
Increase (decrease) in OPEB	-	-	1,735	1,735
Increase (decrease) in retirement pay	46,179	41,950	82,862	170,991
Increase (decrease) in self-insurance claims	-	-	(233)	(233)
Net cash provided by (used in) operating activities	<u>\$ 538,216</u>	<u>\$ 6,125</u>	<u>\$ (1,685,330)</u>	<u>\$ (1,140,989)</u>