

COMPTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2015

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**COMPTON UNIFIED SCHOOL DISTRICT
OF LOS ANGELES COUNTY**

COMPTON, CALIFORNIA

JUNE 30, 2015

The Compton Unified School District was established on July 1, 1970, and is comprised of an area of approximately 30 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is operating 22 elementary schools, 8 middle schools, 3 high schools, one adult school, and four alternative schools.

GOVERNING BOARD

Member	Office	Term Expires
Micah Ali	President	2015
Satra Zurita	Vice President	2017
Margie Garrett	Legislative Representative	2017
Charles Davis	Legislative Representative	2017
Mae P. Thomas	Member	2017
Skyy Fisher	Member	2015

DISTRICT ADMINISTRATORS

Darin Brawley
Superintendent

Alejandro Alvarez
Chief Administrative Officer, Business and Administrative Services

William Wu, JD
Chief of School Police

Dr. Abimbola Williams-Ajala
Associate Superintendent, Human Resources

Jamaia Bond
Senior Director, Secondary Curriculum and Instruction

DeWayne D. Davis, Ed. D.
Senior Director, Secondary Curriculum and Instruction

Colleen Hawkins
Senior Director, Elementary

Pamela Aurangzeb
Director of Curriculum and Instruction – Elementary

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Compton Unified School District
Compton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Compton Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Compton Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Compton Unified School District, as of June 30, 2015, 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 a Matter

As described in Note 1 to the financial statements, in 2015 Compton Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions 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 statements in 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Compton Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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, the supplementary 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 December 14, 2015 on our consideration of Compton Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Compton Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 14, 2015

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

Our discussion and analysis of Compton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

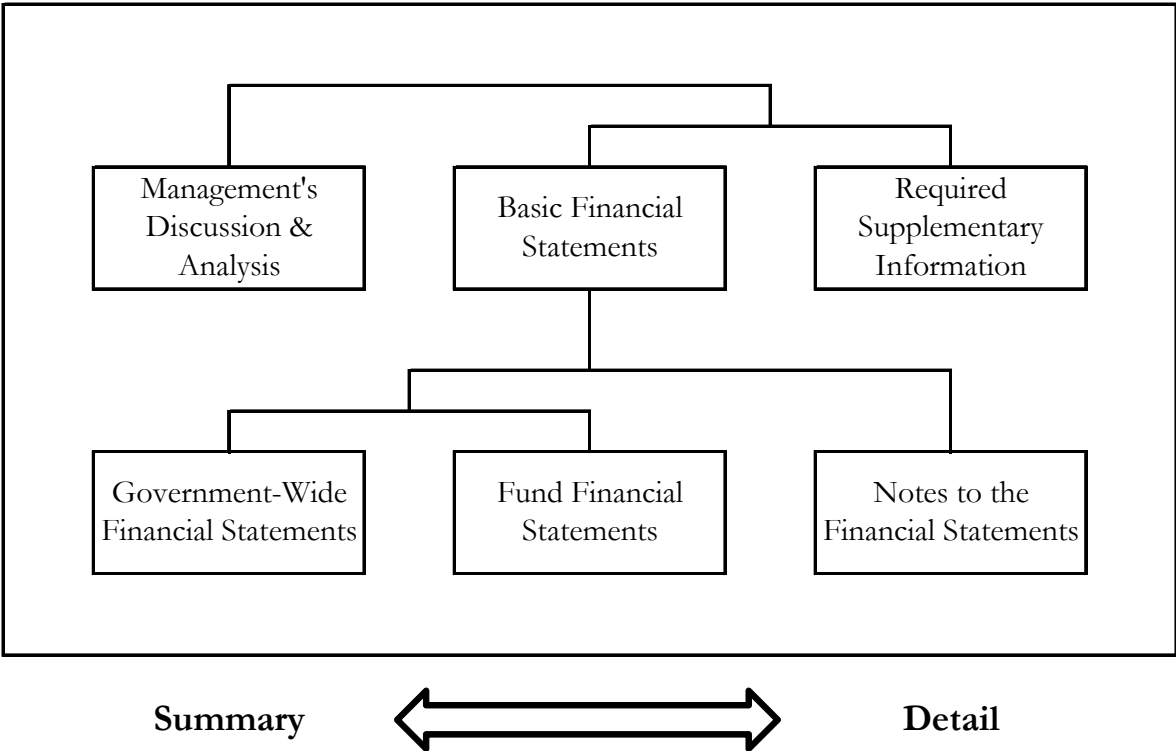
FINANCIAL HIGHLIGHTS

- ▶ Total net position was \$17,592,588 at June 30, 2015. This was a decrease of \$6,188,710 from prior year's restated net position of \$23,781,298.

- ▶ Overall revenues were \$278,750,864 which were exceeded by expenses of \$284,939,574.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$17,592,588 at June 30, 2015, as reflected below. Of this amount, \$(203,277,968) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2015	2014	Net Change
ASSETS			
Current and other assets	\$113,428,142	\$109,014,616	\$ 4,413,526
Capital assets	284,724,067	289,195,682	(4,471,615)
Total Assets	398,152,209	398,210,298	(58,089)
DEFERRED OUTFLOWS OF RESOURCES	24,230,071	-	24,230,071
LIABILITIES			
Current liabilities	53,864,426	46,382,933	7,481,493
Long-term liabilities	280,047,710	109,447,370	170,600,340
Total Liabilities	333,912,136	155,830,303	178,081,833
DEFERRED INFLOWS OF RESOURCES	47,388,585	-	47,388,585
NET POSITION			
Net investment in capital assets	206,676,829	207,167,827	(490,998)
Restricted	14,193,727	22,229,084	(8,035,357)
Unrestricted	(203,277,968)	(4,246,905)	(199,031,063)
Total Net Position	\$ 17,592,588	\$225,150,006	\$ (207,557,418)

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2015	2014	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 7,138	\$ -	\$ 7,138
Operating grants and contributions	62,903,205	64,305,243	(1,402,038)
General revenues			
Property taxes	28,438,193	28,012,277	425,916
Unrestricted federal and state aid	184,235,243	170,151,773	14,083,470
Other	3,167,085	1,842,032	1,325,053
Total Revenues	278,750,864	264,311,325	14,439,539
EXPENSES			
Instruction	162,040,431	158,124,100	3,916,331
Instruction-related services	22,485,539	20,952,712	1,532,827
Pupil services	32,750,206	29,297,044	3,453,162
General administration	21,990,131	16,754,791	5,235,340
Plant services	30,984,096	29,737,044	1,247,052
Ancillary services	1,673,665	1,315,027	358,638
Debt service	4,352,103	4,473,543	(121,440)
Other Outgo	(134,890)	4,518,190	(4,653,080)
Depreciation	8,797,731	8,710,406	87,325
Other	562	-	562
Total Expenses	284,939,574	273,882,857	11,056,717
Change in net position	(6,188,710)	(9,571,532)	3,382,822
Net Position - Beginning, as Restated	23,781,298	234,721,538	(210,940,240)
Net Position - Ending	\$ 17,592,588	\$225,150,006	\$ (207,557,418)

* Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The cost of all our governmental activities this year was \$284,939,574, but the net cost of services was only \$222,029,231. The amount that our taxpayers ultimately financed for these activities through taxes was only \$28,438,193 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2015	2014
Instruction	\$ 124,863,968	\$ 120,581,989
Instruction-related services	17,092,580	15,923,164
Pupil services	16,700,293	12,794,708
General administration	18,173,684	13,953,452
Plant services	30,517,231	29,219,390
Ancillary services	1,665,969	782,037
Debt service	4,352,103	4,473,543
Transfers to other agencies	(134,890)	3,138,925
Depreciation	8,797,731	8,710,406
Other	562	-
Total Expenses	\$ 222,029,231	\$ 209,577,614

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUND

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of 43,747,002, which is less than last year's restated ending fund balance of \$50,776,398. The District's General Fund had \$922,023 less in operating revenues than expenditures for the year ended June 30, 2015.

CURRENT YEAR BUDGET 2014-15

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested \$284,724,067 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2015	2014	Net Change
CAPITAL ASSETS			
Land	\$ 6,693,026	\$ 6,693,026	\$ -
Land improvements	7,720,880	7,700,880	20,000
Buildings & improvements	393,494,776	389,672,715	3,822,061
Furniture & equipment	21,286,517	20,802,462	484,055
Accumulated depreciation	(144,471,132)	(135,673,401)	(8,797,731)
Total Capital Assets	\$284,724,067	\$289,195,682	\$ (4,471,615)

Long-Term Debt

At year-end, the District had \$280,047,710 in long-term debt, an increase of \$170,600,340 primarily due the implementation of GASB Statement No. 68 which requires the District to record its proportionate share of net pension liability – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2015	2014	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 71,389,189	\$ 75,208,046	\$ (3,818,857)
Total certificates of participation	24,923,039	25,670,000	(746,961)
Capital leases	579,410	1,133,818	(554,408)
Compensated absences	2,331,325	2,403,087	(71,762)
Post-employment benefits	-	5,714	(5,714)
Net OPEB obligation	16,316,533	14,157,155	2,159,378
Net pension liability	174,260,991	-	174,260,991
Less: current portion of long-term debt	(9,752,777)	(9,130,450)	(622,327)
Total Long-term Liabilities	\$280,047,710	\$109,447,370	\$ 170,600,340

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective in the 2014-15 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years, and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2015-16 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, Compton Unified School District, 501 South Santa Fe Avenue; Compton, CA 90221.

COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 98,367,842
Accounts receivable	14,673,296
Inventory	387,004
Capital assets, not depreciated	6,693,026
Capital assets, net of accumulated depreciation	278,031,041
Total Assets	398,152,209
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	23,020,189
Deferred amount on refunding	1,209,882
Total Deferred Outflows of Resources	24,230,071
LIABILITIES	
Accrued liabilities	33,812,331
Unearned revenue	10,299,318
Long-term liabilities, current portion	9,752,777
Long-term liabilities, non-current portion	280,047,710
Claims liabilities	23,488,971
Total Liabilities	357,401,107
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	47,388,585
Total Deferred Inflows of Resources	47,388,585
NET POSITION	
Net investment in capital assets	206,676,829
Restricted:	
Capital projects	4,051,872
Debt service	711,146
Educational programs	8,104,013
All others	1,326,696
Unrestricted	(203,277,968)
Total Net Position	\$ 17,592,588

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

**COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 162,040,431	\$ 5,260	\$ 37,171,203	\$ (124,863,968)
Instruction-related services				
Instructional supervision and administration	7,871,255	43	4,303,717	(3,567,495)
Instructional library, media, and technology	1,712,090	-	248,827	(1,463,263)
School site administration	12,902,194	77	840,295	(12,061,822)
Pupil services				
Home-to-school transportation	5,252,679	-	133,677	(5,119,002)
Food services	14,857,663	-	13,028,924	(1,828,739)
All other pupil services	12,639,864	149	2,887,163	(9,752,552)
General administration				
Centralized data processing	2,691,625	1,273	361,321	(2,329,031)
All other general administration	19,298,506	266	3,453,587	(15,844,653)
Plant services	30,984,096	42	466,823	(30,517,231)
Ancillary services	1,673,665	28	7,668	(1,665,969)
Enterprise activities	562	-	-	(562)
Interest on long-term debt	4,352,103	-	-	(4,352,103)
Other Outgo	(134,890)	-	-	134,890
Depreciation (unallocated)	8,797,731	-	-	(8,797,731)
Total Governmental Activities	\$ 284,939,574	\$ 7,138	\$ 62,903,205	(222,029,231)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes 21,494,635				
Property taxes, levied for debt service 6,577,777				
Property taxes, levied for other specific purposes 365,781				
Federal and state aid not restricted for specific purposes 184,235,243				
Interest and investment earnings 449,622				
Miscellaneous 2,717,463				
Subtotal, General Revenue 215,840,521				
CHANGE IN NET POSITION (6,188,710)				
Net Position - Beginning, as Restated 23,781,298				
Net Position - Ending \$ 17,592,588				

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

COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 60,979,647	\$ 11,276,075	\$ 72,255,722
Accounts receivable	10,846,582	3,806,764	14,653,346
Stores inventory	277,857	109,147	387,004
Total Assets	\$ 72,104,086	\$ 15,191,986	\$ 87,296,072
LIABILITIES			
Accrued liabilities	\$ 28,679,636	\$ 4,570,116	\$ 33,249,752
Unearned revenue	10,299,318	-	10,299,318
Total Liabilities	38,978,954	4,570,116	43,549,070
FUND BALANCES			
Nonspendable	1,266,751	109,147	1,375,898
Restricted	6,990,374	7,344,642	14,335,016
Committed	-	3,168,081	3,168,081
Assigned	17,271,201	-	17,271,201
Unassigned	7,596,806	-	7,596,806
Total Fund Balances	33,125,132	10,621,870	43,747,002
Total Liabilities and Fund Balances	\$ 72,104,086	\$ 15,191,986	\$ 87,296,072

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

COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds \$ 43,747,002

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 429,195,199	
Accumulated depreciation	(144,471,132)	284,724,067

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

1,209,882

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(140,737)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 71,389,189	
Total certificates of participation	24,923,039	
Capital leases	579,410	
Compensated absences	2,331,325	
Net OPEB obligation	16,316,533	
Net pension liability	174,260,991	(289,800,487)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 23,020,189	
Deferred inflows of resources related to pensions	(47,388,585)	(24,368,396)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

2,221,257

Total Net Position - Governmental Activities \$ 17,592,588

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

**COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 193,359,893	\$ -	\$ 193,359,893
Federal sources	21,599,186	13,805,453	35,404,639
Other state sources	34,847,910	3,360,299	38,208,209
Other local sources	2,147,575	8,605,333	10,752,908
Total Revenues	251,954,564	25,771,085	277,725,649
EXPENDITURES			
Current			
Instruction	157,517,747	2,495,986	160,013,733
Instruction-related services			
Instructional supervision and administration	7,598,340	280,731	7,879,071
Instructional library, media, and technology	1,710,374	-	1,710,374
School site administration	12,580,477	335,428	12,915,905
Pupil services			
Home-to-school transportation	5,252,405	-	5,252,405
Food services	219	14,941,378	14,941,597
All other pupil services	12,794,051	4,486	12,798,537
General administration			
Centralized data processing	2,758,664	-	2,758,664
All other general administration	18,366,361	924,962	19,291,323
Plant services	29,178,498	1,905,048	31,083,546
Facilities acquisition and maintenance	1,346,378	2,495,681	3,842,059
Ancillary services	1,674,273	-	1,674,273
Debt service			
Principal	1,444,727	7,684,681	9,129,408
Interest and other	654,073	1,318,103	1,972,176
Total Expenditures	252,876,587	32,386,484	285,263,071
Excess (Deficiency) of Revenues			
Over Expenditures	(922,023)	(6,615,399)	(7,537,422)
Other Financing Sources (Uses)			
Transfers in	-	6,011,788	6,011,788
Other sources	-	28,387,908	28,387,908
Transfers out	(6,011,788)	-	(6,011,788)
Other uses	-	(27,879,882)	(27,879,882)
Net Financing Sources (Uses)	(6,011,788)	6,519,814	508,026
NET CHANGE IN FUND BALANCE			
	(6,933,811)	(95,585)	(7,029,396)
Fund Balance - Beginning, as Restated	40,058,943	10,717,455	50,776,398
Fund Balance - Ending	\$ 33,125,132	\$ 10,621,870	\$ 43,747,002

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

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Governmental Funds \$ (7,029,396)

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 4,326,116	
Depreciation expense:	<u>(8,797,731)</u>	(4,471,615)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

35,799,408

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(28,387,908)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refundings are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refundings are amortized over the life of the debt. The net effect of the deferred amounts on refundings during the period was:

1,209,882

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

46,237

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(2,771,602)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

71,762

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

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods (describe below) were:

5,714

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(2,159,378)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

1,364,875

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

480,328

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

(347,017)

Change in Net Position of Governmental Activities

\$ (6,188,710)

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

COMPTON UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 26,112,120
Accounts receivable	19,950
Total current assets	<u>26,132,070</u>
Total Assets	<u>26,132,070</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	421,842
Total current liabilities	<u>421,842</u>
Non-current liabilities	<u>23,488,971</u>
Total Liabilities	<u>23,910,813</u>
NET POSITION	
Unrestricted	2,221,257
Total Net Position	<u>\$ 2,221,257</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities
	Internal Service Fund
OPERATING REVENUE	
Charges for services	\$ 5,767,187
Total operating revenues	<u>5,767,187</u>
OPERATING EXPENSE	
Salaries and benefits	350,263
Supplies and materials	4,315
Professional services	5,841,671
Total operating expenses	<u>6,196,249</u>
Operating income/(loss)	<u>(429,062)</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	82,045
Total non-operating revenues/(expenses)	<u>82,045</u>
CHANGE IN NET POSITION	(347,017)
Net Position - Beginning	2,568,274
Net Position - Ending	<u>\$ 2,221,257</u>

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

**COMPTON UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash flows from operating activities	
Cash received (paid) from assessments made to (from) other funds	\$ 5,863,729
Cash payments for payroll, insurance, and operating costs	(358,903)
Net cash provided by (used for) operating activities	<u>5,504,826</u>
Cash flows from investing activities	
Interest received	82,045
Net cash provided by (used for) investing activities	<u>82,045</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>5,586,871</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	20,525,249
End of year	<u>\$ 26,112,120</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (429,062)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	96,542
Increase (decrease) in accounts payable	(421,636)
Increase (decrease) in claims liabilities	6,258,982
Net cash provided by (used for) operating activities	<u>\$ 5,504,826</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Trust Funds	Agency Funds	
	Private-Purpose Trust Fund	Warrant/Pass- through Fund	Student Body Fund
ASSETS			
Cash and cash equivalents	\$ 83,942	\$ 891,513	\$ 138,375
Accounts receivable	118	-	-
Total Assets	84,060	\$ 891,513	\$ 138,375
LIABILITIES			
Accrued liabilities	-		\$ 7,351
Payroll liabilities	-	891,513	-
Due to student groups	-	-	131,024
Total Liabilities	-	\$ 891,513	\$ 138,375
NET POSITION			
Unrestricted	84,060		
Total Net Position	\$ 84,060		

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

COMPTON UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Trust Funds</u> <u>Private-Purpose</u> <u>Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 415
Total Additions	<u>415</u>
CHANGE IN NET POSITION	
Net Position - Beginning	415
Net Position - Ending	<u>\$ 83,645</u>
	<u>\$ 84,060</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Compton Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

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

C. Basis of Presentation (*continued*)

Fund Financial Statements. The fund financial statements provide information about the District’s funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund. The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District’s activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Special Revenue Funds (*continued*)

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

State School Building Lease-Purchase Fund: This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code Section 17000 et seq.*).

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Project Funds (continued):

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Tax Override Fund: This fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies. An example is a public school building loan repayment.

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

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

C. Basis of Presentation (*continued*)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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

D. Basis of Accounting – Measurement Focus (*continued*)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$15,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 71,135,725	\$ 24,467,592	\$ 95,603,317	\$ 975,455
Cash on hand and in banks	-	-	-	138,375
Cash with fiscal agent	969,997	1,644,528	2,614,525	-
Cash in revolving fund	150,000	-	150,000	-
Total cash and cash equivalents	\$ 72,255,722	\$ 26,112,120	\$ 98,367,842	\$ 1,113,830

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent – Cash with fiscal agent consists of \$969,997 held with Bank of New York for the District’s certificates of participation and \$1,644,528 held with Union Bank for workers’ compensation.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. 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. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$95,587,479 and an amortized book value of \$95,603,317 for governmental activities. The average weighted maturity for this pool is 595 days.

E. 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. The investments in the County Treasury are not required to be rated. As of June 30, 2015, the pooled investments in the County Treasury were not rated.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	\$ 6,604,889	\$ 1,711,456	\$ -	\$ 8,316,345	\$ -
State Government					
Apportionment	216,270	-	-	216,270	-
Categorical aid	1,698,014	1,739,288	-	3,437,302	-
Lottery	2,325,304	-	-	2,325,304	-
Local Government					
Other local sources	2,105	356,020	19,950	378,075	118
Total	<u>\$ 10,846,582</u>	<u>\$ 3,806,764</u>	<u>\$ 19,950</u>	<u>\$ 14,673,296</u>	<u>\$ 118</u>

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 01, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,693,026	\$ -	\$ -	\$ 6,693,026
Total Capital Assets not Being Depreciated	6,693,026	-	-	6,693,026
Capital assets being depreciated				
Land improvements	7,700,880	20,000	-	7,720,880
Buildings & improvements	389,672,715	3,822,061	-	393,494,776
Furniture & equipment	20,802,462	484,055	-	21,286,517
Total Capital Assets Being Depreciated	418,176,057	4,326,116	-	422,502,173
Less Accumulated Depreciation				
Land improvements	5,244,281	233,177	-	5,477,458
Buildings & improvements	110,478,135	8,325,288	-	118,803,423
Furniture & equipment	19,950,985	239,266	-	20,190,251
Total Accumulated Depreciation	135,673,401	8,797,731	-	144,471,132
Governmental Activities				
Capital Assets, net	\$ 289,195,682	\$ (4,471,615)	\$ -	\$ 284,724,067

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

	Interfund Transfers Out	Interfund Transfers In	
		Non-Major Governmental Funds	Total
General Fund		\$ 6,011,788	\$ 6,011,788
Total Interfund Transfers		\$ 6,011,788	\$ 6,011,788
Transfer from the General Fund to the Adult Education Fund to fund the program.			\$ 1,669,329
Transfer from the General Fund to the Deferred Maintenance Fund to fund the program.			3,600,000
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects to fund the program.			742,459
Total			\$ 6,011,788

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015 consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Total Governmental Activities
Payroll	\$ 13,883,582	\$ 2,548,682	\$ 40,458	\$ -	\$ 16,472,722
Construction	-	1,077,352	-	-	1,077,352
Vendors payable	14,790,444	944,082	381,384	-	16,115,910
Unmatured interest	-	-	-	140,737	140,737
Other liabilities	5,610	-	-	-	5,610
Total	\$ 28,679,636	\$ 4,570,116	\$ 421,842	\$ 140,737	\$ 33,812,331

NOTE 7 – CLAIMS LIABILITY

The District is self-insured for Workers' Compensation. At June 30, 2015, the District maintained a reserve of \$23,488,971 to pay future claims. At June 30, 2015, the District had \$25,337,542 in assets available to pay claims.

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund
Federal sources	\$ 316,341
State categorical sources	9,982,977
Total	\$ 10,299,318

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance			Balance	Balance Due
	July 01, 2014	Additions	Deductions	June 30, 2015	In One Year
Governmental Activities					
General obligation bonds	\$ 50,730,662	\$ 5,505,000	\$ 7,649,644	\$ 48,586,018	\$ 4,402,396
Unamortized premium	4,604,781	-	480,328	4,124,453	480,328
Unamortized discount	-	(165,131)	-	(165,131)	(9,714)
Accreted interest	19,872,603	2,771,602	3,800,356	18,843,849	2,537,604
Total general obligation bonds	75,208,046	8,111,471	11,930,328	71,389,189	7,410,614
Certificates of participation	25,670,000	20,135,000	23,795,000	22,010,000	1,520,000
Unamortized premium	-	2,913,039	-	2,913,039	242,753
Total certificates of participation	25,670,000	23,048,039	23,795,000	24,923,039	1,762,753
Capital leases	1,133,818	-	554,408	579,410	579,410
Compensated absences	2,403,087	-	71,762	2,331,325	-
Post-employment benefits	5,714	-	5,714	-	-
Net OPEB obligation	14,157,155	2,159,378	-	16,316,533	-
Net pension liability	212,343,472	-	38,082,481	174,260,991	-
Total	\$ 330,921,292	\$ 33,318,888	\$ 74,439,693	\$ 289,800,487	\$ 9,752,777

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments on certificates of participation are made in the General Fund and Special Reserve Fund for Capital Outlay Projects.

Payments for capital lease obligations are made in the General Fund.

Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to \$2,331,325. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

On December 8, 2004, the District issued Series B Certificates of Participation amounting to \$11,045,000 payable in annual installments from October 1, 2005 through October 1, 2024. Interest rates range from 2.00 to 5.00 percent, payable beginning April 15, 2005. The agreement is between the District and the County Schools Regionalized Business Services Corporation with the Los Angeles U.S. Bank as trustee. Amounts on deposit in the Project Fund and the Costs of Delivery Fund shall be applied to pay project costs and costs of delivery. At June 30, 2015, the principal outstanding was \$0, as the District refunded the certificates during the year.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 9 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

On June 1, 2007, the District issued Series B Certificates of Participation to \$25,000,000 payable in annual installments from June 1, 2008 through June 1, 2027. Interest rates range from 3.6 to 5.0 percent, payable beginning December 1, 2007. The agreement is between the District and the County Schools Regionalized Business Services Corporation with the Bank of New York as trustee. Amounts on deposit in the Project Fund shall be applied to finance the modernization and rehabilitation of approximately 28 different schools on sites within the boundaries of Compton Unified School District. At June 30, 2015, the principal outstanding was \$2,265,000, as the certificates were partially refunded during the year.

In April 2015, the District issued \$20,135,000 in Certificates of Participation to refund on a current basis all outstanding 2004 Certificates of Participation amounting to \$6,535,000, and partially refund on an advance basis \$15,305,000 of outstanding 2007 Certificates of Participation. Deferred charges on refunding of \$862,601 remain to be amortized. This refunding reduced total debt service payments by \$1,505,796 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,222,771. As of June 30, 2015, the principal balance outstanding on the defeased debt amounted to \$15,305,000. This amount will be redeemed in full on June 1, 2017.

The annual requirements to amortize all certificates of participation outstanding at June 30, 2015 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,520,000	\$ 1,063,150	\$ 2,583,150
2017	1,580,000	999,600	2,579,600
2018	1,650,000	929,000	2,579,000
2019	1,725,000	863,000	2,588,000
2020	1,805,000	776,750	2,581,750
2021 - 2025	10,450,000	2,437,500	12,887,500
2026 - 2027	3,280,000	248,000	3,528,000
Total	\$ 22,010,000	\$ 7,317,000	\$ 29,327,000

C. General Obligation Bonds

In June 2006, the District issued \$19,999,970 in General Obligation Series C Bonds and \$50,789,740 in General Obligation Series D Bonds to finance the acquisition and improvement of various capital facilities of the District, advance refund on a current basis all outstanding Certificates of Participation Series B amounting to \$19,380,000, and partially refund \$34,445,000 of outstanding 2002 Series A general obligation bonds and \$14,955,000 of outstanding 2002 Series B general obligation bonds.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 9 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

In March 2015, the District issued \$5,505,000 of Series E refunding bonds to advance refund a portion of the Series C bonds. Deferred charges on refunding of \$347,281 remain to be amortized. This refunding reduced total debt service payments by \$999,276 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$811,455. Deferred charges on refunding of \$347,281 remain to be amortized. As of June 30, 2015, the principal balance outstanding on the defeased debt amounted to \$4,830,000.

Debt service payments are made from property tax levy authorized by the voters. The annual requirements to amortize outstanding general obligation bonds are as follows:

Year Ended June 30,	Principal*	Interest	Total
2016	\$ 4,402,396	\$ 3,163,292	\$ 7,565,688
2017	4,331,211	3,492,826	7,824,037
2018	4,202,247	3,775,141	7,977,388
2019	4,040,669	4,055,518	8,096,187
2020	3,940,220	4,384,768	8,324,988
2021 - 2025	11,687,332	17,207,628	28,894,960
2026 - 2030	12,301,943	7,083,932	19,385,875
2031	3,680,000	162,650	3,842,650
Total	\$ 48,586,018	\$ 43,325,755	\$ 91,911,773

* Principal excludes accreted interest of \$18,843,849

D. Capital Leases

The District entered into various capital leases with options to purchase, primarily equipment and temporary facilities, with semi-annual payments in May and November of each year, with principal maturing through 2016. Future minimum lease payments are as follows:

Year Ended June 30,	Lease Payment
2016	\$ 598,862
Total minimum lease payments	598,862
Less amount representing interest	(19,452)
Present value of minimum lease payments	\$ 579,410

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 9 – LONG-TERM DEBT (*continued*)

E. Postemployment Benefits

In November 1992, the District offered a retirement bonus to full-time certificated employees retiring on or after November 1, 1992, with a minimum of 20 years full-time paid service, retiring between their 55th and 65th birthday; and to full-time certificated employees who retired between July 1, 1989, and October 1, 1992, with a minimum of 11 years full-time paid service, retiring between their 55th and 65th birthday. From the retiree's 55th to 65th birthday, the District will pay the retiree an annual bonus of \$1,388 payable quarterly. From the retiree's 65th to 68th birthday, the District will pay the retiree an annual bonus of \$688, payable quarterly. The retirement bonus will cease after the retiree's 68th birthday. The District paid off this amount in full during the year ended June 30, 2015.

F. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District's restated beginning net pension liability was \$212,343,472, and decreased by \$38,082,481 during the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$174,260,991. See Note 12 for additional information regarding the net pension liability.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 150,000	\$ -	\$ 150,000
Stores inventory	277,857	109,147	387,004
All others	838,894	-	838,894
Total non-spendable	<u>1,266,751</u>	<u>109,147</u>	<u>1,375,898</u>
Restricted			
Educational programs	6,990,374	383,904	7,374,278
Capital projects	-	4,052,424	4,052,424
Debt service	-	1,581,618	1,581,618
All others	-	1,326,696	1,326,696
Total restricted	<u>6,990,374</u>	<u>7,344,642</u>	<u>14,335,016</u>
Committed			
Other commitments	-	3,168,081	3,168,081
Total committed	<u>-</u>	<u>3,168,081</u>	<u>3,168,081</u>
Assigned			
Reserve for future obligations	17,271,201	-	17,271,201
Total assigned	<u>17,271,201</u>	<u>-</u>	<u>17,271,201</u>
Unassigned			
Reserve for economic uncertainties	7,596,806	-	7,596,806
Total unassigned	<u>7,596,806</u>	<u>-</u>	<u>7,596,806</u>
Total	<u>\$ 33,125,132</u>	<u>\$ 10,621,870</u>	<u>\$ 43,747,002</u>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District provides medical, dental and vision benefits to retirees and their covered eligible dependents. The District pays a portion of the medical costs for eligible retirees only. Retirees must pay the entire cost for dental, vision, and dependent medical benefits. All active employees who retire directly from the District and meet the eligibility criteria may participate.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	435
Active plan members	2,333
Total*	<u>2,768</u>
 Number of participating employers	 1

*As of July 1, 2013 actuarial study

B. Funding Policy

The District’s contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2015, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 3,095,453
Interest on net OPEB obligation	566,286
Adjustment to annual required contribution	(818,709)
Annual OPEB cost (expense)	<u>2,843,030</u>
Contributions made	(683,652)
Increase (decrease) in net OPEB obligation	2,159,378
Net OPEB obligation, beginning of the year	14,157,155
Net OPEB obligation, end of the year	<u>\$ 16,316,533</u>

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 2,843,030	24%	\$ 16,316,533
2014	\$ 2,882,393	23%	\$ 14,157,155
2013	\$ 2,528,360	27%	\$ 11,949,462

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 27,039,808	\$ 27,039,808	0%	\$ 139,876,101	19%

E. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2013
Actuarial Cost Method	Projected unit credit
Amortization Method	Level-dollar basis
Remaining Amortization Period	29 years
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Health care trend rate	5.0% - 8.0%

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 12 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District recognized \$16,459,609 for their proportionate share of pension expense for the year ended June 30, 2015.

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 12 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Contributions

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$12,531,812 for the year ended June 30, 2015.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$5,661,595 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 128,276,966
States's proportionate share of the net pension liability associated with the District	77,459,171
Total	<u>\$ 205,736,137</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.220 percent, which did not change from its proportion measured as of June 30, 2013.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 12 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$11,073,642. In addition, the District recognized pension expense and revenue of \$6,686,810 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 31,587,959
District contributions subsequent to the measurement date	12,531,812	-
	<u>\$ 12,531,812</u>	<u>\$ 31,587,959</u>

\$12,531,812 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 7,896,990
2017	7,896,990
2018	7,896,990
2019	7,896,989
	<u>\$ 31,587,959</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 12 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions (continued)

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

* 10-year geometric average

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 12 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 199,950,242	\$ 128,276,966	\$ 68,514,480

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 12 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$5,292,672 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$45,984,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.405 percent, which increased by 0.046 percent from its proportion measured as of June 30, 2013.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 12 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$5,385,967. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 15,800,626
Changes in proportion and differences between District contributions and proportionate share of contributions	5,195,705	-
District contributions subsequent to the measurement date	5,292,672	-
	<u>\$ 10,488,377</u>	<u>\$ 15,800,626</u>

\$5,292,672 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 1,298,926	\$ 3,950,157
2017	1,298,926	3,950,157
2018	1,298,926	3,950,157
2019	1,298,927	3,950,155
	<u>\$ 5,195,705</u>	<u>\$ 15,800,626</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 12 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 12 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 80,666,476	\$ 45,984,025	\$ 17,003,340

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

C. Construction Commitments

As of June 30, 2015, the District had commitments with respect to unfinished capital projects of \$656,979.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers agreements (JPAs); the Southern California Regional Liability Excess Fund (SCR), and the Schools' Excess Liability Fund (SELF). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2015, the deferred amount on refunding was \$1,209,882.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District’s deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>
STRS Pension	\$ 12,531,812	\$ 31,587,959
PERS Pension	10,488,377	15,800,626
Total	<u>\$ 23,020,189</u>	<u>\$ 47,388,585</u>

NOTE 16 – RESTATEMENT OF NET POSITION/FUND BALANCE

The beginning net position of Governmental Activities has been restated in order to record the District’s proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, as well as to correct an overstatement of categorical program receivables. The effect on beginning net position and fund balance is presented as follows:

	<u>Governmental Activities</u>
Net Position - Beginning, as Previously Reported	\$ 225,150,006
Restatement of Net Pension Liability	(199,994,262)
Restatement of Categorical Program Receivables	(1,374,446)
Net Position - Beginning, as Restated	<u>\$ 23,781,298</u>
	<u>General Fund</u>
Fund Balance - Beginning, as Previously Reported	\$ 41,433,389
Restatement of Categorical Program Receivables	(1,374,446)
Fund Balance - Beginning, as Restated	<u>\$ 40,058,943</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**COMPTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 199,983,307	\$ 199,633,045	\$ 193,359,893	\$ (6,273,152)
Federal sources	19,717,764	21,613,523	21,599,186	(14,337)
Other state sources	24,050,846	35,672,175	29,186,315	(6,485,860)
Other local sources	900,000	900,000	2,147,575	1,247,575
Total Revenues	244,651,917	257,818,743	246,292,969	(11,525,774)
EXPENDITURES				
Certificated salaries	118,909,367	117,026,825	112,187,361	4,839,464
Classified salaries	37,443,202	39,945,285	36,649,842	3,295,443
Employee benefits	40,310,157	38,002,956	39,701,586	(1,698,630)
Books and supplies	12,584,136	14,198,320	11,621,983	2,576,337
Services and other operating expenditures	35,825,883	39,549,571	44,522,530	(4,972,959)
Capital outlay	118,800	11,376,600	1,357,852	10,018,748
Other outgo				
Excluding transfers of indirect costs	1,955,900	1,955,900	2,098,800	(142,900)
Transfers of indirect costs	(904,016)	(904,016)	(924,962)	20,946
Total Expenditures	246,243,429	261,151,441	247,214,992	13,936,449
Excess (Deficiency) of Revenues				
Over Expenditures	(1,591,512)	(3,332,698)	(922,023)	2,410,675
Other Financing Sources (Uses)				
Transfers out	(5,450,456)	(5,269,329)	(6,011,788)	(742,459)
Net Financing Sources (Uses)	(5,450,456)	(5,269,329)	(6,011,788)	(742,459)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	41,433,389	41,433,389	40,058,943	(1,374,446)
Fund Balance - Ending	\$ 34,391,421	\$ 32,831,362	\$ 33,125,132	\$ 293,770

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- On behalf payments of \$5,661,595 are not included in the actual revenues and expenditures reported in this schedule.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 27,039,808	\$ 27,039,808	0%	\$ 139,876,101	19%
July 1, 2011	\$ -	\$ 21,598,646	\$ 21,598,646	0%	\$ 144,833,489	15%
July 1, 2009	\$ -	\$ 21,530,631	\$ 21,530,631	0%	\$ 163,794,208	13%

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.220%
District's proportionate share of the net pension liability	\$ 128,276,966
States's proportionate share of the net pension liability associated with the District	<u>77,459,171</u>
Total	<u>\$ 205,736,137</u>
District's covered-employee payroll	\$ 113,774,202
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.7%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALPERS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.405%
District's proportionate share of the net pension liability	\$ 45,984,025
District's covered-employee payroll	\$ 42,326,807
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.6%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>June 30, 2015</u>
Contractually required contribution	\$ 12,531,812
Contributions in relation to the contractually required contribution*	(12,531,812)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 113,774,202
Contributions as a percentage of covered-employee payroll	11.01%

*Amounts do not include on behalf contributions

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,292,672
Contributions in relation to the contractually required contribution	(5,292,672)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 42,326,807
Contributions as a percentage of covered-employee payroll	12.50%

See accompanying note to required supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2015, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 38,002,956	\$ 39,701,586	\$ 1,698,630
Services and other operating expenditures	\$ 39,549,571	\$ 44,522,530	\$ 4,972,959
Other outgo			
Excluding transfers of indirect costs	\$ 1,955,900	\$ 2,098,800	\$ 142,900

**SUPPLEMENTARY
INFORMATION**

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education Cluster	84.010	14329	\$ 12,932,121
Adult Education: Adult Secondary Education	84.002	13978	2,082
Adult Education: Adult Basic Education & ESL	84.002A	14508	3,030
Subtotal Adult Education Cluster			<u>5,112</u>
Title II, Part A, Teacher Quality	84.367	14341	2,263,439
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,191,928
Title III, Immigrant Education Program	84.365	15146	301
Subtotal Title III Cluster			<u>1,192,229</u>
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	375,000
Department of Rehab: Workability II, Transition Partnership	84.126	10006	159,229
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,698,714
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	349,175
Part B, Preschool Grants	84.173	13430	63,298
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	58,998
IDEA Quality Assurance and Focused Monitoring	84.027A	13693	2,540
Subtotal Special Education Cluster			<u>4,172,725</u>
IDEA Early Intervention Grants	84.181	23761	91,745
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	390,553
Title X, McKinney-Vento Homeless Assistance	84.196	14332	1,093
Promoting the Readiness of Minors (PROMISE)	84.418T	*	19,214
Total U. S. Department of Education			<u><u>21,602,460</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	13390	168
National School Lunch Program	10.555	13391	7,969,473
Especially Needy Breakfast	10.553	13526	3,539,685
USDA Commodities	10.555	*	902,286
Meal Supplements	10.555	*	307,174
Subtotal Child Nutrition Cluster			<u>12,718,786</u>
Child Nutrition Equipment Assistance Grants	10.579	14906	99,871
Child and Adult Food Care Program	10.558	13666	970,826
Total U. S. Department of Agriculture			<u><u>13,789,483</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	39,993
Total U. S. Department of Health & Human Services			<u>39,993</u>
Total Federal Expenditures			<u><u>\$ 35,431,936</u></u>

* - Pass-Through Entity Identifying Number not available or not applicable

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2015**

	Second Period Report	Revised Second Period Report*	Annual Report
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	8,376.00	8,369.30	8,341.83
Extended Year Special Education	14.22	14.22	14.22
Special Education - Nonpublic Schools	4.33	4.33	5.39
Extended Year Special Education - Nonpublic Schools	0.43	0.43	0.43
Total TK/K through Third	8,394.98	8,388.28	8,361.87
Fourth through Sixth			
Regular ADA	5,662.42	5,657.94	5,643.99
Extended Year Special Education	11.59	11.59	11.59
Special Education - Nonpublic Schools	15.05	15.05	17.36
Extended Year Special Education - Nonpublic Schools	2.67	2.67	2.67
Total Fourth through Sixth	5,691.73	5,687.25	5,675.61
Seventh through Eighth			
Regular ADA	3,402.32	3,409.47	3,392.59
Extended Year Special Education	5.66	5.66	5.66
Special Education - Nonpublic Schools	14.40	14.40	16.16
Extended Year Special Education - Nonpublic Schools	2.45	2.45	2.45
Community Day School	5.60	5.60	8.10
Total Seventh through Eighth	3,430.43	3,437.58	3,424.96
Ninth through Twelfth			
Regular ADA	4,978.63	5,014.45	4,914.05
Extended Year Special Education	10.99	10.99	10.99
Special Education - Nonpublic Schools	35.22	35.22	43.28
Extended Year Special Education - Nonpublic Schools	5.43	5.43	5.43
Community Day School	24.94	24.94	27.52
Total Ninth through Twelfth	5,055.21	5,091.03	5,001.27
TOTAL SCHOOL DISTRICT	22,572.35	22,604.14	22,463.71

* *Revision is due to District adjustments.*

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2014-15 Actual Minutes	Number of Days	Status
Kindergarten	36,000	35,000	50,550	180	Complied
Grade 1	50,400	49,000	50,740	180	Complied
Grade 2	50,400	49,000	50,740	180	Complied
Grade 3	50,400	49,000	50,740	180	Complied
Grade 4	54,000	52,500	54,120	180	Complied
Grade 5	54,000	52,500	54,120	180	Complied
Grade 6	54,000	52,500	56,730	180	Complied
Grade 7	54,000	52,500	63,570	180	Complied
Grade 8	54,000	52,500	63,570	180	Complied
Grade 9	64,800	63,000	65,370	180	Complied
Grade 10	64,800	63,000	65,370	180	Complied
Grade 11	64,800	63,000	65,370	180	Complied
Grade 12	64,800	63,000	65,370	180	Complied

See accompanying note to supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	2016 (Budget)	2015	2014	2013
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 267,231,883	\$ 246,292,969	\$ 233,473,856	\$ 222,556,485
Expenditures And Other Financing Uses	267,056,792	253,226,780	237,671,075	230,609,787
Net change in Fund Balance	\$ 175,091	\$ (6,933,811)	\$ (4,197,219)	\$ (8,053,302)
Ending Fund Balance	\$ 33,300,223	\$ 33,125,132	\$ 40,058,943	\$ 44,256,162
Available Reserves*	\$ 8,011,710	\$ 7,596,806	\$ 7,088,898	\$ 6,918,294
Available Reserves As A Percentage Of Outgo	3.00%	3.00%	2.98%	3.00%
Long-term Debt	\$ 280,047,710	\$ 289,800,487	\$ 118,577,820	\$ 122,930,310
Average Daily Attendance At P-2	23,185	22,604	23,163	23,208

The General Fund balance has decreased by \$11,131,030 over the past two years. The fiscal year 2015-16 budget projects an increase of \$175,091. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years but anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$166,870,177 over the past two years.

Average daily attendance has decreased by 604 ADA over the past two years. An increase of 581 ADA is anticipated during the 2015-16 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

** The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- On behalf payments of \$5,661,595 are not included in the actual revenues and expenditures reported in this schedule.

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	Internal Service Fund
June 30, 2015, annual financial and budget report fund balance	\$ 1,426,729
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Increase in cash with fiscal agent	794,528
Net adjustments and reclassifications	794,528
June 30, 2015, audited financial statement net position	<u>\$ 2,221,257</u>

See accompanying note to supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015

Charter School	Status	Included in Audit Report
Today's Fresh Start Charter Compton	Active*	No

* The Charter's school start date was September 8, 2015.

**COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2015 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2015.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 35,404,639
Medi-Cal Billing Option	93.778	<u>27,297</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$35,431,936</u>

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, *continued*
JUNE 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES (*continued*)

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Compton Unified School District
Compton, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Compton Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Compton Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Compton Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Compton Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Compton Unified School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2015-1)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compton Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compton Unified School District's Response to Findings

Compton Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Compton Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
December 14, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Compton Unified School District
Compton, California

Report on Compliance for Each Major Federal Program

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Compton Unified School District's major federal programs for the year ended June 30, 2015. Compton Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Compton Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Compton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Compton Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Compton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Compton Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Compton Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compton Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 14, 2015

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Compton Unified School District
Compton, California

Report on State Compliance

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Compton Unified School District's state programs for the fiscal year ended June 30, 2015, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Compton Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Compton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Compton Unified School District's compliance with those requirements.

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State Board of Accountancy*

Opinion on State Compliance

In our opinion, Compton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2015-2 through #2015-4. Our opinion on state compliance is not modified with respect to these matters.

Compton Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Compton Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Compton Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time for school districts	Yes
Instructional Materials, general requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because it was below the threshold required for testing.

Christy White Associates

San Diego, California
December 14, 2015

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</u>
<u>84.365</u>	<u>Title III Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,062,958</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2015-1: ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: ASB's were tested to ensure proper internal controls over student funds. Various areas of ASB's financial processes were tested including the cash receipt and disbursement process.

Cause: Lack of training and/or adherence to district policy on ASB accounting.

Effect: Possible misstatement of student body funds.

Perspective: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Bunche Middle School

- One (1) instance where a money order was issued, instead of using a check drawn to a specific payee

Davis Middle School

- 10 cash receipts did not have adequate support
 - No evidence of use of tally sheets, cash receipts, or collection forms

Centennial High School

The site was selected for testing as a follow-up to prior year testing, as a result of audit report findings. The following deficiencies remain unresolved and will rollover from the prior year:

- Lack of physical controls over cash
 - One (1) cash receipt noted to have a deposit greater than 10 days after the event

Dominguez High School

- A budget was not prepared or adopted by the Student Council
- Duties were not adequately segregated in the cash collection cycle
- One (1) disbursement without site administrator signature present on requisition

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2015-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

Recommendation: We recommend the District provide continuing training to the ASB staff and implement and/or reinforce controls over internal control deficiencies noted above. Internal controls should be implemented to minimize the possibility for waste or abuse of ASB resources.

We also recommend that the business office consider writing all checks and ensuring deposits are supported by appropriate cash receipts. ASB's that grossly fail to comply with district policies and procedures should be sanctioned.

District Response: The District is providing training to all ASB staff twice a year. In effort to prevent these findings from re-occurring, the Director of Accounting and Budgeting will be randomly visiting each site throughout the school year to assist with compliance issues. In addition, the Accounting Technician at the District office will write all checks and ensure all deposits are supported by appropriate cash receipts.

COMPTON UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2015.

**COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2015-2: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners (EL) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: 1 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English learner (EL) and non- FRPM (Free or Reduced Priced Meals) had support of EL reclassification from September 2013 and was not reclassified. This error rate was extrapolated to the entire EL population of 932 students, for a total of 15 ineligible students.

Cause: District did not reclassify the students’ designation in a timely manner.

Effect: The District is not in compliance with state requirements.

Context: It is extrapolated that 15 of 39,468 (20,879 in 2013-14 and 18,589 in 2014-15) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their EL designation.

COMPTON UNIFIED SCHOOL DISTRICT
 STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
 FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2015-2: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)

Questioned Cost: \$15,168, as follows:

LCFF Target Base Grant Amount and Pupil Counts		
1) Total Base Grant Amount ⁽¹⁾		179,616,806
	Section 1: UPP	Section 2: UPP
2) Total Enrollment Count from Unduplicated Pupil Percentage Exhibit ⁽²⁾	44,284	44,760
3) Unduplicated Pupil Count from Unduplicated Pupil Percentage Exhibit ⁽³⁾	37,178	39,468
Unduplicated Pupil Percentage Adjustment		
4) Unduplicated Pupil Count	37,178	39,468
5) Number of Unduplicated Pupil Count Adjustment (plus or minus) ⁽⁴⁾	(15)	(15)
6) Adjusted Unduplicated Pupil Count	37,163	39,453
7) Unduplicated Pupil Percentage calculated at P-2	0.8395	0.8818
8) Adjusted Unduplicated Pupil Percentage	0.8392	0.8814
9) Funded UPP (Greater of Section 1 or 2)		0.8814
Target Supplemental Audit Adjustment		
10) Target supplemental grant funding calculated at P-2	-	31,677,220
11) Adjusted target supplemental grant funding	-	31,662,851
12) Target supplemental audit adjustment	-	(14,369)
Target Concentration Audit Adjustment		
13) Target Concentration grant funding calculated at P-2	25,999,533	29,798,428
14) Adjusted target concentration grant funding	25,972,590	29,762,505
15) Target concentration audit adjustment	(26,943)	(35,923)
Value of Adjustment in Current Year		
16) Total target supplemental and concentration audit adjustment	(26,943)	(50,293)
17) Statewide gap funding rate	0.3016000000	0.3016000000
18) Estimated value of unduplicated pupil count audit adjustment for 2014-15	(8,126)	(15,168)

Recommendation: We recommend implementation of internal controls to ensure accuracy over CALPADS reporting.

District Response: Effective in the 2015-16 school year, the District hired a CALPADS Coordinator and support staff to monitor and verify all information pertaining to unduplicated counts. We feel with this additional staff the District will be able to comply with all state requirements.

**COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2015-3: AFTER SCHOOL EDUCATION & SAFETY (ASES) PROGRAM (40000)

Criteria: After school programs participating in the ASES program are required to submit student outcome data to the California Department of Education which includes measurable student outcomes including attendance. As a result, ASES 2014-15 1st Half After School Base Attendance Report (covering the period of August to December 2014) was reviewed along with supporting documentation for each school site in order to determine whether the reported number of students served is supported by written records maintained.

Condition: Twelve (12) of 30 sites selected for ASES testing did not agree to the number of students served reported to the CDE and reported on ASES 2014-15 1st Half After School Base report.

Cause: Reporting errors.

Effect: Errors were made calculating number of students served, per inquiry the report has been revised with the CDE. For the attendance report submitted to the CDE for the 1st Half: After School Base, the District reported a total number of 205,406 students served for the reporting time period of July 1, 2014 through December 31, 2014. As a result of our audit procedures, the adjusted amount for the 1st Half: After School Base should be increased to a total of 206,327 students served.

Context: An understatement of 921 students served for the ASES 2014-15 1st Half Base period was noted.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is maintained at 85% of the projected attendance or greater. Since the finding noted a net under reporting of 921 student days of attendance, program attendance did not fall below 85% of the projected attendance; therefore, there is no questioned cost.

Recommendation: We recommend the District implement a process to accurately calculate the attendance of the After School Education & Safety (ASES) Program for reporting purposed to the California Department of Education.

District Response: The District will assign the Sr. Financial Analyst to assist the coordinator of the After School Education & Safety Program with tracking students participating in this program on a weekly basis to ensure accurate reporting of attendance.

**COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2015-4: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Section 33126(b)(8) and 17002(d).

Condition: During testing of a representative sample of SARCs, it was noted that a selection of 2013-14 SARCs posted online in 2014-15 had the following issues regarding facilities conditions:

- Three (3) schools (Foster Elementary, Clinton Elementary, and Bunche Elementary) did not report updated information from the facility inspections performed by LACOE.
- Two (2) schools (Rosecrans Elementary and Kelly Elementary) did not accurately report updated information from the facility inspection performed by District's facilities department or LACOE.

Cause: Miscommunication amongst District staff regarding timeliness of information to be reported in the SARCs. From inquiry, it appears that the Facilities Inspection Tool (FIT) forms provided by LACOE are not maintained by the Facilities Department.

Questioned Costs: Not applicable.

Perspective: Five (5) out of 9 sites selected for SARC state compliance testing did not have facilities condition information accurately reported in the SARC, as of December 2015.

Effect: The 2013-14 School Accountability Report Cards published and tested in 2014-15 could not be determined to be accurate.

Recommendations: We recommend that the District implement a process to accurately compile information included in the most recently prepared FIT forms and provide guidance to the Facilities Department to designate a person and location to file the Facilities Inspection Tool results provided by Los Angeles County Office of Education.

District Response: The Business Services Department will assist the Facilities Department in designating a point person responsible for filing and maintaining all FIT reports provided by the District and Los Angeles County Office of Education.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2014-1: ASB FUNDS – VARIOUS SCHOOLS WITHIN THE DISTRICT (30000)

Criteria: Good internal controls should be in place to ensure ASB funds are properly collected, deposited and expended as part of the District's fiduciary duty.

Condition: ASB's were tested to ensure proper internal controls over student funds. Various areas of ASB's financial processes were tested including the cash receipt and disbursement process.

Cause: Lack of training and/or adherence to district policy on ASB accounting.

Effect: Possible misstatements of student body funds.

Perspective:

Centennial HS

The site was selected for testing as a follow-up to prior year testing, as a result of audit report findings. The following deficiencies remain unresolved and will rollover from the prior year:

- School site is not maintain detailed cash receipt logs to track sales, fundraisers, and proceeds from events.
- Bank deposits are not made in a timely manner.

Whaley HS

The site was selected for testing as a follow-up to prior year testing, as a result of audit report findings. The following deficiencies remain unresolved and will rollover from the prior year:

- No tally or collection sheets were being used.
- Duties were not adequately segregated in the cash collection cycle.
- Lack of physical controls over cash.

Cesar Chavez Continuation HS

- During the course of the school year, the ASB advisor was fired on January from her teaching position at the school. Due to this all documents such as minutes, deposits, check requests, and all other supporting documentation was lost. Per inquiry with Yvonne Smith, she emailed the teacher asking for the location of the missing documents but did not receive a response from the previous ASB advisor and she also looked for the documents in her classroom but did not find any.
- Pre numbered check receipts are not used.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2014-1: ASB FUNDS – VARIOUS SCHOOLS WITHIN THE DISTRICT (30000) (continued)

Walton MS

- Financial statements are not prepared.
- A budget is not prepared or adopted by Student Council.
- School site is not maintain detailed cash receipt logs to track sales, fundraisers, and proceeds from events. Eleven (11) out of 11 cash receipts selections could not be accurately traced from receipt to deposit.
- Bank deposits are not made in a timely manner.
- Instances noted in which checks were drawn to cash.
- Evidence of receipt of goods is lacking for two (2) out of 8 checks selected for testing.
- Seven (7) out of 8 checks selected for testing did not have documentation of proper requisition, with two (2) of these selections not having documentation of proper approval.

Recommendation: We recommend that the District provide training to the ASB staff and implement controls to address the internal control deficiencies noted above. Internal controls should be implemented to minimize the possibility for waste or abuse of ASB resources.

We also recommend that the business office consider taking over the financial reporting responsibilities of all ASB accounts at the school sites. This will include preparing monthly bank reconciliations and monthly financial statements and could include writing all checks and ensuring deposits are supported by appropriate cash receipts. ASB's that grossly fail to comply with district policies and procedures should be sanctioned.

District Response: The District is providing training to all ASB staff twice a year. In effort to prevent these findings from re-occurring, the Director of Budgeting and Accounting will be randomly visiting each site throughout the school year to assist with any compliance issues. In addition, there is discussion regarding the Fiscal Service Department taking over the financial responsibilities of all ASB accounts as per the audit recommendation for fiscal year 15-16.

Current Status: Partially Implemented, see Finding #2015-1.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , continued
FOR THE YEAR ENDED JUNE 30, 2015

FINDING 2014-2: FREE AND REDUCED MEAL VERIFICATIONS AND APPLICATIONS (50000)

Program Title/ Area: Child Nutrition Cluster (CFDA 10.553-10.555), Passed through the California Department of Education

Criteria: Determination of free and reduced price meal eligibility for the Child Nutrition Cluster should follow free and reduced meal income eligibility sampling guidelines outlined in 7 CFR 245. Students selected for eligibility test and found to differ from the original application, should be updated within the child nutrition system.

In addition, the students' original application did not agree to the Child Nutrition System. Students who applied for the free and reduced meals did not carry the same status within the system.

Condition: The District sent out the first letter for meal verifications. Second letters were not sent and no documentation on support was retained by the District.

Perspective: 4 of 120 students tested did not have a meal status which agreed to their original application.

Cause: Procedures for meal verifications and applications were not consistently followed by the District Food Services Department and personnel.

Questioned Costs: No questioned costs because the value of the meals is negligible.

Effect: Students participating in the National School Lunch Program may be ineligible due to not meeting the income requirements based on their original application or through the verification process.

Recommendations: District should implement procedures to conduct meal verifications and update the system as required.

District Response: The Child Nutrition Services Department has purchased new software to assist with identifying students from eligible households. The software called "One Source" randomly selects 3% of eligible households on file by October 1. Then staff notifies each household by mail at least twice of their need to comply with notification before their child is moved to "paid "status. All verifications and system updates are completed by November 15. The District is confident that the implementation of the new software and procedures will prevent this finding from re-occurring.

Current Status: Implemented.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015

FINDING 2014-3: ATTENDANCE REPORTING (10000)

Criteria: The P-2 Attendance Report should tie to supporting documentation per Education Code Section 41601. Auditors are required to verify compliance in Section 19817.2 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

Condition: The District's P-2 Attendance Report did not match supporting documentation.

Context: The following issue was found:

P-2 Attendance Reporting

- **Line A-1:** There was a miscalculation on the P-2 for Line A-1 9-12).
 - The discrepancy on Line A-1 for Grades 9-12 was due to the omission of opportunity school total of 13.12. The correct total should be 5,211.20 instead of 5,198.08.

Cause: Discrepancy was due to clerical errors.

Effect: Misstatement of ADA on the P-2 attendance report.

ADA Impact: The District's P-2 Report was understated by 13.12 ADA for Grades 9-12.

Questioned Cost: The District's base grant ADA rate for grades 9-12 is \$8,638. Therefore, the understatement of 13.12 ADA equals an amount due to the District of approximately \$113,331.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015

FINDING 2014-3: ATTENDANCE REPORTING (10000) (continued)

Recommendation: We recommend implementation of internal controls to ensure accuracy of attendance reporting.

District Response: The District has implemented the following procedures to ensure the accuracy of attendance reporting:

1. Collect data from the school sites two (2) weeks in advance.
2. Review each individual reports collected to make sure that all programs are represented.
3. Import the figures in an excel spreadsheet to utilize as a “working document” and use as back-up documentation to check that all figures match the individual reports as well as use the spreadsheet to check for any variances and catch any errors.
4. Once the spreadsheet is completed then the information will be inputted into the final report.
5. The final report will be reviewed by three (3) staff members: Attendance Monitoring Analyst, Administrative Technician and Administrative Secretary to ensure that the final report ties to the individual site reports.
6. Once step the report is reviewed as noted above, then the Senior Director of Fiscal services will review the final report along with the back-up documentation (spreadsheet and individual site reports) two (2) days prior to submission to the Los Angeles County Office of Education.
7. The Senior Director of Fiscal Services will sign (certify) the report and submit to the Los Angeles County Office of Education.

In addition to the above, the District will continue to provide training to the staff members involved in this process through internal and external sources. The District is committed to ensuring that these errors do not repeat and is confident that it will maintain accurate attendance reporting.

Current Status: Implemented.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2014-4 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Students that are only English Learner (EL) eligible as identified under the “ELAS Designation” column 2013-14 Audit Guide 47 February 10, 2014 and verify there is supporting documentation that indicates the student was eligible for the designation. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section 19849 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

Condition: 4 of 120 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as free or reduced price meal eligible (FRPM) did not have proper supporting documentation to support their designation.

Cause: District was not able to provide timely supporting documentation.

Effect: The District is not in compliance with state requirements.

Context: 4 of 120 students reported as FRPM eligible did not have proper supporting documentation to support their designation.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2014-4 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Costs: The calculation is as follows. It only includes FRPM, as this was the only area for which there were errors.

A Errors Discovered	4
B Population Tested	120
C Error Rate (A/B)	3.33%
D Total Impacted Population	21,606
E Total Unallowed Students (C*D)	720
F Unadjusted Pupil Count	21,606
G Total Population	22,627
H Unadjusted % (F/G)	95.49%
I Adjusted Count (F-E)	20,886
J Adjusted % (I/G)	92.30%

Schools Tested	Unadjusted Pupil Count	Unadjusted Enrollment	Total Errors Found*	Adjusted Pupil Count	Adjusted Enrollment
Bursch Elementary	491	548	1	490	548
Compton High	1,851	2,069	2	1,849	2,069
Emerson Elementary	537	597	1	536	597
Total District (All Sites)	21,606	22,627	720	20,886	22,627

	Unadjusted	Adjusted	Questioned Costs
Unduplicated Pupil Percentage	95.49%	92.30%	
Base Grant Funding	\$ 180,713,754		
Supplemental Grant Funding at Target	20%	\$ 34,511,878	\$ 1,150,396
Concentration Grant Funding at Target	50%	86,279,696	2,875,990
Total			4,026,386
Gap Percentage for 13/14			12%
Questioned Costs for 13/14			\$ 483,166

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015

FINDING #2014-4 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Recommendation: We recommend implementation of internal controls to ensure accuracy CALPADS reporting.

District Response: The Child Nutrition Services Department has purchased new software to assist with identifying students from eligible households. The software called “One Source” randomly selects 3% of eligible households on file by October 1. Then staff notifies each household by mail at least twice of their need to comply with notification before their child is moved to “paid “status. All verifications and system updates are completed by November 15. The District is confident that the implementation of the new software and procedures will prevent this finding from re-occurring.

Current Status: Partially Implemented, see Finding #2015-2.

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING#2014-5: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

Condition: During testing of a representative sample of SARCs, it was noted that a selection of 2012-13 SARCs the following issues regarding facilities conditions.

- Six (6) schools (Carver Elementary, King Elementary, Vanguard Learning Center, Walton Middle, Emerson Elementary, Lincoln Elementary) did not report updated information from the facility inspections done by LACOE.
- One (1) school (Compton High) had no comments on facilities from the inspection performed by LACOE.
- Two (2) schools (Laurel Elementary and Bursch Elementary) did not report updated information from facility inspections performed by the District's facilities department.

Cause: Miscommunication amongst District staff regarding timeliness of information to be reported in the SARCs. From inquiry, it appears that the Facilities Inspection Tool Forms provided by LACOE are not maintained by the Facilities Department.

Questioned Costs: Not applicable.

Perspective: Nine (9) out of 9 sites selected for SARC state compliance testing did not have facilities condition information reported in the SARC, as of December 2014.

Effect: The 2012-13 School Accountability Report Cards published and tested in 2013-14 could not be determined to be accurate.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015

FINDING#2014-5: SCHOOL ACCOUNTABILITY REPORT CARD (72000) (continued)

Recommendation: We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs and provide guidance to the Facilities Department to designate a person and location to file the Facilities Inspection Tool results provided by Los Angeles County Office of Education.

District Response: The Fiscal Services Department has contacted the Los Angeles County Office of Education and now is included as recipient of the FIT reports. In addition, the Business Service Department will assist the Facilities Department in designating a point person responsible for filing and maintaining all FIT reports provided by Los Angeles County Office of Education and the District. The District is confident with all three departments involved this finding will not re-occur.

Current Status: Partially implemented, see Finding #2015-4.