

COMPTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2013

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, 2013

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
Margie Garrett	Vice President	2013
Satra Zurita	Clerk	2013
Skyy Fisher	Legislative Representative	2015
Mae P. Thomas	Member	2013
Emma Sharif	Member	2015
Marjorie Shipp	Member	2013

DISTRICT ADMINISTRATORS

Darin Brawley
Superintendent

Alejandro Alvarez
Chief Administrative Officer, Business and Administrative Services

William Wu, JD
Chief Human Resources Officer

Dr. Abimbola Williams-Ajala
Associate Superintendent, Educational Services

Jamaiia Bond
Senior Director, Secondary Curriculum and Instruction

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

Andrea D. Credille
Senior Director, Human Resources

Pamela Aurangzeb
Director of Curriculum and Instruction – Elementary

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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*Licensed by the California
State Board of Accountancy*

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, 2013, 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.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on pages 4 through 10, the budgetary comparison information on page 49, and the schedule of funding progress on page 50 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 9, 2013 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 9, 2013

COMPTON UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

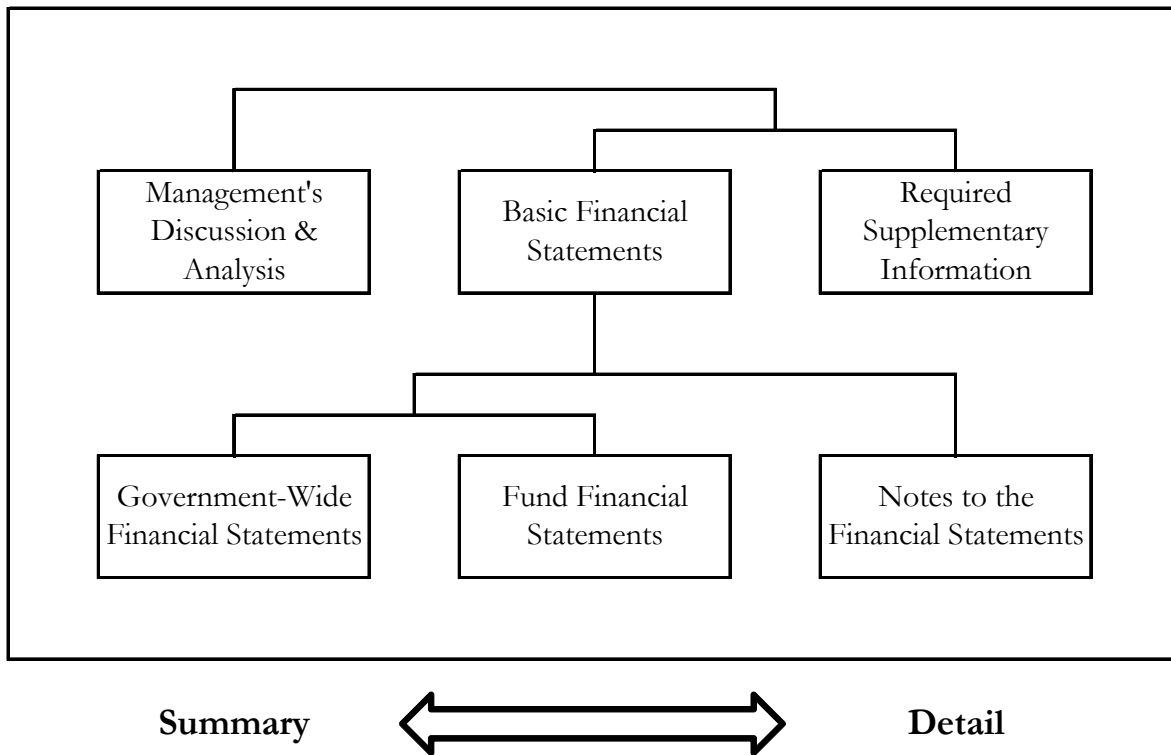
Our discussion and analysis of Compton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total net position was \$235,978,499 at June 30, 2013. This was a decrease of \$8,183,865 from prior year's net position of \$244,162,364.
- ▶ Overall revenues were \$251,990,417 which were exceeded by expenses of \$260,174,282.

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, 2013

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. Revenue limit 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, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$235,978,499 at June 30, 2013, as reflected below. Of this amount, \$8,768,911 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		
	2013	2012	Net Change
ASSETS			
Current and other assets	\$118,847,204	\$120,472,678	\$ (1,625,474)
Capital assets	295,089,640	301,258,216	(6,168,576)
Total Assets	413,936,844	421,730,894	(7,794,050)
LIABILITIES			
Current liabilities	48,399,488	42,673,875	5,725,613
Long-term liabilities	129,558,857	134,894,655	(5,335,798)
Total Liabilities	177,958,345	177,568,530	389,815
NET POSITION			
Net investment in capital assets	206,320,736	206,409,274	(88,538)
Restricted	20,888,852	16,803,327	4,085,525
Unrestricted	8,768,911	20,949,763	(12,180,852)
Total Net Position	\$235,978,499	\$244,162,364	\$ (8,183,865)

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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		
	2013	2012	Net Change
REVENUES			
Program revenues			
Operating grants and contributions	\$ 75,170,795	\$ 84,835,239	\$ (9,664,444)
General revenues			
Property taxes	30,534,517	22,887,710	7,646,807
Unrestricted federal and state aid	143,754,806	146,202,334	(2,447,528)
Other	2,530,299	2,147,322	382,977
Total Revenues	251,990,417	256,072,605	(4,082,188)
EXPENSES			
Instruction	141,512,704	152,445,180	(10,932,476)
Instruction-related services	21,273,326	25,397,934	(4,124,608)
Pupil services	28,849,806	29,482,919	(633,113)
General administration	20,737,296	18,099,158	2,638,138
Plant services	27,573,714	28,756,421	(1,182,707)
Ancillary services	1,078,607	961,070	117,537
Debt service	5,198,513	5,517,241	(318,728)
Other Outgo	5,442,128	6,121,087	(678,959)
Depreciation	8,508,188	8,292,595	215,593
Total Expenses	260,174,282	275,073,605	(14,899,323)
Change in net position	(8,183,865)	(19,001,000)	10,817,135
Net Position - Beginning	244,162,364	263,163,364	(19,001,000)
Net Position - Ending	\$235,978,499	\$244,162,364	\$ (8,183,865)

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The cost of all our governmental activities this year was \$260,174,282, but the net cost of services was only \$185,003,487. The amount that our taxpayers ultimately financed for these activities through taxes was only \$30,534,517 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2013	2012
Instruction	\$ 100,226,106	\$ 101,244,249
Instruction-related services	14,237,172	19,065,854
Pupil services	7,963,629	8,998,426
General administration	17,502,305	15,434,205
Plant services	26,962,786	27,549,433
Ancillary services	1,058,640	953,974
Debt service	5,198,513	5,517,241
Transfers to other agencies	3,346,148	3,182,389
Depreciation	8,508,188	8,292,595
Total Expenses	\$ 185,003,487	\$ 190,238,366

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

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 \$54,741,164, which is less than last year's ending fund balance of \$60,441,754. The District's General Fund had \$4,392,850 less in operating revenues than expenditures for the year ended June 30, 2013.

CURRENT YEAR BUDGET 2012-13

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, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012-13 the District had invested \$295,089,640 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2013	2012	Net Change
CAPITAL ASSETS			
Land	\$ 6,693,026	\$ 6,693,026	\$ -
Construction in progress	-	12,831,740	(12,831,740)
Land improvements	7,700,880	7,046,941	653,939
Buildings & improvements	386,950,527	372,442,897	14,507,630
Furniture & equipment	20,708,202	20,698,419	9,783
Accumulated depreciation	(126,962,995)	(118,454,807)	(8,508,188)
Total Capital Assets	\$295,089,640	\$301,258,216	\$ (6,168,576)

Long-Term Debt

At year-end, the District had \$122,930,310 in long-term debt, a decrease of 3% from last year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2013	2012	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 80,054,954	\$ 83,388,695	\$ (3,333,741)
Total certificates of participation	27,175,000	28,625,000	(1,450,000)
Capital leases	1,664,302	2,171,895	(507,593)
Compensated absences	2,072,435	2,420,961	(348,526)
Postemployment benefits	14,157	22,600	(8,443)
Net OPEB obligation	11,949,462	10,094,066	1,855,396
Total Long-term Liabilities	\$122,930,310	\$126,723,217	\$ (3,792,907)

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing 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.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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 2013-14 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, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 75,413,877
Accounts receivable	41,720,703
Inventory	455,663
Deferred charges	1,256,961
Capital assets, not depreciated	6,693,026
Capital assets, net of accumulated depreciation	288,396,614
Total Assets	413,936,844
LIABILITIES	
Accrued liabilities	27,901,233
Current loans	10,000,000
Unearned revenue	724,000
Claims liability	16,402,802
Long-term liabilities, current portion	9,774,255
Long-term liabilities, non-current portion	113,156,055
Total Liabilities	177,958,345
NET POSITION	
Net investment in capital assets	206,320,736
Restricted:	
Capital projects	3,774,783
Debt service	1,888,394
Educational programs	13,161,971
Other purposes	2,063,704
Unrestricted	8,768,911
Total Net Position	\$ 235,978,499

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

**COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Operating Grants and Contributions		Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 141,512,704	\$ 41,286,598	\$	(100,226,106)
Instruction-related services				
Instructional supervision and administration	7,210,377	4,718,206		(2,492,171)
Instructional library, media, and technology	1,751,256	377,981		(1,373,275)
School site administration	12,311,693	1,939,967		(10,371,726)
Pupil services				
Home-to-school transportation	4,379,133	2,898,532		(1,480,601)
Food services	12,002,079	12,223,065		220,986
All other pupil services	12,468,594	5,764,580		(6,704,014)
General administration				
Centralized data processing	1,697,660	-		(1,697,660)
All other general administration	19,039,636	3,234,991		(15,804,645)
Plant services	27,573,714	610,928		(26,962,786)
Ancillary services	1,078,607	19,967		(1,058,640)
Interest on long-term debt	5,198,513	-		(5,198,513)
Other Outgo	5,442,128	2,095,980		(3,346,148)
Depreciation (unallocated)	8,508,188	-		(8,508,188)
Total Governmental Activities	\$ 260,174,282	\$ 75,170,795		(185,003,487)
General revenues				
Taxes and subventions				
				22,643,028
				7,147,909
				743,580
				143,754,806
				489,401
				2,040,898
				176,819,622
CHANGE IN NET POSITION				
				(8,183,865)
Net Position - Beginning				
				244,162,364
Net Position - Ending				
			\$	235,978,499

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

COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 40,576,708	\$ 10,010,119	\$ 50,586,827
Accounts receivable	37,376,926	4,301,397	41,678,323
Stores inventory	353,935	101,728	455,663
Total Assets	\$ 78,307,569	\$ 14,413,244	\$ 92,720,813
LIABILITIES			
Accrued liabilities	\$ 23,333,923	\$ 3,921,726	\$ 27,255,649
Current loans	10,000,000	-	10,000,000
Unearned revenue	717,484	6,516	724,000
Total Liabilities	34,051,407	3,928,242	37,979,649
FUND BALANCES			
Nonspendable	1,342,827	101,728	1,444,555
Restricted	13,158,520	8,067,839	21,226,359
Committed	-	2,315,435	2,315,435
Assigned	22,836,521	-	22,836,521
Unassigned	6,918,294	-	6,918,294
Total Fund Balances	44,256,162	10,485,002	54,741,164
Total Liabilities and Fund Balances	\$ 78,307,569	\$ 14,413,244	\$ 92,720,813

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, 2013

Total Fund Balance - Governmental Funds \$ 54,741,164

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	\$ 422,052,635	
Accumulated depreciation	(126,962,995)	295,089,640

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included as deferred charges on the statement of net position are:

1,256,961

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 unamatured interest owing at the end of the period was:

(226,805)

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	\$ 80,054,954	
Total certificates of participation	27,175,000	
Capital leases	1,664,302	
Compensated absences	2,072,435	
Postemployment benefits	14,157	
Net OPEB obligation	11,949,462	(122,930,310)

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 and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

8,047,849

Total Net Position - Governmental Activities \$ 235,978,499

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, 2013

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Revenue limit sources	\$ 125,502,385	\$ -	\$ 125,502,385
Federal sources	27,222,727	12,616,714	39,839,441
Other state sources	72,399,614	2,774,740	75,174,354
Other local sources	2,871,367	8,602,870	11,474,237
Total Revenues	227,996,093	23,994,324	251,990,417
EXPENDITURES			
Current			
Instruction	137,704,041	1,952,513	139,656,554
Instruction-related services			
Instructional supervision and administration	6,937,748	272,629	7,210,377
Instructional library, media, and technology	1,751,256	-	1,751,256
School site administration	11,949,614	362,079	12,311,693
Pupil services			
Home-to-school transportation	4,379,133	-	4,379,133
Food services	420,349	11,581,730	12,002,079
All other pupil services	12,458,860	9,734	12,468,594
General administration			
Centralized data processing	1,697,660	-	1,697,660
All other general administration	18,841,765	556,180	19,397,945
Plant services	26,555,678	1,018,036	27,573,714
Facilities acquisition and maintenance	-	2,329,829	2,329,829
Ancillary services	1,078,607	-	1,078,607
Transfers to other agencies	5,784,036	-	5,784,036
Debt service			
Principal	1,450,000	6,292,593	7,742,593
Interest and other	1,380,196	926,741	2,306,937
Total Expenditures	232,388,943	25,302,064	257,691,007
Excess (Deficiency) of Revenues Over Expenditures	(4,392,850)	(1,307,740)	(5,700,590)
Other Financing Sources (Uses)			
Transfers in	-	3,660,452	3,660,452
Transfers out	(3,660,452)	-	(3,660,452)
Net Financing Sources (Uses)	(3,660,452)	3,660,452	-
NET CHANGE IN FUND BALANCE	(8,053,302)	2,352,712	(5,700,590)
Fund Balance - Beginning	52,309,464	8,132,290	60,441,754
Fund Balance - Ending	\$ 44,256,162	\$ 10,485,002	\$ 54,741,164

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, 2013**

Net Change in Fund Balances - Governmental Funds \$ (5,700,590)

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:	\$ 2,339,612	
Depreciation expense:	<u>(8,508,188)</u>	(6,168,576)

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:

7,742,593

Debt issuance costs:

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issuance costs are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and issuance costs amortized for the period is:

Issuance costs incurred during the period:	\$ -	
Issuance costs amortized for the period:	<u>(100,743)</u>	(100,743)

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:

2,334

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.

(2,931,587)

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, 2013**

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: 348,526

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: (1,855,396)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 8,443

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: (9,197)

Change in Net Position of Governmental Activities

\$ (8,183,865)

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

COMPTON UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 24,827,050
Accounts receivable	42,380
Total current assets	<u>24,869,430</u>
Total Assets	<u>24,869,430</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	418,779
Total current liabilities	<u>418,779</u>
Non-current liabilities	16,402,802
Total Liabilities	<u>16,821,581</u>
NET POSITION	
Unrestricted	8,047,849
Total Net Position	<u>\$ 8,047,849</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, 2013

	Governmental Activities
	Internal Service Fund
OPERATING REVENUE	
Charges to other funds	\$ 6,331,593
Total operating revenues	<u>6,331,593</u>
OPERATING EXPENSE	
Professional services	6,446,653
Total operating expenses	<u>6,446,653</u>
Operating income/(loss)	<u>(115,060)</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	105,863
Total non-operating revenues/(expenses)	<u>105,863</u>
CHANGE IN NET POSITION	(9,197)
Net Position - Beginning	8,057,046
Net Position - Ending	<u>\$ 8,047,849</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, 2013

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash flows from operating activities	
Cash received (paid) from assessments made to (from) other funds	\$ 13,935,740
Cash payments for payroll, insurance, and operating costs	(6,534,850)
Net cash provided by (used for) operating activities	<u>7,400,890</u>
Cash flows from investing activities	
Interest received	105,863
Net cash provided by (used for) investing activities	<u>105,863</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,506,753
CASH AND CASH EQUIVALENTS	
Beginning of year	17,320,297
End of year	<u>\$ 24,827,050</u>
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (115,060)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	4,147
(Increase) decrease in due from other funds	7,600,000
Increase (decrease) in accounts payable	(88,197)
Net cash provided by (used for) operating activities	<u>\$ 7,400,890</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013

	Trust Funds	Agency Funds	
	Private-Purpose Trust Fund	Warrant/Pass- through Fund	Student Body Fund
ASSETS			
Cash and cash equivalents	\$ 82,926	\$ -	\$ 79,424
Accounts receivable	190	-	-
Prepaid expenses	-	585,970	-
Other assets	-	-	14,477
Total Assets	83,116	\$ 585,970	\$ 93,901
LIABILITIES			
Deficit cash	-	\$ 585,970	\$ -
Accrued liabilities	-	-	795
Due to student groups	-	-	93,106
Total Liabilities	-	\$ 585,970	\$ 93,901
NET POSITION			
Unrestricted	83,116		
Total Net Position	\$ 83,116		

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, 2013

	<u>Trust Funds</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 534
Total Additions	<u>534</u>
CHANGE IN NET POSITION	534
Net Position - Beginning	<u>82,582</u>
Net Position - Ending	<u>\$ 83,116</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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, 2013

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, 2013

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

C. Basis of Presentation (*continued*)

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*).

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

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

Revenues – Exchange and Non-Exchange Transactions (*continued*)

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.

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, Liabilities, 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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Position (continued)

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.

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

E. Assets, Liabilities, 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.

Deferred Issuance Costs, 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

E. Assets, Liabilities, Fund Balance and Net Position (*continued*)

Fund Balance (*continued*)

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.

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

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.

J. New Accounting Pronouncements

GASB Statement No. 61 – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No.14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 62 for the year ended June 30, 2013.

GASB Statement No. 63 - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 for the year ended June 30, 2013.

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has not yet determined the impact on the financial statements.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

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 not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 49,516,830	\$ 24,327,050	\$ 73,843,880	\$ 82,926
Cash on hand and in banks	-	-	-	79,424
Cash with fiscal agent	919,997	500,000	1,419,997	-
Cash in revolving fund	150,000	-	150,000	-
Total cash and cash equivalents	\$ 50,586,827	\$ 24,827,050	\$ 75,413,877	\$ 162,350

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.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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.

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

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (continued)

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 \$73,349,407 and an amortized book value of \$73,926,806. The average weighted maturity for this pool is 632 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, 2013, the pooled investments in the County Treasury were not rated.

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, 2013, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	\$ 8,194,635	\$ 1,831,251	\$ -	\$ 10,025,886	\$ -
State Government					
Apportionment	17,623,772	147,716	-	17,771,488	-
Categorical aid	9,184,347	1,285,179	-	10,469,526	-
Lottery	2,324,689	-	-	2,324,689	-
Local Government					
Other local sources	49,483	1,037,251	42,380	1,129,114	190
Total	\$ 37,376,926	\$ 4,301,397	\$ 42,380	\$ 41,720,703	\$ 190

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,693,026	\$ -	\$ -	\$ 6,693,026
Construction in progress	12,831,740	-	12,831,740	-
Total Capital Assets not Being Depreciated	19,524,766	-	12,831,740	6,693,026
Capital assets being depreciated				
Land improvements	7,046,941	653,939	-	7,700,880
Buildings & improvements	372,442,897	14,507,630	-	386,950,527
Furniture & equipment	20,698,419	9,783	-	20,708,202
Total Capital Assets Being Depreciated	400,188,257	15,171,352	-	415,359,609
Less Accumulated Depreciation				
Land improvements	4,795,275	216,329	-	5,011,604
Buildings & improvements	94,175,781	8,046,673	-	102,222,454
Furniture & equipment	19,483,751	245,186	-	19,728,937
Total Accumulated Depreciation	118,454,807	8,508,188	-	126,962,995
Governmental Activities				
Capital Assets, net	\$ 301,258,216	\$ 6,663,164	\$ 12,831,740	\$ 295,089,640

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

	Interfund Transfers Out	Interfund Transfers In	
		Non-Major Governmental Funds	Total
General Fund		\$ 3,660,452	\$ 3,660,452
Total Interfund Transfers		\$ 3,660,452	\$ 3,660,452
Transfer from General Fund to Adult Education Fund to assist with operational costs.			\$ 800,000
Transfer from General Fund to Deferred Maintenance Fund to cover operational and maintenance costs.			1,867,825
Transfer from General Fund to Special Reserve Fund for Capital Outlay Projects for special projects for this funding source.			992,627
Total			\$ 3,660,452

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consisted of the following:

	Non-Major				Total		Total Fiduciary
	General Fund	Governmental Funds	Internal Service Funds	District-Wide	Governmental Activities		
Payroll	\$ 17,040,821	\$ 2,384,953	\$ -	\$ -	\$ 19,425,774	\$ -	
Vendors payable	6,264,999	1,531,884	418,779	-	8,215,662	795	
Unmatured interest	-	-	-	226,805	226,805	-	
Other liabilities	28,103	4,889	-	-	32,992	-	
Total	\$ 23,333,923	\$ 3,921,726	\$ 418,779	\$ 226,805	\$ 27,901,233	\$ 795	

NOTE 7 – CURRENT LOANS

On February 28, 2013, the District issued \$10,000,000 in Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on December 31, 2013. By September 2013, the District had placed 50 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The balance due on the notes is shown as Current Loans on the financial statements.

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2013, consisted of the following:

	Non-Major		Total	
	General Fund	Governmental Funds	Governmental Activities	
Federal sources	\$ 436,559	\$ 6,505	\$ 443,064	
State categorical sources	280,925	-	280,925	
Local sources	-	11	11	
Total	\$ 717,484	\$ 6,516	\$ 724,000	

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2013 consisted of the following:

	Balance			Balance		Balance Due
	July 01, 2012	Additions	Deductions	June 30, 2013	In One Year	
Governmental Activities						
General obligation bonds	\$ 58,596,602	\$ -	\$ 3,641,407	\$ 54,955,195	\$ 4,224,533	
Unamortized premium	5,565,437	-	480,328	5,085,109	480,328	
Accreted interest	19,226,656	2,931,587	2,143,593	20,014,650	3,025,467	
Total general obligation bonds	83,388,695	2,931,587	6,265,328	80,054,954	7,730,328	
Certificates of participation	28,625,000	-	1,450,000	27,175,000	1,505,000	
Capital leases	2,171,895	-	507,593	1,664,302	530,484	
Compensated absences	2,420,961	-	348,526	2,072,435	-	
Postemployment benefits	22,600	-	8,443	14,157	8,443	
Net OPEB obligation	10,094,066	1,855,396	-	11,949,462	-	
Total	\$ 126,723,217	\$ 4,786,983	\$ 8,579,890	\$ 122,930,310	\$ 9,774,255	

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2013 amounted to \$2,072,435. 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, 2013, the principal outstanding was \$7,550,000.

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, 2013, the principal outstanding was \$19,625,000.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

The annual requirements to amortize all certificates of participation outstanding at June 30, 2013 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,505,000	\$ 1,285,044	\$ 2,790,044
2015	1,565,000	1,214,494	2,779,494
2016	1,645,000	1,140,894	2,785,894
2017	1,720,000	1,063,644	2,783,644
2018	1,800,000	982,844	2,782,844
2019 - 2023	10,385,000	3,526,884	13,911,884
2024 - 2027	8,555,000	929,350	9,484,350
Total	<u>\$ 27,175,000</u>	<u>\$ 10,143,154</u>	<u>\$ 37,318,154</u>

C. General Obligation Bonds

In the November 2002 election, the citizens of the District approved the issuance and sale of not more than \$80,000,000 of general obligation bonds to finance the construction, improvement, equipping and furnishing of various capital facilities of the District. Under such voters' authorization, there have been two bond issuances (Series A and Series B) with terms summarized as follows:

	<u>Series A</u>	<u>Series B</u>
Amount of original issuance	\$ 40,000,000	\$ 20,000,000
Date of issuance	March 12, 2003	June 22, 2004
Years of maturity	2003 - 2027	2005 - 2029

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. Terms of the Series C and Series D bonds are summarized as follows:

	<u>Series C</u>	<u>Series D</u>
Amount of original issuance	\$ 19,999,970	\$ 50,789,740
Date of issuance	June 1, 2006	June 1, 2006
Years of maturity	2006 - 2031	2006 - 2022

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

Debt service payments are made from property tax levy authorized by the voters.

The annual requirements to amortize these bonds and the remaining outstanding balance of 2002 Series A and B bonds are as follows:

Year Ended June 30,	Principal*	Interest	Total
2014	\$ 4,224,533	\$ 3,799,330	\$ 8,023,863
2015	2,724,644	4,500,356	7,225,000
2016	4,347,396	3,237,604	7,585,000
2017	4,276,211	3,568,789	7,845,000
2018	4,142,247	3,852,753	7,995,000
2019 - 2023	16,636,096	20,908,901	37,544,997
2024 - 2028	7,854,068	11,890,932	19,745,000
2029 - 2031	10,750,000	1,092,500	11,842,500
Total	<u>\$ 54,955,195</u>	<u>\$ 52,851,165</u>	<u>\$ 107,806,360</u>

* Principal excludes accreted interest of \$20,014,650.

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
2014	\$ 598,862
2015	598,862
2016	598,862
Total minimum lease payments	1,796,586
Less amount representing interest	(132,284)
Present value of minimum lease payments	<u>\$ 1,664,302</u>

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 total post-employment benefits payable at June 30, 2013 amounted to \$14,157.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2013:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 150,000	\$ -	\$ 150,000
Stores inventory	353,935	101,728	455,663
All others	838,892	-	838,892
Total non-spendable	1,342,827	101,728	1,444,555
Restricted			
Educational programs	13,158,520	3,451	13,161,971
Capital projects	-	3,885,485	3,885,485
Debt service	-	2,115,199	2,115,199
All others	-	2,063,704	2,063,704
Total restricted	13,158,520	8,067,839	21,226,359
Committed			
Other commitments	-	2,315,435	2,315,435
Total committed	-	2,315,435	2,315,435
Assigned			
Reserve for future obligations	22,836,521	-	22,836,521
Total assigned	22,836,521	-	22,836,521
Unassigned			
Reserve for economic uncertainties	6,918,294	-	6,918,294
Total unassigned	6,918,294	-	6,918,294
Total	\$ 44,256,162	\$ 10,485,002	\$ 54,741,164

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, 2013

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	440
Active plan members	2,545
Total*	<u>2,985</u>
Number of participating employers	1

*As of July 1, 2011 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, 2013, 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	\$ 2,680,290
Interest on net OPEB obligation	504,704
Adjustment to annual required contribution	(656,634)
Annual OPEB cost (expense)	<u>2,528,360</u>
Contributions made	(672,964)
Increase (decrease) in net OPEB obligation	<u>1,855,396</u>
Net OPEB obligation, beginning of the year	10,094,066
Net OPEB obligation, end of the year	<u>\$ 11,949,462</u>

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

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, 2013 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 2,528,360	27%	\$ 11,949,462
2012	\$ 2,558,671	21%	\$ 10,094,066
2011	\$ 2,518,802	44%	\$ 8,080,219

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, 2011	\$ -	\$ 21,598,646	\$ 21,598,646	0%	\$ 144,833,489	15%

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, 2013

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	7/1/2011
Actuarial Cost Method	Projected Unit Credit Cost
Amortization Method	Level Dollar
Remaining Amortization Period	28
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Health care trend rate	5.0% - 8.0%
Inflation rate	4.0%

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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).

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.

Funding Policy

Active plan members are required to contribute 8.0% of their salary 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 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 8,224,935	100%
2011-12	\$ 8,860,948	100%
2010-11	\$ 8,670,164	100%

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 \$5,439,608 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (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.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2012-13	\$ 4,893,828	100%
2011-12	\$ 4,838,892	100%
2010-11	\$ 4,924,824	100%

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, 2013.

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, 2013.

C. Construction Commitments

As of June 30, 2013, the District had commitments with respect to unfinished capital projects of \$122,268.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers agreements (JPAs); the Alliance of Schools for Cooperative Insurance Programs (ASCIP), 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**COMPTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 123,769,989	\$ 125,639,144	\$ 125,502,385	\$ (136,759)
Federal sources	23,977,044	26,612,754	27,222,727	609,973
Other state sources	63,957,219	64,070,970	66,960,006	2,889,036
Other local sources	1,200,000	1,608,997	2,871,367	1,262,370
Total Revenues	212,904,252	217,931,865	222,556,485	4,624,620
EXPENDITURES				
Certificated salaries	102,033,436	101,975,183	101,145,158	830,025
Classified salaries	36,237,473	36,479,853	34,455,491	2,024,362
Employee benefits	36,923,405	37,324,173	37,372,899	(48,726)
Books and supplies	7,231,497	11,026,136	7,462,347	3,563,789
Services and other operating expenditures	33,549,607	40,748,143	38,483,282	2,264,861
Capital outlay	159,873	163,956	9,783	154,173
Other outgo				
Excluding transfers of indirect costs	10,601,279	10,139,212	8,576,555	1,562,657
Transfers of indirect costs	(654,101)	(657,072)	(556,180)	(100,892)
Total Expenditures	226,082,469	237,199,584	226,949,335	10,250,249
Excess (Deficiency) of Revenues				
Over Expenditures	(13,178,217)	(19,267,719)	(4,392,850)	14,874,869
Other Financing Sources (Uses)				
Transfers out	(2,667,825)	(2,667,825)	(3,660,452)	(992,627)
Net Financing Sources (Uses)	(2,667,825)	(2,667,825)	(3,660,452)	(992,627)
NET CHANGE IN FUND BALANCE	(15,846,042)	(21,935,544)	(8,053,302)	13,882,242
Fund Balance - Beginning	52,309,464	52,309,464	52,309,464	-
Fund Balance - Ending	\$ 36,463,422	\$ 30,373,920	\$ 44,256,162	\$ 13,882,242

* 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 reasons:

- On behalf payments of \$5,439,608 are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to required supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 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%
July 1, 2007	\$ -	\$ 16,350,739	\$ 16,350,739	0%	\$ 157,602,189	10%

See accompanying note to required supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2013**

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.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, 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	\$ 37,324,173	\$ 37,372,899	\$ 48,726

**SUPPLEMENTARY
INFORMATION**

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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 - Basic Grants	84.010	14329	\$ 17,166,883
Adult Education: English Literacy and Civics Education	84.002	13978	14,218
Adult Education: Adult Basic Education and ESL	84.002A	14109	26,396
Adult Education: Adult Basic Education and ESL	84.002A	14508	81,692
Subtotal Adult Education - Basic Grants			<u>122,306</u>
Improving Teacher Quality Grants			
Title II, Part A, Administrator Training	84.367	14344	72,462
Title II, Part A, Teacher Quality	84.367A	14341	3,284,272
Subtotal Improving Teacher Quality Grants			<u>3,356,734</u>
English Language Acquisition Grants			
Title III, Immigrant Education	84.365	15146	43,456
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,043,901
Subtotal English Language Acquisition Grants			<u>1,087,357</u>
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	1,004,325
Department of Rehab: Workability II, Transition Partnership	84.158	10006	162,801
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,450,079
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	325,490
Part B, Preschool Grants	84.173	13430	74,455
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	84,531
Preschool Staff Development	84.173A	13431	1,000
Subtotal Special Education Cluster			<u>3,935,555</u>
IDEA Early Intervention Grants	84.181	23761	91,745
Career and Technical Education Grants			
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 132 (Carl Perkins Act)	84.048	14893	40,989
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	322,598
Subtotal Career and Technical Education Grants			<u>363,587</u>
Total U. S. Department of Education			<u><u>27,291,293</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	1,953
National School Lunch Program	10.555	13391	7,687,837
Especially Needy Breakfast	10.553	13526	3,749,219
USDA Commodities	10.555	*	703,546
Meal Supplements	10.555	13528	320,678
Subtotal Child Nutrition Cluster			<u>12,463,233</u>
Total U. S. Department of Agriculture			<u><u>12,463,233</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	46,778
Total U. S. Department of Health & Human Services			<u>46,778</u>
Total Federal Expenditures			<u><u>\$ 39,801,304</u></u>

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2013**

	Second Period Report	Annual Report	Revised Annual Report
ELEMENTARY			
Kindergarten	2,167	2,225	2,225
First through third	6,136	6,125	6,125
Fourth through sixth	5,447	5,441	5,441
Seventh through eighth	3,342	3,354	3,354
Opportunity schools	5	6	6
Community day school	8	18	18
Home and hospital	13	11	11
Special education	657	662	662
Total Elementary	17,775	17,842	17,842
SECONDARY			
Regular classes	4,755	4,673	4,670
Continuation education	307	315	315
Opportunity schools	3	3	3
Community day school	11	15	15
Home and hospital	43	38	38
Special education	314	310	310
Total Secondary	5,433	5,354	5,351
Average Daily Attendance Total	23,208	23,196	23,193

See accompanying note to supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83		1986-87		2012-13 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	31,500	30,625	36,000	35,000	55,350	180	Complied
Grade 1	46,740	45,442	50,400	49,000	55,350	180	Complied
Grade 2	46,740	45,442	50,400	49,000	55,350	180	Complied
Grade 3	46,740	45,442	50,400	49,000	55,350	180	Complied
Grade 4	50,120	48,728	54,000	52,500	55,350	180	Complied
Grade 5	50,120	48,728	54,000	52,500	55,350	180	Complied
Grade 6	50,120	48,728	54,000	52,500	55,350	180	Complied
Grade 7	50,120	48,728	54,000	52,500	55,350	180	Complied
Grade 8	50,120	48,728	54,000	52,500	55,350	180	Complied
Grade 9	58,885	57,249	64,800	63,000	65,805	180	Complied
Grade 10	58,885	57,249	64,800	63,000	65,805	180	Complied
Grade 11	58,885	57,249	64,800	63,000	65,805	180	Complied
Grade 12	58,885	57,249	64,800	63,000	65,805	180	Complied

See accompanying note to supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	2014 (Budget)	2013	2012	2011
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 216,647,678	\$ 222,556,485	\$ 229,898,549	\$ 255,401,676
Expenditures And Other Financing Uses	221,743,942	230,609,787	241,253,902	262,986,425
Net change in Fund Balance	\$ (5,096,264)	\$ (8,053,302)	\$ (11,355,353)	\$ (7,584,749)
Ending Fund Balance	\$ 39,159,898	\$ 44,256,162	\$ 52,309,464	\$ 63,664,817
Available Reserves*	\$ 6,704,550	\$ 6,918,294	\$ 7,840,752	\$ 8,347,838
Available Reserves As A Percentage Of Outgo	3.02%	3.00%	3.25%	3.17%
Long-term Debt	\$ 113,156,055	\$ 122,930,310	\$ 126,723,217	\$ 132,808,949
Average Daily Attendance At P-2	23,208	23,208	23,395	23,783

The General Fund balance has decreased by \$19,408,655 over the past two years. The fiscal year 2013-14 budget projects a further decrease of \$5,096,264. 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 and anticipates incurring an operating deficit during the 2013-14 fiscal year. Total long term obligations have decreased by \$9,878,639 over the past two years.

Average daily attendance has decreased by 575 ADA over the past two years. No change in ADA is anticipated during the 2013-14 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 reasons:

- On behalf payments of \$5,439,608 are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

There were no adjustments necessary to reconcile ending fund balances from the Annual Financial and Budget Report with the Audited Financial Statements for the year ended June 30, 2013.

**COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2013**

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, 2013 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2013.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 39,839,441
Medi-Cal Billing Option	93.778	<u>(38,137)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$39,801,304</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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46206*.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. 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, 2013

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.

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**

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Tanya M. Rogers, CPA, CFE

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State Board of Accountancy*

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, 2013, 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 9, 2013.

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.

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 #2013-1)

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 9, 2013

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

Christy White, CPA

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Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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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, 2013. 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.

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, 2013.

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. However, material weaknesses may exist that have not been identified.

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.



San Diego, California
December 9, 2013

REPORT ON STATE COMPLIANCE

Christy White, CPA

John Dominguez, CPA, CFE

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Heather Daud

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*Licensed by the California
State Board of Accountancy*

Independent Auditors' Report

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 *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, 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, 2013, 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 *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, 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.

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, 2013.

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 #2013-2 and #2013-3. 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 IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	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 9, 2013

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

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>84.010</u>	<u>Title I, Part A, Basic Grants</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,194,039</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weakness(es) 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, 2013

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING #2013-1: 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: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Whaley Middle School

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

Centennial High School

- General ledger is not maintained
- 1 instance where the W-9 was not obtained for independent contractor
- 7 instances noted where no cash receipt logs are being used
- 10 instances noted where no pre-numbered cash receipts are being used
- 3 instances noted where bank deposit are not made timely
 - 1 was noted to not have a deposit slip
 - 1 was noted to have the deposit made prior to collection (most likely clerical error)
 - 1 was noted to have a deposit greater than 10 days after the event
- 1 instance without an ASB officers signature present on a requisition
- 1 disbursement did not have a purchase requisition
- 5 disbursements were noted to not have a check copy for support

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Perspective: We audited four ASBs at the school sites selected for testing in fiscal year 2012-13. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization.

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2013-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the need for sound internal control procedures to be implemented.

District Response: The District's Fiscal Services Department will conduct ASB workshops twice a year with all ASB staff to provide additional training regarding policies and procedures.

COMPTON UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013.

**COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2013-2: CLASS SIZE REDUCTION (40000)

Criteria: Pursuant to Education Code Sections 52120-52128.5, the District received Class Size Reduction Program funding. Auditors are required to verify compliance in Section 19845.2 of the Standards and Procedures for Audits of California K-12 Local Education Agencies.

Condition: The District's submitted claim form (J-7 CSR) did not agree to the support from the AERIES attendance system as follows:

Questioned Costs: The District underreported the number of classes, resulting in an additional \$19,278 that the District is entitled to claim. The District has revised the form J-7 CSR to the correct amount.

Cause: Errors were made in transferring data from the AERIES attendance system into an excel spreadsheet used to fill out the form J-7 CSR.

Effect: The District is out of compliance with the State's requirements regarding class size reduction. However, the District has since implemented procedures to ensure that the errors will not occur in the future. Also, the District has re-submitted the form J-7 CSR so there is no effect going forward.

Perspective: Review of the underlying calculation behind the District's form J-7 CSR.

Recommendation: The District should review the form J-7 CSR to ensure that the numbers reported agree to the AERIES attendance system.

District Response: The Attendance System Analyst and the new Administrative Technician will review all data and formula calculation to ensure all information is accurate before submission of form J-7 CSR.

COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2013-3: ATTENDANCE REPORTING (10000)

Criteria: The average daily attendance (ADA) reported on the District's attendance reports submitted to the California Department of Education (CDE) should agree to the supporting summaries of attendance per Education Code Section 46000 et seq. Auditors are required to verify compliance per Section 19817.2 of the *Standards and Procedures for Audits of California K - 12 Local Educational Agencies*.

Condition: During our testing of the Annual report of attendance submitted to CDE, it was noted that the amount reported for grades 9-12 was overstated by 3 ADA.

Cause: Error in the total formula on the District's attendance summary.

Effect: Overreporting of 3 ADA for grades 9-12 on the Annual report of attendance.

Questioned Costs: The District's 2012-13 Annual report of attendance was overstated by 3 ADA, however, funding is determined using the Second Principal report of attendance which was correctly reported. No questioned costs.

Recommendation: During the audit, we recommended the District revise their Annual report of attendance to account for the overstatement in grades 9-12.

District Response: The District has revised their annual attendance report to account for the overstatement in grades 9-12. In addition, the District has added additional staffing in an effort to ensure the accuracy of attendance reporting in the future.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-1: 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: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Dominguez High School

- One (1) of 10 cash disbursement lacked sufficient documentation necessary to substantiate expenses.
- Auditor noted through internal control interview and cash receipts walkthrough that the cash receipts process lacks sufficient organization and supporting documentation needed to trace amounts deposited directly to source documentation (i.e. tally sheets, inventory control sheets, ticket control sheets).

Roosevelt Middle School

- Auditor noted through interview process that meeting minutes are not documented and maintained on a consistent basis.
- Through inquiry, auditor noted certain cash receipts are not being deposited into the student body funds account. Amount collected for fundraising purposes should be documented and deposited into the student body funds. In addition, disbursements made from student body funds should be approved and documented through the use of check request forms.
- One (1) of 4 cash disbursements tested did not have documented student representative approval.
- Four (4) of 4 cash receipts tested could not be reconciled from bank deposit records to revenue source. Deposits lacked sufficient documentation needed to trace and verify amounts deposited to source documents.

Enterprise Middle School

- Deposit in the amount of \$1,510 made on 12/16/11 lacked sufficient documentation needed to trace amount deposited to amount collected. Collections for deposit included PE clothing sales, gram sales, and dance ticket sales. In addition, PE clothing sales receipts included in deposit ended 10/6/11, resulting in an untimely deposit of student body funds.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

Perspective: We audited four ASBs at the school sites selected for testing in fiscal year 2011-12. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the need for sound internal control procedures to be implemented.

District Response: The District's Fiscal Services department (FSD) will meet with all the ASB school principals and assistant principals to discuss their roles as they apply to ASBs. The FSD will provide handbooks to all ASBs outlining policies and procedures. In addition, the FSD provided training during fiscal year 2011-12, and will continue to provide training workshops to all ASB staff.

Current Status: Not implemented, See Finding #2013-1.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-2: BANK ACCOUNTS AND RECONCILIATIONS (30000)

Criteria: Internal controls should be implemented to ensure the bank accounts are reconciled.

Condition: In our test of cafeteria clearing account balance, we noted a variance between the balance on the bank reconciliation and the District's general ledger. The reconciliation balance should reflect a zero balance as the account is a clearing account.

In our test of ASB bank accounts, we noted the following internal control deficiencies:

- Negative expenses were noted for a District's ASB.
- Ending fund balances were unable to be reconciled for several of the District's ASBs.

Cause: Lack of training and internal control procedures surrounding bank reconciliations.

Effect or potential effect: Cash balances may not be properly stated without a reconciliation process.

Perspective: Review of year-end bank accounts and reconciliations.

Recommendation: We recommend that the District implement procedures to ensure that all bank accounts are properly reconciled and that these reconciliations are reviewed by an appropriate individual on a timely basis.

District Response: The District will ensure in the future that all accounts are reconciled and cleared before the books are closed. The Director of Accounting and Budgeting has instructed the responsible staff to perform bank reconciliations on a monthly basis. In addition, the Director of Accounting and Budgeting now reviews and signs all bank reconciliations.

Current Status: Implemented.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-3: ATTENDANCE (10000)

Criteria: Regular class attendance submitted to the California Department of Education should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (California Education Code Section 46000 et seq.). Auditors are required to verify compliance in Section 19817.2 of the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*.

Condition: We noted attendance discrepancies as follows:

Laurel St. Elementary

- Auditor noted attendance discrepancies for 1 of 1 teacher tested. Attendance source documents (scantrons) do not match the attendance register records resulting in an overstatement of 1 student day.

Kennedy Elementary School

- Auditor noted attendance discrepancies for 2 of 2 teachers tested. Attendance source documents (scantrons) do not match the attendance register records, resulting in an overstatement of 3 student days.

Cesar Chavez Continuation

- Auditor noted that there were 5 instances of source documentation not agreeing to the attendance register. The total ADA effect was an overstatement of 1 student day.

Cause: There were inconsistencies between the attendance system and source documents resulting in understatement of attendance in the 2011-12 school year.

Effect: The District is out of compliance with the State's requirements regarding attendance reporting.

Perspective: Testing of attendance at various school sites.

ADA Impact: 5 student days were overstated. The District's base revenue limit was \$6,530.75 and there were 127 days in the District's P-2 reporting period, resulting in a potential fiscal impact of \$257. However, the District has revised P-2 to reflect this change.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-3: ATTENDANCE (10000) (continued)

Recommendation: School sites should ensure that all source documentation should accurately reflect the attendance recorded in the register. Any changes made to the system should be noted on the source documents (Scantrons).

District Response: The District, in fiscal year 2012-13, stopped using scantrons and began using electronic daily attendance recording. Teachers now record attendance through their computers. This will ensure proper and accurate reflection of recorded attendance with the attendance register.

Current Status: Implemented.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-4: CLASS SIZE REDUCTION (40000)

Criteria: Pursuant to Education Code Sections 52120-52128.5, the District received Class Size Reduction Program funding. Auditors are required to verify compliance in Section 19845.2 of the Standards and Procedures for Audits of California K-12 Local Education Agencies.

Condition: The District's submitted claim form (J-7 CSR) did not agree to the support from the AERIES attendance system.

Questioned Costs: The District under claimed number of classes, resulting in an additional \$69,615 that the District is entitled to claim. The District has revised the form J-7 CSR to the correct amount.

Cause: Errors were made in transferring data from the AERIES attendance system into an excel spreadsheet used to fill out the form J-7 CSR.

Effect: The District is out of compliance with the State's requirements regarding class size reduction. However, the District has since implemented procedures to ensure that the errors will not occur in the future. Also, the District has re-submitted the form J-7 CSR so there is no effect going forward.

Perspective: Review of the underlying calculation behind the District's form J-7 CSR.

Recommendation: The District should review the form J-7 CSR to ensure that the numbers reported agree to the AERIES attendance system.

District Response: The Senior Director of Fiscal Services will review all the formulas in the excel spreadsheet used to fill out the form J-7 CSR to ensure that no formula alteration occurred during data transfer from the AERIES attendance system before it is submitted to the CDE.

Current Status: Not implemented, See Finding #2013-2.