

COMPTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2017

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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 FOR THE YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Compton Unified School District
Compton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Compton Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Compton Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Christy White, CPA

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State Board of Accountancy*

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Compton Unified School District, as of June 30, 2017, 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, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Compton Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 13, 2017 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 solely 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 13, 2017

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

INTRODUCTION

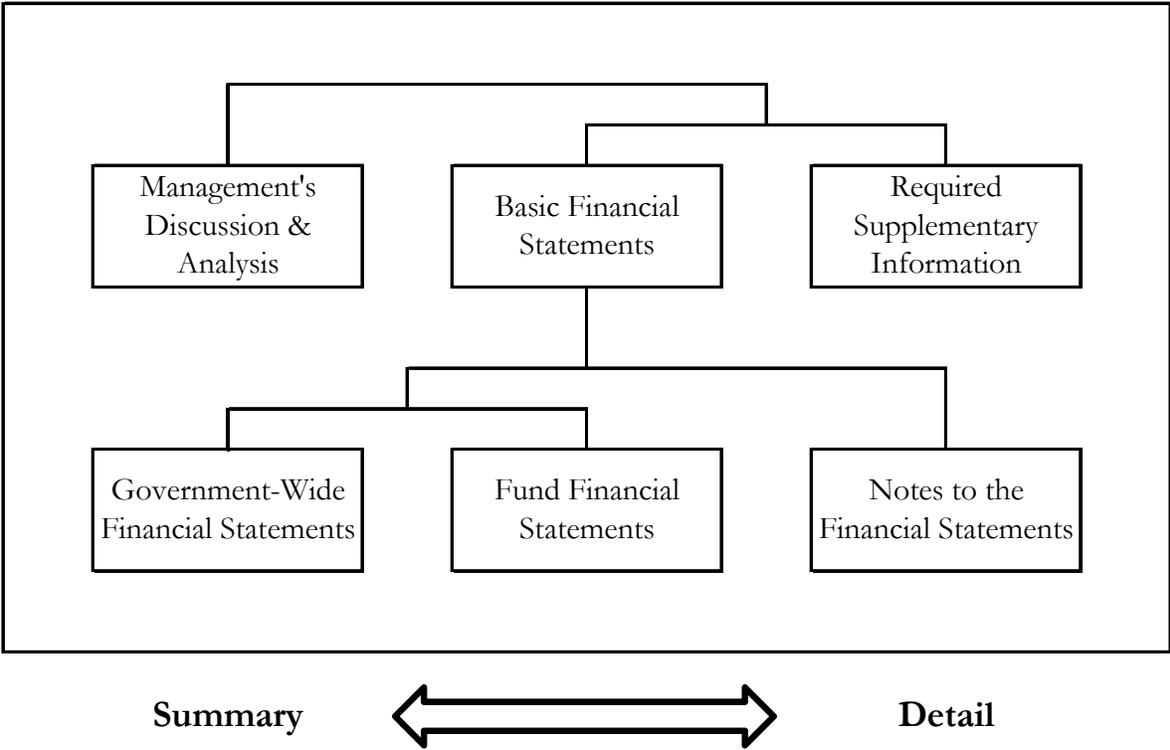
Our discussion and analysis of Compton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$81,055,516 at June 30, 2017. This was an increase of \$28,911,618 from prior year's net position of \$52,143,898.
- Overall revenues were \$346,010,887 which exceeded expenses of \$317,099,269.

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, 2017**

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. Local control formula 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, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$81,055,516 at June 30, 2017, as reflected below. Of this amount, \$(201,171,935) 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		
	2017	2016	Net Change
ASSETS			
Current and other assets	\$ 173,955,504	\$ 172,472,276	\$ 1,483,228
Capital assets	320,714,215	294,566,917	26,147,298
Total Assets	494,669,719	467,039,193	27,630,526
DEFERRED OUTFLOWS OF RESOURCES	77,668,912	61,034,546	16,634,366
LIABILITIES			
Current liabilities	95,933,736	84,323,427	11,610,309
Long-term liabilities	343,512,025	338,319,302	5,192,723
Total Liabilities	439,445,761	422,642,729	16,803,032
DEFERRED INFLOWS OF RESOURCES	51,837,354	29,798,141	22,039,213
NET POSITION			
Net investment in capital assets	261,372,073	224,852,428	36,519,645
Restricted	20,855,378	19,536,600	1,318,778
Unrestricted	(201,171,935)	(192,245,130)	(8,926,805)
Total Net Position	\$ 81,055,516	\$ 52,143,898	\$ 28,911,618

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

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 and rearranges slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2017	2016	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 6,775	\$ 2,843	\$ 3,932
Operating grants and contributions	100,518,099	87,319,885	13,198,214
General revenues			
Property taxes	47,659,277	38,372,163	9,287,114
Unrestricted federal and state aid	193,119,296	208,903,830	(15,784,534)
Other	4,707,440	2,807,164	1,900,276
Total Revenues	346,010,887	337,405,885	8,605,002
EXPENSES			
Instruction	181,672,037	176,144,533	5,527,504
Instruction-related services	25,664,888	23,280,034	2,384,854
Pupil services	37,572,291	33,724,753	3,847,538
General administration	25,940,889	21,350,228	4,590,661
Plant services	30,218,324	31,735,907	(1,517,583)
Ancillary and community services	1,336,925	1,190,039	146,886
Debt service	4,376,675	3,732,087	644,588
Other Outgo	307,503	2,793,349	(2,485,846)
Depreciation	10,005,788	8,880,182	1,125,606
Enterprise activities	3,949	23,463	(19,514)
Total Expenses	317,099,269	302,854,575	14,244,694
Change in net position	28,911,618	34,551,310	(5,639,692)
Net Position - Beginning	52,143,898	17,592,588	34,551,310
Net Position - Ending	\$ 81,055,516	\$ 52,143,898	\$ 28,911,618

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The cost of all our governmental activities this year was \$317,099,269 but the net cost of services was only \$216,574,395. The amount that our taxpayers ultimately financed for these activities through taxes was only \$47,659,277 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2017	2016
Instruction	\$ 108,398,805	\$ 137,137,797
Instruction-related services	18,914,298	17,792,000
Pupil services	18,986,865	15,722,166
General administration	24,581,966	19,260,681
Plant services	29,702,757	10,026,814
Ancillary and community services	1,299,114	1,169,240
Debt service	4,376,675	3,732,087
Transfers to other agencies	307,503	1,787,417
Depreciation	10,005,788	8,880,182
Enterprise activities	624	23,463
Total Expenses	\$ 216,574,395	\$ 215,531,847

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 \$94,002,255, which is more than last year’s ending fund balance of \$74,606,731. The District’s General Fund had \$4,980,289 more in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$408,326 less in operating revenues than expenditures for the year ended June 30, 2017.

CURRENT YEAR BUDGET 2016-17

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, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested \$320,714,215 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2017	2016	Net Change
CAPITAL ASSETS			
Land	\$ 6,693,026	\$ 6,693,026	\$ -
Construction in progress	208,944	-	208,944
Land improvements	34,686,782	10,711,603	23,975,179
Buildings & improvements	420,476,747	408,925,786	11,550,961
Furniture & equipment	22,005,818	21,587,816	418,002
Accumulated depreciation	(163,357,102)	(153,351,314)	(10,005,788)
Total Capital Assets	\$ 320,714,215	\$ 294,566,917	\$ 26,147,298

Long-Term Debt

At year-end, the District had \$343,512,025 in long-term debt, an increase of \$5,192,723 – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2017	2016	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 77,313,469	\$ 66,585,808	\$ 10,727,661
Total certificates of participation	21,337,533	23,160,286	(1,822,753)
Compensated absences	2,047,288	2,302,200	(254,912)
Net OPEB obligation	22,685,620	19,529,723	3,155,897
Net pension liability	235,970,403	236,234,652	(264,249)
Less: current portion of long-term debt	(15,842,288)	(9,493,367)	(6,348,921)
Total Long-term Liabilities	\$ 343,512,025	\$ 338,319,302	\$ 5,192,723

**COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

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

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2017. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2017-18 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, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 159,503,071
Accounts receivable	14,063,604
Inventory	380,935
Prepaid expenses	7,894
Capital assets, not depreciated	6,901,970
Capital assets, net of accumulated depreciation	313,812,245
Total Assets	494,669,719
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	76,408,289
Deferred amount on refunding	1,260,623
Total Deferred Outflows of Resources	77,668,912
LIABILITIES	
Deficit cash	870,135
Accrued liabilities	76,910,566
Unearned revenue	2,310,747
Long-term liabilities, current portion	15,842,288
Long-term liabilities, non-current portion	343,512,025
Total Liabilities	439,445,761
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	51,837,354
Total Deferred Inflows of Resources	51,837,354
NET POSITION	
Net investment in capital assets	261,372,073
Restricted:	
Capital projects	6,378,432
Debt service	2,177,602
Educational programs	11,821,380
All others	477,964
Unrestricted	(201,171,935)
Total Net Position	\$ 81,055,516

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

**COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 181,672,037	\$ 1,863	\$ 73,271,369	\$ (108,398,805)
Instruction-related services				
Instructional supervision and administration	9,530,691	-	4,560,795	(4,969,896)
Instructional library, media, and technology	1,695,492	3	190,855	(1,504,634)
School site administration	14,438,705	114	1,998,823	(12,439,768)
Pupil services				
Home-to-school transportation	7,571,765	46	143,336	(7,428,383)
Food services	15,275,043	-	15,106,989	(168,054)
All other pupil services	14,725,483	801	3,334,254	(11,390,428)
General administration				
Centralized data processing	3,487,883	337	54,983	(3,432,563)
All other general administration	22,453,006	149	1,303,454	(21,149,403)
Plant services	30,218,324	123	515,444	(29,702,757)
Ancillary services	1,336,925	14	37,797	(1,299,114)
Enterprise activities	3,949	3,325	-	(624)
Interest on long-term debt	4,376,675	-	-	(4,376,675)
Other Outgo	307,503	-	-	(307,503)
Depreciation (unallocated)	10,005,788	-	-	(10,005,788)
Total Governmental Activities	\$ 317,099,269	\$ 6,775	\$ 100,518,099	(216,574,395)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				33,561,517
Property taxes, levied for debt service				12,839,664
Property taxes, levied for other specific purposes				1,258,096
Federal and state aid not restricted for specific purposes				193,119,296
Interest and investment earnings				1,371,193
Interagency revenues				29,792
Miscellaneous				3,306,455
Subtotal, General Revenue				245,486,013
CHANGE IN NET POSITION				28,911,618
Net Position - Beginning				52,143,898
Net Position - Ending				\$ 81,055,516

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

COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 102,127,571	\$ 19,492,487	\$ 19,189,101	\$ 140,809,159
Accounts receivable	9,123,005	99,743	4,755,485	13,978,233
Due from other funds	3,516,881	-	-	3,516,881
Stores inventory	299,501	-	81,434	380,935
Prepaid expenditures	7,894	-	-	7,894
Total Assets	\$ 115,074,852	\$ 19,592,230	\$ 24,026,020	\$ 158,693,102
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ 870,135	\$ 870,135
Accrued liabilities	52,877,444	-	5,115,640	57,993,084
Due to other funds	-	-	3,516,881	3,516,881
Unearned revenue	1,496,849	-	813,898	2,310,747
Total Liabilities	54,374,293	-	10,316,554	64,690,847
FUND BALANCES				
Nonspendable	1,296,289	-	81,434	1,377,723
Restricted	10,375,448	19,592,230	10,653,851	40,621,529
Committed	-	-	2,974,181	2,974,181
Assigned	39,185,258	-	-	39,185,258
Unassigned	9,843,564	-	-	9,843,564
Total Fund Balances	60,700,559	19,592,230	13,709,466	94,002,255
Total Liabilities and Fund Balances	\$ 115,074,852	\$ 19,592,230	\$ 24,026,020	\$ 158,693,102

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, 2017

Total Fund Balance - Governmental Funds \$ 94,002,255

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	\$ 484,071,317	
Accumulated depreciation	(163,357,102)	320,714,215

Deferred amount on refunding:

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

1,260,623

Unmatured interest on long-term debt:

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

(173,924)

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	\$ 77,313,469	
Total certificates of participation	21,337,533	
Compensated absences	2,047,288	
Net OPEB obligation	22,685,620	
Net pension liability	235,970,403	(359,354,313)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 76,408,289	
Deferred inflows of resources related to pensions	(51,837,354)	24,570,935

Internal service funds:

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

(10,060,705)

Total Net Position - Governmental Activities \$ 70,959,086

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, 2017**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 217,947,571	\$ -	\$ -	\$ 217,947,571
Federal sources	16,632,051	-	14,446,921	31,078,972
Other state sources	30,644,683	-	35,680,865	66,325,548
Other local sources	4,791,564	143,767	14,854,679	19,790,010
Total Revenues	270,015,869	143,767	64,982,465	335,142,101
EXPENDITURES				
Current				
Instruction	165,721,032	-	3,377,269	169,098,301
Instruction-related services				
Instructional supervision and administration	8,532,848	-	373,921	8,906,769
Instructional library, media, and technology	1,665,257	-	-	1,665,257
School site administration	13,132,117	-	277,712	13,409,829
Pupil services				
Home-to-school transportation	7,570,121	-	-	7,570,121
Food services	-	-	15,216,842	15,216,842
All other pupil services	13,756,463	-	1,244	13,757,707
General administration				
Centralized data processing	3,647,526	-	-	3,647,526
All other general administration	19,171,394	-	168,251	19,339,645
Plant services				
Facilities acquisition and maintenance	995,367	289,944	34,449,775	35,735,086
Ancillary services	1,303,622	-	-	1,303,622
Transfers to other agencies	45,354	-	-	45,354
Debt service				
Principal	1,580,000	-	12,275,000	13,855,000
Interest and other	999,599	262,149	1,912,455	3,174,203
Total Expenditures	265,035,580	552,093	71,315,360	336,903,033
Excess (Deficiency) of Revenues Over Expenditures	4,980,289	(408,326)	(6,332,895)	(1,760,932)
Other Financing Sources (Uses)				
Transfers in	-	-	3,567,083	3,567,083
Other sources	-	20,000,000	10,578,631	30,578,631
Transfers out	(3,567,083)	-	-	(3,567,083)
Other uses	-	-	(9,422,175)	(9,422,175)
Net Financing Sources (Uses)	(3,567,083)	20,000,000	4,723,539	21,156,456
NET CHANGE IN FUND BALANCE	1,413,206	19,591,674	(1,609,356)	19,395,524
Fund Balance - Beginning	59,287,353	556	15,318,822	74,606,731
Fund Balance - Ending	\$ 60,700,559	\$ 19,592,230	\$ 13,709,466	\$ 94,002,255

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, 2017**

Net Change in Fund Balances - Governmental Funds \$ 19,395,524

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:	\$ 36,153,086	
Depreciation expense:	<u>(10,005,788)</u>	26,147,298

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:

23,025,000

Debt proceeds:

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

(30,578,631)

Deferred amounts on refunding:

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

143,052

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:

(4,221)

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.

(2,411,318)

(continued on next page)

**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, 2017**

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: 254,912

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: (3,155,897)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (5,283,650)

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: 1,060,041

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: (9,776,922)

Change in Net Position of Governmental Activities

\$ 18,815,188

COMPTON UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and investments	\$ 18,693,912
Accounts receivable	85,371
Total current assets	<u>18,779,283</u>
Total Assets	<u>18,779,283</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	226,144
Total current liabilities	<u>226,144</u>
Non-current liabilities	28,613,844
Total Liabilities	<u>28,839,988</u>
NET POSITION	
Restricted	35,725
Total Net Position	<u>\$ (10,060,705)</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, 2017

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
OPERATING REVENUE	
Charges for services	\$ 7,439,550
Other local revenues	308,679
Total operating revenues	<u>7,748,229</u>
OPERATING EXPENSE	
Salaries and benefits	384,697
Supplies and materials	11,727
Professional services	17,312,716
Total operating expenses	<u>17,709,140</u>
Operating income/(loss)	<u>(9,960,911)</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	183,989
Total non-operating revenues/(expenses)	<u>183,989</u>
CHANGE IN NET POSITION	(9,776,922)
Net Position - Beginning	<u>(283,783)</u>
Net Position - Ending	<u>\$ (10,060,705)</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, 2017**

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash received from user charges	\$ 7,476,191
Cash payments for payroll, insurance, and operating costs	(12,816,094)
Net cash provided by (used for) operating activities	<u>(5,339,903)</u>
Cash flows from investing activities	
Interest received	492,668
Net cash provided by (used for) investing activities	<u>492,668</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(4,847,235)</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	23,541,147
End of year	<u>\$ 18,693,912</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (173,160)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	36,641
Increase (decrease) in accounts payable	(5,203,384)
Net cash provided by (used for) operating activities	<u>\$ (5,339,903)</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Trust Funds	Agency Funds	
	Private-Purpose Trust Fund	Warrant/Pass-through Fund	Student Body Fund
ASSETS			
Cash and investments	\$ 85,373	\$ -	\$ 144,268
Accounts receivable	284	398,038	-
Total Assets	85,657	\$ 398,038	\$ 144,268
LIABILITIES			
Deficit cash	-	\$ 251,708	\$ -
Accrued liabilities	-	146,330	-
Due to student groups	-	-	144,268
Total Liabilities	-	\$ 398,038	\$ 144,268
NET POSITION			
Restricted	85,657		
Total Net Position	\$ 85,657		

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, 2017

	<u>Trust Funds</u> <u>Private-Purpose</u> <u>Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 933
Total Additions	<u>933</u>
CHANGE IN NET POSITION	933
Net Position - Beginning	<u>84,724</u>
Net Position - Ending	<u>\$ 85,657</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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.

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*).

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]*).

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

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*).

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).

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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Project Funds (continued):

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

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

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

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

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

Proprietary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

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

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

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Unearned Revenue

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Inventories

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

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 acquisition value as of the date received. The District maintains a capitalization threshold of \$15,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

Interfund Balances

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

Compensated Absences

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accrued Liabilities and Long-Term Obligations

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

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

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard’s primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	\$ 140,559,159	\$ 17,843,912	\$ 158,403,071	\$ 85,373
Cash on hand and in banks	-	-	-	144,268
Cash with fiscal agent	100,000	850,000	950,000	-
Cash in revolving fund	150,000	-	150,000	-
Total cash and investments*	\$ 140,809,159	\$ 18,693,912	\$ 159,503,071	\$ 229,641

**Total cash and investments includes deficit cash*

B. Policies and Practices

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

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

Cash with Fiscal Agent – Cash with fiscal agent consists of \$950,000 held with Union Bank for workers’ compensation.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$157,544,993 and an amortized book value of \$158,632,712. The average weighted maturity for this pool is 672 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, 2017, the pooled investments in the County Treasury were not rated.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2017 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 157,544,993
Total fair market value of investments	<u>\$ 157,544,993</u>

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Fiduciary
Federal Government						
Categorical aid	\$ 7,033,376	\$ -	\$ 2,619,022	\$ -	\$ 9,652,398	\$ -
State Government						
Categorical aid	233,613	-	2,101,939	-	2,335,552	-
Lottery	1,206,719	-	-	-	1,206,719	-
Local Government						
Other local sources	649,297	99,743	34,524	85,371	868,935	398,322
Total	\$ 9,123,005	\$ 99,743	\$ 4,755,485	\$ 85,371	\$ 14,063,604	\$ 398,322

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,693,026	\$ -	\$ -	\$ 6,693,026
Construction in progress	-	208,944	-	208,944
Total Capital Assets not Being Depreciated	6,693,026	208,944	-	6,901,970
Capital assets being depreciated				
Land improvements	10,711,603	23,975,179	-	34,686,782
Buildings & improvements	408,925,786	11,550,961	-	420,476,747
Furniture & equipment	21,587,816	418,002	-	22,005,818
Total Capital Assets Being Depreciated	441,225,205	35,944,142	-	477,169,347
Less Accumulated Depreciation				
Land improvements	5,785,417	382,240	-	6,167,657
Buildings & improvements	127,108,589	9,323,577	-	136,432,166
Furniture & equipment	20,457,308	299,971	-	20,757,279
Total Accumulated Depreciation	153,351,314	10,005,788	-	163,357,102
Governmental Activities				
Capital Assets, net	\$ 294,566,917	\$ 26,147,298	\$ -	\$ 320,714,215

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From /To)

For the year ended June 30, 2017, the Non-Major Cafeteria Fund owes the General Fund \$2,000,000 for operating obligations and the Non-Major Special Reserve Fund for Capital Outlay Projects owes the General Fund \$1,516,881 construction expenses.

Operating Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	Interfund Transfers In	
	Non-Major Governmental Funds	Total
Interfund Transfers Out		
General Fund	\$ 3,567,083	\$ 3,567,083
Total Interfund Transfers	\$ 3,567,083	\$ 3,567,083
Transfer from the General Fund to the Non-Major Adult Education Fund to continue funding program.	\$	342,083
Transfer from the General Fund to the Non-Major Deferred Maintenance Fund to continue funding program.		3,225,000
Total		\$ 3,567,083

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017 consisted of the following:

	Non-Major Governmental		Internal Service		Total Governmental		Total Fiduciary
	General Fund	Funds	Funds	District-Wide	Activities		
Payroll	\$ 20,632,827	\$ 984,628	\$ 44,426	\$ -	\$ 21,661,881	\$ 146,330	
Construction	-	2,267,350	-	-	2,267,350	-	
Vendors payable	32,244,617	3,380,543	18,699,132	-	54,324,292	-	
Unmatured interest	-	-	-	173,924	173,924	-	
Total	\$ 52,877,444	\$ 6,632,521	\$ 18,743,558	\$ 173,924	\$ 78,427,447	\$ 146,330	

NOTE 7 – CLAIMS LIABILITY

The District is self-insured for Workers' Compensation. At June 30, 2017, the District maintained a reserve of \$28,613,844 to pay future claims. At June 30, 2017, the District had \$18,779,283 in assets available to pay claims.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2017 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 53,264	\$ 54,035	\$ 107,299
State categorical sources	1,443,585	759,863	2,203,448
Total	\$ 1,496,849	\$ 813,898	\$ 2,310,747

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 44,183,622	\$ 27,785,000	\$ 18,576,211	\$ 53,392,411	\$ 10,222,247
Unamortized premium	3,644,125	2,793,631	827,002	5,610,754	827,002
Unamortized discount	(155,417)	-	(9,714)	(145,703)	(9,714)
Accreted interest	18,913,478	2,411,318	2,868,789	18,456,007	3,152,753
Total general obligation bonds	66,585,808	32,989,949	22,262,288	77,313,469	14,192,288
Certificates of participation	20,490,000	-	1,580,000	18,910,000	1,650,000
Unamortized premium	2,670,286	-	242,753	2,427,533	-
Total certificates of participation	23,160,286	-	1,822,753	21,337,533	1,650,000
Compensated absences	2,302,200	-	254,912	2,047,288	-
Net OPEB obligation	19,529,723	3,155,897	-	22,685,620	-
Net pension liability	236,234,652	-	264,249	235,970,403	-
Total	\$ 347,812,669	\$ 36,145,846	\$ 24,604,202	\$ 359,354,313	\$ 15,842,288

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the General Fund and Special Reserve Fund for Capital Outlay Projects.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$2,047,288. This amount is included as part of long-term liabilities in the government-wide financial statements.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – LONG-TERM DEBT (continued)

B. Certificates of Participation

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.

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

The annual requirements to amortize all certificates of participation outstanding at June 30, 2017 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,650,000	\$ 929,000	\$ 2,579,000
2019	1,725,000	863,000	2,588,000
2020	1,805,000	776,750	2,581,750
2021	1,895,000	686,500	2,581,500
2022	1,990,000	591,750	2,581,750
2023 - 2027	9,845,000	1,407,250	11,252,250
Total	<u>\$ 18,910,000</u>	<u>\$ 5,254,250</u>	<u>\$ 24,164,250</u>

C. General Obligation Bonds

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

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 9 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

In March 2015, the District issued \$5,505,000 of Series E refunding bonds to advance refund a portion of the Series C bonds. Deferred charges on refunding of \$347,281 remain to be amortized. This refunding reduced total debt service payments by \$999,276 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$811,455. Deferred charges on refunding of \$347,281 remain to be amortized. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$0.

On October 26, 2016, the District issued 2002 Election, 2016 Series F General Obligation Refunding Bonds in the amount of \$7,785,000. The bonds were issued to current refund and defease all of the District's outstanding General Obligation Bonds, 2002 Election, 2006 Series C and to pay costs of issuance. The bonds accrue interest between 2% and 5.5% per annum from the date of the issuance and are payable semi-annually on June 1 and December 1 of each year through June 2031. Deferred charges on refunding of \$235,263 remain to be amortized. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$0.

On November 3, 2015, the voters authorized the District to issue and sale \$350,000,000 in principal amount of general obligation bonds to finance the acquisition and improvement of various capital facilities of the District. On October 26, 2016, the District issued 2015 Election, Series A General Obligation Bonds in the amount of \$20,000,000. The bonds accrue interest between 2% and 5% per annum from the date of the issuance and are payable semi-annually on June 1 and December 1 of each year through June 2020.

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

Year Ended June 30,	Principal	Interest	Total
2018	\$ 10,222,247	\$ 4,310,841	\$ 14,533,088
2019	9,915,669	4,410,619	14,326,288
2020	7,185,220	4,504,868	11,690,088
2021	3,841,583	4,645,055	8,486,638
2022	3,667,725	4,867,613	8,535,338
2023 - 2027	6,339,967	13,093,155	19,433,122
2028 - 2031	12,220,000	1,447,963	13,667,963
Total	\$ 53,392,411	\$ 37,280,114	\$ 90,672,525

* Principal excludes accreted interest of \$18,456,007

D. Net Pension Liability

The District's beginning net pension liability was \$236,234,652 and decreased by \$264,249 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$235,970,403. See Note 12 for additional information regarding the net pension liability.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2017:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 150,000	\$ -	\$ -	\$ 150,000
Stores inventory	299,501	-	81,434	380,935
Prepaid expenditures	7,894	-	-	7,894
All others	838,894	-	-	838,894
Total non-spendable	<u>1,296,289</u>	<u>-</u>	<u>81,434</u>	<u>1,377,723</u>
Restricted				
Educational programs	10,375,448	-	1,445,930	11,821,378
Capital projects	-	19,592,230	6,378,431	25,970,661
Debt service	-	-	2,351,526	2,351,526
All others	-	-	477,964	477,964
Total restricted	<u>10,375,448</u>	<u>19,592,230</u>	<u>10,653,851</u>	<u>40,621,529</u>
Committed				
Other commitments	-	-	2,974,181	2,974,181
Total committed	<u>-</u>	<u>-</u>	<u>2,974,181</u>	<u>2,974,181</u>
Assigned				
Reserve for future obligations	39,185,258	-	-	39,185,258
Total assigned	<u>39,185,258</u>	<u>-</u>	<u>-</u>	<u>39,185,258</u>
Unassigned				
Reserve for economic uncertainties	8,326,683	-	-	8,326,683
Total unassigned	<u>9,843,564</u>	<u>-</u>	<u>-</u>	<u>9,843,564</u>
Total	<u>\$ 60,700,559</u>	<u>\$ 19,592,230</u>	<u>\$ 13,709,466</u>	<u>\$ 94,002,255</u>

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

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

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	391
Active plan members	2,769
Total*	<u>3,160</u>
 Number of participating employers	 1

*As of July 1, 2015 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, 2017, 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 contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 4,796,443
Interest on net OPEB obligation	781,189
Adjustment to annual required contribution	<u>(1,129,406)</u>
Annual OPEB cost (expense)	4,448,226
Contributions made	<u>(1,292,329)</u>
Increase (decrease) in net OPEB obligation	3,155,897
Net OPEB obligation, beginning of the year	<u>19,529,723</u>
Net OPEB obligation, end of the year	<u>\$ 22,685,620</u>

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

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, 2017 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2017	\$ 4,448,226	29%	\$ 22,685,620
2016	\$ 4,505,520	29%	\$ 19,529,723
2015	\$ 2,843,030	24%	\$ 16,316,533

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, 2015	\$ -	\$ 38,208,733	\$ 38,208,733	0%	\$ 148,996,867	26%

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, 2017

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

E. 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	7/1/2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Health care trend rate	5.0-8.0%
Dental and vision	4.0%

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 12 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 173,838,458	\$ 55,954,087	\$ 43,008,005	\$ 16,429,004
PERS Pension	62,131,945	20,454,202	8,829,349	6,097,738
Total	\$ 235,970,403	\$ 76,408,289	\$ 51,837,354	\$ 22,526,742

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

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

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

CalSTRS 2% at 60

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

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

Benefits provided (continued)

CalSTRS 2% at 62

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, respectively, 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 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$11,699,892 for the year ended June 30, 2017.

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 \$6,791,132 to CalSTRS.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 173,838,458
State's proportionate share of the net pension liability associated with the District	98,977,703
Total	<u>\$ 272,816,161</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.215 percent, which was a decrease of 0.06145 percent from its proportion measured as of June 30, 2015.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2017, the District recognized pension expense of \$16,429,004. In addition, the District recognized pension expense and revenue of \$17,659,918 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 13,820,073	\$ -
Differences between expected and actual experience	-	4,240,592
Changes in proportion and differences between District contributions and proportionate share of contributions	30,434,122	38,767,413
District contributions subsequent to the measurement date	11,699,892	-
	<u>\$ 55,954,087</u>	<u>\$ 43,008,005</u>

The \$11,699,892 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 6,388,332	\$ 7,235,167
2019	6,388,332	7,235,167
2020	14,120,480	7,235,167
2021	11,270,224	7,235,167
2022	6,086,827	7,235,167
2023	-	6,832,170
	<u>\$ 44,254,195</u>	<u>\$ 43,008,005</u>

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Inflation Sensitive	4%	3.80%
Fixed Income	12%	0.30%
Absolute Return	9%	2.90%
Cash/Liquidity	2%	-1.00%
	<u>100%</u>	

* 20-year geometric average

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

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

Discount rate

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 250,192,746	\$ 173,838,458	\$ 110,423,024

Pension plan fiduciary net position

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS)

Plan Description

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

Benefits provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$5,543,200 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$62,131,945 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.315 percent, which was a decrease of 0.02572 percent from its proportion measured as of June 30, 2015.

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2017, the District recognized pension expense of \$6,097,738. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 9,640,880	\$ -
Differences between expected and actual experience	2,672,269	-
Changes in assumptions	-	1,866,695
Changes in proportion and differences between District contributions and proportionate share of contributions	2,597,853	6,962,654
District contributions subsequent to the measurement date	5,543,200	-
	<u>\$ 20,454,202</u>	<u>\$ 8,829,349</u>

The \$5,543,200 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 3,887,781	\$ 4,182,576
2019	3,796,396	3,852,565
2020	4,710,640	794,208
2021	2,516,185	-
	<u>\$ 14,911,002</u>	<u>\$ 8,829,349</u>

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

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

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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

COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 12 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

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

Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 92,701,207	\$ 62,131,945	\$ 36,677,017

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2017

NOTE 12 – PENSION PLANS (*continued*)

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

Pension plan fiduciary net position

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. **Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

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, 2017.

C. **Construction Commitments**

As of June 30, 2017, the District had no commitments with respect to unfinished capital projects.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 15 – DEFERRED AMOUNT ON REFUNDING

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2017, the deferred amount on refunding was \$1,260,623.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**COMPTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 226,337,063	\$ 226,270,402	\$ 217,947,571	\$ (8,322,831)
Federal sources	19,539,886	21,290,680	16,632,051	(4,658,629)
Other state sources	25,322,866	26,719,693	30,644,683	3,924,990
Other local sources	965,146	965,841	3,274,683	2,308,842
Total Revenues	272,164,961	275,246,616	268,498,988	(6,747,628)
EXPENDITURES				
Certificated salaries	115,815,181	116,372,002	112,194,829	4,177,173
Classified salaries	40,252,759	39,818,939	37,240,403	2,578,536
Employee benefits	48,645,057	49,008,680	48,294,252	714,428
Books and supplies	19,364,758	18,775,361	16,966,574	1,808,787
Services and other operating expenditures	46,266,313	52,179,170	46,935,996	5,243,174
Capital outlay	30,000	1,304,132	946,824	357,308
Other outgo				
Excluding transfers of indirect costs	2,840,675	2,840,675	2,624,953	215,722
Transfers of indirect costs	(891,137)	(891,137)	(168,251)	(722,886)
Total Expenditures	272,323,606	279,407,822	265,035,580	14,372,242
Excess (Deficiency) of Revenues				
Over Expenditures	(158,645)	(4,161,206)	3,463,408	7,624,614
Other Financing Sources (Uses)				
Transfers out	(3,567,083)	(3,567,083)	(3,567,083)	-
Net Financing Sources (Uses)	(3,567,083)	(3,567,083)	(3,567,083)	-
NET CHANGE IN FUND BALANCE	(3,725,728)	(7,728,289)	(103,675)	7,624,614
Fund Balance - Beginning	59,287,353	59,287,353	59,287,353	-
Fund Balance - Ending	\$ 55,561,625	\$ 51,559,064	\$ 59,183,678	\$ 7,624,614

*Audit adjustments are not included in this schedule.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2015	\$ -	\$ 38,208,733	\$ 38,208,733	0%	\$ 148,996,867	26%
July 1, 2013	\$ -	\$ 27,039,808	\$ 27,039,808	0%	\$ 139,876,101	19%
July 1, 2011	\$ -	\$ 21,598,646	\$ 21,598,646	0%	\$ 144,833,489	15%

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.215%	0.276%	0.220%
District's proportionate share of the net pension liability	\$ 173,838,458	\$ 186,073,187	\$ 128,276,966
State's proportionate share of the net pension liability associated with the District	98,977,703	98,411,941	77,459,171
Total	<u>\$ 272,816,161</u>	<u>\$ 284,485,128</u>	<u>\$ 205,736,137</u>
District's covered payroll	\$ 106,263,179	\$ 111,062,465	\$ 113,774,202
District's proportionate share of the net pension liability as a percentage of its covered payroll	163.6%	167.5%	112.7%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	76.5%

See accompanying note to required supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALPERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.315%	0.340%	0.405%
District's proportionate share of the net pension liability	\$ 62,131,945	\$ 50,161,465	\$ 45,984,025
District's covered payroll	\$ 42,733,687	\$ 42,944,375	\$ 42,326,807
District's proportionate share of the net pension liability as a percentage of its covered payroll	145.4%	116.8%	108.6%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 11,699,892	\$ 11,666,292	\$ 12,531,812
Contributions in relation to the contractually required contribution*	(11,699,892)	(11,666,292)	(12,531,812)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 106,263,179	\$ 111,062,465	\$ 113,774,202
Contributions as a percentage of covered payroll	11.01%	10.50%	11.01%

*Amounts do not include on behalf contributions

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,543,200	\$ 4,966,156	\$ 5,292,672
Contributions in relation to the contractually required contribution	(5,543,200)	(4,966,156)	(5,292,672)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 42,733,687	\$ 42,944,375	\$ 42,326,807
Contributions as a percentage of covered payroll	12.97%	11.56%	12.50%

See accompanying note to required supplementary information.

**COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

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

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

Schedule of District Contributions

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

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2017, 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:

	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Other outgo			
Transfers of indirect costs	\$ (891,137)	\$ (168,251)	\$ 722,886

**SUPPLEMENTARY
INFORMATION**

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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	84.010	14329	\$ 10,206,280
Title II, Part A, Teacher Quality	84.367	14341	433,620
Title III, English Learner Student Program	84.365	14346	768,131
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	141,990
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,988,235
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	216,491
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	26,699
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	50,577
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,000
Subtotal Special Education Cluster			<u>4,284,002</u>
IDEA Early Intervention Grants, Part C	84.181	23761	91,745
IDEA Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	10,000
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	323,606
Promoting Readiness of Minors	84.418T	*	116,311
Project READ	84.UNK	*	14,530
Total U. S. Department of Education			<u>16,390,215</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster [1]			
School Breakfast Program - Needy	10.553	13526	2,894,793
National School Lunch Program	10.555	13391	9,077,786
USDA Commodities	10.555	*	952,553
Meal Supplements	10.555	*	289,393
Subtotal Child Nutrition Cluster			<u>13,214,525</u>
Child and Adult Food Care Program	10.558	13393	1,227,031
National School Lunch Program Equipment Assistance Grants	10.579	14906	5,365
Total U. S. Department of Agriculture			<u>14,446,921</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medicaid			
Medi-Cal Billing Option	93.778	10013	73,349
Medi-Cal Administrative Activities	93.778	10060	41,141
Subtotal Medicaid			<u>114,490</u>
Total U. S. Department of Health & Human Services			<u>114,490</u>
Total Federal Expenditures			<u>\$ 30,951,626</u>

[1] - Major Program

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

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2017**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	7,612.04	7,556.64
Extended Year Special Education	1.09	1.09
Special Education - Nonpublic Schools	0.91	0.81
Extended Year Special Education - Nonpublic Schools	0.28	-
Total TK/K through Third	7,614.32	7,558.54
Fourth through Sixth		
Regular ADA	5,455.40	5,412.50
Extended Year Special Education	2.50	2.50
Special Education - Nonpublic Schools	5.96	4.09
Extended Year Special Education - Nonpublic Schools	1.01	-
Total Fourth through Sixth	5,464.87	5,419.09
Seventh through Eighth		
Regular ADA	3,245.50	3,247.73
Extended Year Special Education	2.76	2.76
Special Education - Nonpublic Schools	11.89	6.99
Extended Year Special Education - Nonpublic Schools	1.98	1.98
Community Day School	9.05	7.72
Total Seventh through Eighth	3,271.18	3,267.18
Ninth through Twelfth		
Regular ADA	4,624.56	4,575.28
Extended Year Special Education	17.05	17.05
Special Education - Nonpublic Schools	34.06	18.03
Extended Year Special Education - Nonpublic Schools	6.55	6.55
Community Day School	20.94	21.83
Total Ninth through Twelfth	4,703.16	4,638.74
TOTAL SCHOOL DISTRICT	21,053.53	20,883.55

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	Minutes Requirement	2016-17 Actual Minutes	Number of Days	Status
Kindergarten	36,000	63,180	180	Complied
Grade 1	50,400	63,180	180	Complied
Grade 2	50,400	63,180	180	Complied
Grade 3	50,400	63,180	180	Complied
Grade 4	54,000	63,180	180	Complied
Grade 5	54,000	63,180	180	Complied
Grade 6	54,000	63,180	180	Complied
Grade 7	54,000	63,180	180	Complied
Grade 8	54,000	63,180	180	Complied
Grade 9	64,800	66,465	180	Complied
Grade 10	64,800	66,465	180	Complied
Grade 11	64,800	66,465	180	Complied
Grade 12	64,800	66,465	180	Complied

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	2018 (Budget)	2017	2016	2015
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 273,070,736	\$ 268,498,988	\$ 294,677,302	\$ 246,292,969
Expenditures And Other Financing Uses	275,080,277	268,602,663	269,182,591	253,226,780
Net change in Fund Balance	\$ (2,009,541)	\$ (103,675)	\$ 25,494,711	\$ (6,933,811)
Ending Fund Balance	\$ 57,174,137	\$ 59,183,678	\$ 59,287,353	\$ 33,125,132
Available Reserves*	\$ 8,527,489	\$ 8,326,683	\$ 8,075,478	\$ 7,598,806
Available Reserves As A Percentage Of Outgo	3.10%	3.10%	3.00%	3.00%
Long-term Debt	\$ 343,512,025	\$ 359,354,313	\$ 347,812,669	\$ 289,800,487
Average Daily Attendance At P-2	20,961	21,054	21,663	22,604

The General Fund balance has increased by \$26,058,546 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$2,009,541. 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 two of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by \$69,553,826 over the past two years.

Average daily attendance has decreased by 1,550 ADA over the past two years. A further decrease of 93 ADA is anticipated during the 2017-18 fiscal year.

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

**Audit adjustments for 2017 are not included in this schedule.

**COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund
June 30, 2017, annual financial and budget report fund balance	\$ 59,183,678
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Increase in due from other funds	1,516,881
Net adjustments and reclassifications	1,516,881
June 30, 2017, audited financial statement fund balance	\$ 60,700,559

**COMPTON UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2017**

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 21 elementary schools, 7 middle schools, 3 high schools, one early college high school, one adult school, and four alternative schools.

GOVERNING BOARD

Member	Office	Term Expires
Satra Zurita	President	2017
Micah Ali	Vice President	2019
Margie Garrett	Clerk	2017
Sandra Moss	Legislative Representative	2019
Mae P. Thomas	Member	2017
Charles Davis	Member	2019
Alma Pleasant	Member	2017

DISTRICT ADMINISTRATORS

Darin Brawley, Ed.D., *Superintendent*

Alejandro Alvarez, Ed.D., *Deputy Superintendent/CAO*

William Wu, JD, *Chief of School Police*

Abimbola Ajala, Ed.D., *Assistant Superintendent - Human Resources*

Colleen Hawkins, Ed.D., *Assistant Superintendent - Educational Services*

Aaron Benton, MA, JD, *Assistant Superintendent - Special Education and SELPA*

Greg Puccia, Ed.D., *Senior Director - Educational Services, Secondary*

Erin Walker, *Director of Educational Services – Elementary*

**COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017**

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

**COMPTON UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2017**

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2017 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2017.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$31,078,972
Medi-Cal Billing Option	93.778	<u>(127,346)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$30,951,626</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2017, the District participated in the Longer Day incentive funding program. As of June 30, 2017, the District had not yet met its target funding.

COMPTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2017

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.

Schedule of Charter Schools

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Compton Unified School District
Compton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Compton Unified School District, as of and for the year ended June 30, 2017, 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 13, 2017.

Internal Control over Financial Reporting

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

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

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State Board of Accountancy*

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 #2017-001).

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 13, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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Opinion on Each Major Federal Program

In our opinion, Compton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compton Unified School District's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 13, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Compton Unified School District
Compton, California

Report on State Compliance

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, 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, 2017, 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Compton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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State Board of Accountancy*

Opinion on State Compliance

In our opinion, Compton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2017.

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 #2017-002 and #2017-003. Our opinion on state compliance is not modified with respect to these matters.

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

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

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

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

Chisty White Associates

San Diego, California
December 13, 2017

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553 and 10.555</u>	<u>Child Nutrition Cluster</u>
<u>10.558</u>	<u>Child and Adult Food Care Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 928,549</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

COMPTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2017-001: ASSOCIATED STUDENT BODY (ASB) (30000)

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

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

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

Effect: Possible misstatement of student body funds.

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

Whaley Middle School

- Records were not maintained for any cash disbursements or receipts.

Dominguez High School

- 10 out of 10 cash receipts tested did not have adequate support to provide a clear audit trail nor did the collections appear to be deposited timely.
 - No evidence of use of tally sheets, cash receipts, or collection forms
- Bank reconciliations are not prepared or reviewed

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

District Response: The District had staff changes at various school sites during the 2016-17 school year. The District office staff (DOS) provided one on one training to site staff to help alleviate the repeat finding. In addition, DOS held an ASB workshop on November 17, 2017 for all sites. DOS will do a repeat ASB workshop for all sites some time in February of 2018 to help prevent repeat of auditing findings.

COMPTON UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017.

**COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

FINDING #2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners (EL) or Free or Reduced Priced Meal (FRPM) on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: 3 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English learner (EL) and non-Free or Reduced Priced Meal (FRPM) did not have documentation for their classification. This error rate was extrapolated to the entire EL population of 532 students, for a total of 27 ineligible students. 2 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as only-Free or Reduced Priced Meal (FRPM) did not have documentation for their classification. This error rate was extrapolated to the entire only FRPM population of 1,546 students, for a total of 52 ineligible students. This is a grand total of 79 ineligible students.

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

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

Context: It is extrapolated that 79 of 57,512 (18,562 in 2014-15, 19,041 in 2015-16 and 19,909 in 2016-17) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM or EL designation.

**COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)

Questioned Cost: \$79,674, as follows:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				65,680
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				57,478
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(79)
5	Revised Adjusted Enrollment				65,680
6	Revised Adjusted Unduplicated Pupil Count				57,399
7	UPP calculated as of P-2				0.8751
8	Revised UPP for audit finding				0.8739
9	Charter Schools Only: Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap				0.8739
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	7,909.81	5,618.67	3,386.83	4,752.14
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$7,403	\$8,801
11	Target Supplemental Grant Funding calculated as of P-2				\$29,603,516
12	Revised Target Supplemental Grant Funding for audit finding				\$29,562,922
13	Target Supplemental Grant Funding audit adjustment				(\$40,594)
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				\$27,494,296
15	Revised Target Concentration Grant Funding for audit finding				\$27,392,809
16	Target Concentration Grant Funding audit adjustment				(\$101,487)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$142,081)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$79,674)

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

District Response: The District has a Senior Director, Research, Evaluation and Pupil Records that is now responsible for the CALPADS. In addition, the Student Nutrition and English Learners departments also are responsible for the accuracy of data. All the three responsible departments will work together for accuracy of reported data. The Senior Director will ensure that the required data in CALPADS are accurate and all required documentation supporting the reported data are readily available for audit purpose and administrative requests.

**COMPTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING#2017-003: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared Facility Inspection Tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d). All schools are required to prepare a SARC during their first year and last year of operation under EC Section 35256(c).

Condition: During testing of a representative sample of SARCs published in 2016-17 reporting information pertaining to 2015-16, it was noted that the SARC for Lincoln Elementary School was not prepared and submitted to the CDE. Additionally, we found the information reported under the School Facility Conditions and Planned Improvements (Most Recent Year) section did not present accurate information from the Facility Inspection Tools provided. For the SARC information to be timely and accurate, the facilities inspection data should come from FIT forms prepared in the current fiscal year. The following discrepancies were noted:

- Inspection dates reported in the SARC did not correspond to the inspection date stated on the Facility Inspection Tool (FIT) provide for six (6) sites. Those schools are Carver Elementary School, King Elementary School, Washington Elementary School, Whaley Middle School, Walton Middle School and Dominguez High School.
- Two (2) of the six (6) SARCs with inaccurate dates did not accurately report updated information from the facility inspection. Those schools are King Elementary School and Dominguez High School.

Cause: Lack of review and oversight.

Questioned Costs: Not applicable for SARC findings.

Perspective: One (1) of nine (9) sites did not have a SARC prepared and submitted to the California Department of Education. Six (6) of nine (9) sites did not accurately report school facility conditions.

Effect: The 2015-16 School Accountability Report Card published and tested in 2016-17 for Lincoln Elementary School was not prepared and submitted to the CDE. Inaccurate information reported for school facility conditions.

Recommendation: We recommend that the District implement a process to ensure all SARCs are prepared, and all information presented on the SARCs is contemporaneous and complete.

District Response: The District hired a Chief Facilities Officer (CFO) in 2017-18. Fiscal Services will request a meeting with the CFO to address the auditing finding and ensure that corrective actions are in place. In addition, the meeting is to ascertain that all information in SARC particularly facilities inspection dates agree with all supporting documents.

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-1: ASSOCIATED STUDENT BODY (ASB) (30000)

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

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

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

Effect: Possible misstatement of student body funds.

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

Willowbrook Middle School

- This ASB is no longer active. Two purchases made at the beginning of the year did not have evidence of approval prior to purchasing the items.

Enterprise Middle School

- 10 out of 10 cash receipts tested did not have adequate support to provide a clear audit trail nor did the collections appear to be deposited timely.
 - No evidence of use of tally sheets, cash receipts, or collection forms

Compton High School

- The ASB was unable to provide support for 10 out of 10 cash receipts selected for testing.
- The ASB was unable to provide support for 10 out of 10 cash disbursements selected for testing.

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

District Response: There were staff changes in various school sites. The Director of Accounting and Budgeting with the assistance of a Financial Analyst and Accounting Technician have been providing one on one training to site staff to help prevent the repeat of this finding. In addition, ASB training will be scheduled during the beginning of school year and in January.

Current Status: Not Implemented. See Finding #2017-001.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2017

FINDING #2016-2: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners (EL) on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: 12 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English learner (EL) and non-Free or Reduced Priced Meal (FRPM) did not have documentation for their classification. 1 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as (EL) and non-FRPM had support of EL reclassification from 2014 and was not reclassified. This error rate was extrapolated to the entire EL population of 449 students, for a total of 97 ineligible students.

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

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

Context: It is extrapolated that 97 of 39,468 (21,475 in 2013-14, 18,562 in 2014-15 and 19,041 in 2015-16) students reported in the District's Unduplicated Pupil Count did not have proper supporting documentation to support their EL designation.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017

FINDING #2016-2: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Cost: \$97,721, as follows:

UPP Audit Adjustment		Section 1: Regular UPP	Section 2: Alternate UPP*
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	65,938	65,462
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	58,526	56,221
3	Number of Unduplicated Pupil Count audit adjustment		(97)
4	Revised Adjusted Unduplicated Pupil Count	58,429	56,124
5	UPP calculated as of P-2	0.8876	0.8588
6	Revised UPP for audit finding	0.8861	0.8574
7	Greater of Revised UPP for audit finding from Section 1 or 2		0.8861
8	Charter Schools Only: Determinative School District Concentration Cap		
9	Revised UPP adjusted for Concentration Cap		0.8861
LCFF Target Base Grant Funding		Estimated Values	
10	Total Base Grant Funding as of P-2	\$177,078,595	
LCFF Target Supplemental Grant Funding Audit Adjustment			
11	Target Supplemental Grant Funding calculated as of P-2	\$31,434,992	
12	Revised Target Supplemental Grant Funding for audit finding	\$31,381,869	
13	Target Supplemental Grant Funding audit adjustment	(\$53,123)	
LCFF Target Concentration Grant Funding Audit Adjustment			
14	Target Concentration Grant Funding calculated as of P-2	\$29,890,867	
15	Revised Target Concentration Grant Funding for audit finding	\$29,758,058	
16	Target Concentration Grant Funding audit adjustment	(\$132,809)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target			
17	Total Target Supplemental and Concentration audit adjustment	(\$185,932)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$97,721)	

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

District Response: Fiscal services will encourage proper collaboration between the CALPADS Coordinator and the Director of EL to maintain proper supporting documents affecting EL designation.

Current Status: Not Implemented. See Finding #2017-002.

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2017

FINDING #2016-3: AFTER SCHOOL EDUCATION & SAFETY (ASES) PROGRAM (40000)

Criteria: After school programs participating in the ASES program are required to submit student outcome data to the California Department of Education which includes measurable student outcomes including attendance. As a result, ASES 2015-16 1st Half After School Base Attendance Report (covering the period of August to December 2015) was reviewed along with supporting documentation for each school site in order to determine whether the reported number of students served is supported by written records maintained.

Condition: One (1) of 30 sites selected for ASES testing did not agree to the number of students served reported to the CDE and reported on ASES 2015-16 1st Half After School Base report.

Cause: Reporting errors.

Effect: Errors were made calculating number of students served, per inquiry the report has been revised with the CDE. For the attendance report submitted to the CDE for the 1st Half: After School Base, the District reported a total number of 187,814 students served for the reporting time period of July 1, 2015 through December 31, 2015. As a result of our audit procedures, the adjusted amount for the 1st Half: After School Base should be increased to a total of 187,877 students served.

Context: An understatement of 63 students served for the ASES 2015-16 1st Half Base period was noted.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is maintained at 85% of the projected attendance or greater. Since the finding noted a net under reporting of 63 student days of attendance, program attendance did not fall below 85% of the projected attendance; therefore, there is no questioned cost.

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

District Response: Fiscal services assigned staff will work closely with the coordinator for the ASES program to ensure that attendance of participants are properly recorded and verified before submittal to CDE.

Current Status: Implemented.

**COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-4: SCHOOL ACCOUNTABILITY REPORT CARDS (72000)

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

Condition: During testing of a representative sample of SARCs, it was noted that school facilities information contained within the SARCs did not agree to the FIT forms.

- Five (5) sites selected for SARCs state compliance testing did not have FIT forms to support the information contained within the SARCs. Those schools are Dickison Elementary, Jefferson Elementary, Laurel Elementary, McNair Elementary, and Tibby Elementary.
- Three (3) sites did not accurately report updated information from the facility inspection performed by Los Angeles County Office of Education (LACOE). Those schools are McKinley Elementary, Willowbrook Middle, and Compton High.
- One (1) site (Enterprise Middle) had a FIT form that was dated March 2016, which is after the SARC deadline.

Cause: The District is not completing FIT forms for schools that are not evaluated by LACOE and the ones that are evaluated by LACOE are not accurately recorded on the FIT forms.

Questioned Costs: Not applicable.

Perspective: Nine (9) out of eleven (11) sites selected for SARCs state compliance testing did not have FIT forms accurately reported in the SARCs or were dated after the SARC deadline.

Effect: The 2014-15 SARCs published and tested in 2015-16 could not be determined to be accurate.

Recommendation: We recommend that the District implement a process to complete FIT forms for schools that are not evaluated by LACOE and ensure that evaluations done by LACOE are accurately reported on the SARCs.

District Response: Fiscal service director will coordinate with facility department and school accountability department to ensure that FIT reports from LACOE are properly and accurately reported on the SARCs. In addition, the facility department will be instructed to ensure that it completes FIT forms for schools not evaluated by LACOE.

Current Status: Not Implemented. See Finding #2017-003.