**Ratings:** 

Moody's (Underlying): "Aa3" S&P (Underlying): "A" S&P (Insured): "AA" See "Ratings" herein.

Due: As shown on inside cover.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.

## \$229,996,079.85 COMPTON UNIFIED SCHOOL DISTRICT

(Los Angeles County, California) General Obligation Bonds 2015 Election, 2019 Series B

**Dated: Date of Delivery** 

The Compton Unified School District (the "District") is issuing its \$229,996,079.85 General Obligation Bonds, 2015 Election, 2019 Series B (the "Bonds"). The Bonds are being issued pursuant to the laws of the State of California (the "State") and a resolution adopted by the Board of Trustees of the District. See "Introduction — The Bonds" herein.

The Bonds are being issued to finance the acquisition and improvement of various capital facilities of the District, as authorized in the District bond proposition submitted at a general election of the registered voters of the District held on November 3, 2015, to pay interest through June 1, 2049 and to pay certain costs of issuance in connection with the Bonds. See "Estimated Sources and Uses of Funds" herein.

The Bonds maturing on June 1, 2020 through and including June 1, 2032 as well as the Bonds maturing on June 1, 2049 (collectively the "Current Interest Bonds"), will be issued as current interest bonds and the Bonds maturing on June 1, 2033 through and including June 1, 2044 (the "Capital Appreciation Bonds") will be issued as capital appreciation bonds. The Current Interest Bonds will be issued in denominations of \$5,000 principal amount or integral multiples thereof and are payable as to principal amount or redemption price at the office of U.S. Bank National Association which has been appointed as agent of the Treasurer and Tax Collector of Los Angeles County to act as Paying Agent for the Bonds (the "Paying Agent"). Interest on the Bonds is payable on June 1 and December 1 of each year, commencing on June 1, 2020. The Capital Appreciation Bonds will be issued in denominations of \$5,000 Maturity Value or any integral multiple thereof and will accrete interest from the date of delivery, compounded semiannually on June 1 and December 1 of each year, commencing on December 1, 2019. See "The Bonds — General Provisions" herein.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds as described herein at Appendix E — "Book-Entry Only System."

#### The Bonds are subject to optional redemption prior to maturity. See "The Bonds - Redemption" herein.

The Bonds are general obligation bonds of the District and are payable from *ad valorem* property taxes levied by the County of Los Angeles on property within the District which the Board of Supervisors of the County of Los Angeles is empowered and obligated to levy upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds, all as more fully described herein.

The scheduled payment of principal of (or in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



This cover page is not intended to be a summary of the Bonds or the security thereof. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The Bonds will be offered when, as and if issued by the District and received by the Underwriter has, subject to the approval of legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. Certain legal matters will also be passed upon for the District by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Underwriter by its counsel, Nixon Peabody LLP, San Francisco, California. The Bonds in book-entry form will be available for delivery through the facilities of DTC on or about August 29, 2019.



Dated: August 7, 2019

## **MATURITY SCHEDULE**

## \$229,996,079.85 COMPTON UNIFIED SCHOOL DISTRICT

(Los Angeles County, California) **General Obligation Bonds** 2015 Election, 2019 Series B

Base CUSIP<sup>†</sup> Number: 204736

## **Current Interest Bonds**

Maturity Date (June 1)	Principal <u>Amount</u>	Interest Rate	<u>Yield</u>	<u>Price</u>	CUSIP Suffix <sup>†</sup>
2020	\$2,830,000	3.00%	0.92%	101.561%	ER9
2021	7,590,000	4.00	0.92	105.350	ES7
2022	7,930,000	4.00	0.93	108.331	ET5
2023	3,030,000	4.00	0.94	111.264	EU2
2024	3,130,000	5.00	0.96	118.735	EV0
2025	3,610,000	5.00	1.01	122.253	EW8
2026	4,110,000	5.00	1.10	125.322	EX6
2027	4,645,000	5.00	1.19	128.144	EY4
2028	5,225,000	5.00	1.30	$127.210^{(c)}$	EZ1
2029	5,840,000	5.00	1.39	126.452 <sup>(c)</sup>	FA5
2030	6,500,000	4.00	1.62	117.278 <sup>(c)</sup>	FB3
2031	7,140,000	4.00	1.76	116.170 <sup>(c)</sup>	FC1
2032	7,825,000	4.00	1.87	115.308 <sup>(c)</sup>	FD9

\$67,155,000 4.00% Term Bonds due June 1, 2049; Yield 2.50%; Price 110.512% (c); CUSIP 204736FS6 \$20,000,000 3.00% Term Bonds due June 1, 2049; Yield 2.95%; Price 100.341%<sup>(c)</sup>; CUSIP<sup>±</sup>: 204736FT4 (c) Priced to call at par on June 1, 2027.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

## \$229,996,079.85 COMPTON UNIFIED SCHOOL DISTRICT

(Los Angeles County, California) General Obligation Bonds 2015 Election, 2019 Series B

Base CUSIP<sup>†</sup> Number: 204736

## **Capital Appreciation Bonds**

<b>Maturity Date</b>	Denominational	Maturity	Accretion	Reoffering Yield to		
(June 1)	<b>Amount</b>	<u>Amount</u>	Rate	<b>Maturity</b>	<b>Price</b>	CUSIP Suffix <sup>†</sup>
2033	\$5,832,468.00	\$ 8,550,000	2.80%	2.80%	68.216% <sup>(c)</sup>	FE7
2034	5,885,625.50	8,975,000	2.88	2.88	$65.578^{(c)}$	FF4
2035	5,935,216.00	9,415,000	2.95	2.95	$63.040^{(c)}$	FG2
2036	6,005,777.50	9,875,000	2.99	2.99	$60.818^{(c)}$	FH0
2037	6,067,894.50	10,350,000	3.03	3.03	58.627 <sup>(c)</sup>	FJ6
2038	6,124,388.40	10,845,000	3.07	3.07	$56.472^{(c)}$	FK3
2039	6,171,783.15	11,355,000	3.11	3.11	54.353 <sup>(c)</sup>	FL1
2040	6,212,527.20	11,885,000	3.15	3.15	52.272 <sup>(c)</sup>	FM9
2041	6,248,736.40	12,440,000	3.19	3.19	50.231 <sup>(c)</sup>	FN7
2042	6,274,983.20	13,010,000	3.23	3.23	48.232 <sup>(c)</sup>	FP2
2043	6,308,360.00	13,600,000	3.26	3.26	46.385 <sup>(c)</sup>	FQ0
2044	6,368,320.00	14,215,000	3.27	3.27	$44.800^{(c)}$	FR8

<sup>(</sup>c) Callable at par on June 1, 2029.

<sup>.</sup> 

<sup>&</sup>lt;sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

## COMPTON UNIFIED SCHOOL DISTRICT

## **BOARD OF TRUSTEES**

<u>Member</u>	<b>Term Ending</b>
Micah Ali, President	November 2019
Satra D. Zurita, Vice President	November 2021
Margie Garrett, Clerk*	November 2021
Sandra Moss, Legislative Representative	November 2019
Charles Davis, Member	November 2019
Mae Thomas, Member	November 2021
Alma Taylor-Pleasant, Member	November 2021

## DISTRICT OFFICIALS

Darin Brawley, Ed.D., Superintendent Alejandro Alvarez, Ed.D., Deputy Superintendent, Chief Administrative Officer

## BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP Los Angeles, California

## **UNDERWRITER**

RBC Capital Markets, LLC Los Angeles, California

## **PAYING AGENT**

U. S. Bank National Association, as agent of the Treasurer and Tax Collector of the County of Los Angeles *Los Angeles, California* 

<sup>\*</sup> Ms. Garrett, who served on the Board of Trustees from 2009 to 2019, passed away on July 24, 2019. Her position will remain vacant until a new member is appointed or elected in accordance with the California Education Code.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth in this Official Statement has been obtained from the District, and other sources which are believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof. All summaries of the Bonds and the Resolution (each as defined herein) and other documents summarized herein, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT YIELDS HIGHER THAN THE INITIAL PUBLIC OFFERING YIELDS STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID INITIAL PUBLIC OFFERING YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix H - Specimen Municipal Bond Insurance Policy".

CUSIP is a registered trademark of American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. CUSIP data herein are set forth for convenience of reference only. The District assumes no responsibility for the selection or uses of the CUSIP data or for the accuracy or correctness of such data. The CUSIP number for a specific maturity of the Bonds is subject to being changed after the delivery of the Bonds as a result of various subsequent actions.

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

# **TABLE OF CONTENTS**

	<b>Page</b>
INTRODUCTION	
General	
The District	
Security and Sources of Payment for the Bonds	
Continuing Disclosure	2
Municipal Bond Insurance Policy	
Tax Matters Forward-Looking Statements	
Miscellaneous	
PLAN OF FINANCE	3
ESTIMATED SOURCES AND USES OF FUNDS	4
THE BONDS	
General Provisions	
Defeasance	
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	7
General Description	
California Constitutional and Statutory Provisions Relating to <i>Ad Valorem</i> Property Taxes	
Fiscal Year Debt Service	
BOND INSURANCE	
Bond Insurance Policy	
Build America Mutual Assurance Company	
RISKS RELATED TO BOND INSURANCE	
TAX MATTERS	
LIMITATION ON REMEDIES AND BANKRUPTCY	23
AMOUNTS HELD IN THE COUNTY TREASURY POOL	25
CONTINUING DISCLOSURE	25
CERTAIN LEGAL MATTERS	25
FINANCIAL STATEMENTS	26
LITIGATION	
RATINGS	26
UNDERWRITING	27
ADDITIONAL INFORMATION	27
APPENDIX A – DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND	
DEMOGRAPHIC INFORMATION	A-1
APPENDIX B – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED	R_1

# TABLE OF CONTENTS (Continued)

	<b>Page</b>
APPENDIX C – FORM OF APPROVING OPINION OF BOND COUNSEL	C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE	D-1
APPENDIX E – BOOK-ENTRY ONLY SYSTEM	E-1
APPENDIX F - THE LOS ANGELES COUNTY TREASURY POOL	F-1
APPENDIX G - ACCRETED VALUES TABLE	G-1
APPENDIX H - SPECIMEN MUNICIPAL BOND INSURANCE POLICY	H-1



#### **OFFICIAL STATEMENT**

## \$229,996,079.85 COMPTON UNIFIED SCHOOL DISTRICT (Los Angeles County, California) 2015 Election, 2019 Series B

#### **INTRODUCTION**

This Introduction is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices hereto, and the documents summarized or described herein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. A full review should be made of the entire Official Statement.

#### General

This Official Statement, which includes the cover page through the appendices hereto, is provided to furnish information in connection with the issuance by the Compton Unified School District (the "District") of its \$229,996,079.85 principal amount of General Obligation Bonds, 2015 Election, 2019 Series B (the "Bonds"). The Bonds maturing on June 1, 2020 through and including June 1, 2032 as well as the Bonds maturing on June 1, 2049 (collectively the "Current Interest Bonds"), will be issued as current interest bonds and the Bonds maturing on June 1, 2033 through and including June 1, 2044 (the "Capital Appreciation Bonds") will be issued as capital appreciation bonds. The Bonds are being issued pursuant to certain provisions of the Government Code (the "Government Code") of the State of California (the "State") and other applicable laws and pursuant to a resolution adopted by the Board of Trustees of the District (the "District Board") on June 12, 2019 (the "Resolution").

The Bonds are being issued to finance the acquisition and improvement of various capital facilities of the District, as authorized in the District bond proposition submitted at a general election of the registered voters of the District (the "2015 Authorization") held on November 3, 2015 (the "Election"), to pay interest through June 1, 2049 and to pay certain costs of issuance in connection with the Bonds. See "Estimated Sources and Uses of Funds" herein.

## **The District**

The District became a unified school district in 1970. The District is located in the County of Los Angeles, California (the "County"). The District serves approximately 26,000 students. The District is governed by a seven-member District Board, and each member is elected to a four-year term. The members of the District Board elect a board president (the "President") each year. Micah Ali is currently serving as the President of the District Board. The management and policies of the District are administered by its Superintendent (the "Superintendent") who is appointed by the District Board and is responsible for the day-to-day affairs of the District. Darin Brawley is currently serving as the Superintendent of the District. Additional information on the District is provided in Appendices A and B hereto. See Appendix A – "District Financial Information and Regional Economic and Demographic Information" and Appendix B – "Audited Financial Statements for the Fiscal Year ended June 30, 2018" attached hereto.

#### The Bonds

The Bonds will be initially issued in book-entry form only. The Current Interest Bonds will be issued in denominations of \$5,000 principal amount or integral multiples thereof and the Capital Appreciation Bonds will be issued in denominations of \$5,000 accreted value at maturity (the "Maturity

Value") or integral multiples thereof. The Bonds will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). The principal of the Current Interest Bonds is payable on the maturity dates set forth on the inside cover page of this Official Statement or upon the earlier redemption thereof, as described herein. Interest on the Current Interest Bonds is payable on June 1 and December 1 of each year (each, an "Interest Payment Date"), commencing on June 1, 2020. The Maturity Value of the Capital Appreciation Bonds shall be payable only upon maturity or the prior redemption thereof.

## **Security and Sources of Payment for the Bonds**

The Bonds are general obligation bonds of the District approved by voters within the District and are payable from *ad valorem* property taxes levied by the County on property within the District. The Board of Supervisors of the County of Los Angeles (the "County Board") is empowered and obligated to levy *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds. Such *ad valorem* property taxes are deposited in the Interest and Sinking Fund of the District which is held by the County and may only be applied to pay the principal of and interest on the District's general obligation bonds, including the Bonds.

In accordance with Section 15251 of the Education Code and Section 53515 of the Government Code, the Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the Authorizations. Pursuant to Section 15251 of the California Education Code and Section 53515 of the California Government Code, the lien will automatically attach without further action or authorization by the District or the County. The lien shall be valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

Pursuant to the Resolution, the District has pledged all revenues from the property taxes collected from the levy by the County Board and amounts on deposit in the Interest and Sinking Fund of the District for the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that this pledge is valid and binding from the date thereof for the benefit of the owners of the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund of the District for the Bonds are immediately subject to this pledge, and the pledge constitutes a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund of the District to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. See "Security and Sources of Payment for the Bonds" herein.

#### **Continuing Disclosure**

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") for each fiscal year by not later than March 1 following the end of the District's fiscal year (currently ending June 30) commencing with the Annual Report for Fiscal Year 2018-19, and to provide notices of the occurrence of certain specified events (collectively, the "Listed Events"). The information to be contained in the Annual Report and in a notice of a Listed Event is set forth in Appendix D – "Form of Continuing Disclosure Certificate" attached hereto. The District will provide or cause to be provided the Annual Report and such notices to the Municipal Securities Rulemaking Board through its Electronic Municipal

Market Access system (the "EMMA System") or in the manner prescribed by the Securities and Exchange Commission ("SEC"). The information presented on the EMMA System is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). See "Legal Matters – Continuing Disclosure" herein.

## **Municipal Bond Insurance Policy**

The District expects to obtain a municipal bond insurance policy under which the scheduled payment of principal of and interest on the Bonds when due will be guaranteed. Information regarding the bond insurance policy and the provider of such bond insurance policy will be provided in the final Official Statement. See "Bond Insurance" herein.

#### **Tax Matters**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.

#### **Forward-Looking Statements**

When used in this Official Statement or in any continuing disclosure by the District, in any press release by the District or in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

## Miscellaneous

This Official Statement contains brief descriptions of, among other things, the District, the Resolution and certain matters relating to the security for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents are qualified in their entirety by reference to such documents. Copies of the Resolution are available by request to the District's Chief Administrative Officer at (310) 639-4321. The District may impose a fee for copying and delivering the Resolution.

#### PLAN OF FINANCE

Proceeds of the Bonds will be used to pay costs of issuance of the Bonds and for the purposes specified in the District's bond proposition submitted at the Election, which includes any of the following:

• Replace and/or modernize the Compton High School campus and facilities; and

- At other District schools, renovate and remodel buildings and classrooms, provide additional classrooms to relieve overcrowding, build, remodel and renovate student service areas, remodel and renovate athletic fields and facilities, provide new or renovated space for Media and Performing Arts, research learning, science laboratories and space for other curriculum and counseling needs, improve safety systems, buildings systems, building and hardscape surfaces, upgrade wiring for electrical systems and technology, improve plumbing and heating/cooling/ventilation systems and improve access for disabled persons; and
- Improve campus security, fire security and emergency communication systems, install covered walkways, renovate restrooms, paint interior and exterior surfaces, install security fencing, replant lost vegetation and improve landscaping, repair sewer systems and plumbing, remove asbestos and dry rot, repair uneven and unsafe ground surfaces, replace drinking fountains; and
- Furnish and equip all facilities constructed or improved with bond proceeds.

#### ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the Bonds are shown below:

<b>Estimated Sources of Funds</b>	<u>Total</u>
Principal Amount	\$229,996,079.85
Original Issue Premium	18,759,462.50
Total Sources	<u>\$248,755,542.35</u>
<b>Estimated Uses of Funds</b>	
Building Fund	\$229,645,329.85
Debt Service Fund <sup>(1)</sup>	17,238,482.51
Underwriter's Discount	1,034,982.36
Costs of Issuance <sup>(2)</sup>	836,747.63
Total Uses	<u>\$248,755,542.35</u>

<sup>(1)</sup> Reflects capitalized interest through June 23, 2022.

#### THE BONDS

#### **General Provisions**

General. The Bonds will be dated their date of delivery, will be issued in book-entry form only, without coupons, and, when issued, will be initially registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Owners of the Bonds (the "Owners") will not receive physical certificates representing their interest in the Bonds purchased, except in the event that use of the book-entry system for the Bonds is discontinued. Payments of principal of, premium, if any, and accreted value of and interest on the Bonds are payable by U.S. Bank National Association, as agent of the Treasurer and Tax Collector of the County of Los Angeles, as paying agent for the Bonds (the "Paying Agent") to DTC, which is obligated in turn to remit such payments to its DTC Participants for subsequent disbursement to the beneficial Owners of the Bonds. For information about the securities depository and DTC's book-entry system, see Appendix E – "Book-Entry Only System" attached hereto.

*Current Interest Bonds*. The Current Interest Bonds will be issued in denominations of \$5,000 or any integral multiple thereof and will mature in the years and on the dates set forth on the inside front cover page hereof. Interest on the Current Interest Bonds is payable on each Interest Payment Date,

<sup>(2)</sup> Includes fees of Bond Counsel and Disclosure Counsel, the rating agencies, the printer and the paying agent, the municipal bond insurance premium and other miscellaneous expenses.

commencing on December 1, 2019. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Current Interest Bonds will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated on or before an Interest Payment Date and after the close of business on the 15th calendar day of the month preceding such Interest Payment Date (each, a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date of delivery of the Current Interest Bonds.

Capital Appreciation Bonds. The Capital Appreciation Bonds will mature on the dates and in the Maturity Value set forth on the inside cover page hereof. The Capital Appreciation Bonds will be issued in denominations in denominations of \$5,000 accreted value at maturity or any integral multiple thereof. The Capital Appreciation Bonds accrete interest from the date of delivery, compounded semiannually on June 1 and December 1 of each year. The Maturity Value of each Capital Appreciation Bond is equal to its Accreted Value upon the maturity thereof, being comprised of its issue amount (the "Denominational Amount") and the accreted interest between the delivery date and its respective maturity or redemption date. Interest on the Capital Appreciation Bonds will accrue at the rates set forth on the inside cover hereof, and will be payable only upon maturity or the prior redemption thereof. See Appendix G – "Accreted Values Table" attached hereto.

## Redemption

*Optional Redemption.* The Current Interest Bonds maturing on or before June 1, 2027 are not subject to optional redemption. The Current Interest Bonds maturing on or after June 1, 2028 are subject to optional redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after June 1, 2027, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Capital Appreciation Bonds are subject to optional redemption prior to their respective maturity dates at the option of the District, from any source of available funds, in whole or in part, on any date on or after June 1, 2029, at a redemption price equal to 100% of the accreted value of the Capital Appreciation Bonds called for redemption at the date fixed for redemption.

*Mandatory Sinking Fund Redemption*. The Current Interest Bonds maturing on June 1, 2049 and bearing interest at a rate of 4.00% (the "2049 4.00% Term Bonds"), shall be subject to mandatory sinking fund redemption in part by lot on June 1 of each year commencing June 1, 2045 from moneys in the Interest and Sinking Fund established under the Resolution, at a redemption price equal to the principal amount of 2049 4.00% Term Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the years and amounts set forth in the following table:

June 1	Mandatory Sinking Fund Installment
2045	\$10,850,000
2046	12,065,000
2047	13,355,000
2048	14,720,000
$2049^{\dagger}$	16,165,000

<sup>†</sup> Stated Maturity.

The Current Interest Bonds maturing on June 1, 2049 and bearing interest at a rate of 3.00% (the "2049 3.00% Term Bonds", and together with the 2049 4.00% Term Bonds, the "Term Bonds"), shall be

subject to mandatory sinking fund redemption in part by lot on June 1 of each year commencing June 1, 2045 from moneys in the Interest and Sinking Fund established under the Resolution, at a redemption price equal to the principal amount of 2049 3.00% Term Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the years and amounts set forth in the following table:

June 1	Mandatory Sinking Fund Installment
2045	\$4,000,000
2046	4,000,000
2047	4,000,000
2048	4,000,000
$2049^{\dagger}$	4,000,000

<sup>†</sup> Stated Maturity.

In the event the Term Bonds are called for optional redemption in part, the remaining mandatory sinking fund installments for the Term Bonds shall be adjusted *pro rata*.

Selection of Bonds for Redemption. Whenever provision is made in the Resolution for the optional redemption of a Series of outstanding Bonds and less than all of such Series of Bonds are called for redemption, such Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed will be determined by lot. Redemption by lot will be in such manner as the Paying Agent determines; provided, however, that the portion of any Bond to be redeemed in part will be in the principal amount or Maturity Amount, as applicable of \$5,000 or any integral multiple thereof. The Accreted Value of any Capital Appreciation Bond shall be determined by reference to a schedule to be provided to the Paying Agent.

*Notice of Redemption.* When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice of the redemption (the "Redemption Notice") of the Bonds, not less than twenty (20) nor more than forty-five (45) days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books and (ii) as may be further required in accordance with the Continuing Disclosure Certificate. Each notice of redemption will state (i) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed; (ii) the date of redemption; (iii) the place or places where the redemption will be made, including the name and address of the Paying Agent; (iv) the redemption price; (v) the CUSIP numbers (if any) assigned to the Bonds to be redeemed; (vi) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed; and (vii) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice of redemption will further state: (a) that on the redemption date there shall become due and payable upon each Bond or portion thereof being redeemed the: (i) redemption price, together with the interest accrued to the redemption date in the case of Current Interest Bonds or (ii) the Accreted Value in the case of Capital Appreciation Bonds, and (b) that from and after such redemption date interest with respect thereto shall cease to accrue and be payable. Neither the failure to receive the notice of redemption as provided in the Resolution, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of the Bonds called for redemption.

#### Defeasance

All or any portion of the Outstanding maturities of the Bonds may be defeased prior to maturity either:

- (a) by irrevocably depositing with an independent escrow agent selected by the District an amount of cash, which together with amounts transferred from the Debt Service Fund, is sufficient to pay all Bonds Outstanding and designated for defeasance, including all principal and interest and premium, if any; or
- (b) by irrevocably depositing with an independent escrow agent selected by the District Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys transferred from the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds Outstanding and designated for defeasance (including all principal and interest represented thereby and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

The term "Government Obligations" is defined in the Resolution to mean: (a) non-callable direct and general obligations of the United States of America (including state and local government series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations; provided that investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; and (b) non-callable obligations of government sponsored agencies that are rated in one of the two highest rating categories assigned by S&P (defined herein) or Moody's (defined herein) but are not guaranteed by a pledge of the full faith and credit of the United States of America.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

## **General Description**

The Bonds are general obligation bonds of the District and are payable from *ad valorem* property taxes levied by the County on property within the District. The County Board is empowered and obligated to levy upon all property within the District subject to taxation by the District without limitation of rate or amount of *ad valorem* taxes (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds. When collected, such *ad valorem* property taxes are deposited in the Interest and Sinking Fund for the Bonds held by the County and applied only to pay the principal of and interest on the Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County in the General Fund of the District.

In accordance with Section 15251 of the Education Code and Section 53515 of the Government Code, the Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the Authorizations. The Resolution provides that this lien automatically attaches without further action or authorization by the District or the County. The Resolution provides that the lien is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the tax will immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District payable, both principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Pursuant to the Resolution, the District pledges all revenues from the property taxes collected from the levy by the County Board and amounts on deposit in the Interest and Sinking Fund of the District for the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that this pledge is valid and binding from the date thereof for the benefit of the owners of the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund of the District for the Bonds is immediately subject to this pledge, and the pledge constitutes a lien and security interest which immediately attaches to the property taxes and amounts held in such Interest and Sinking Fund of the District to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge is an agreement between the District and the owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds are issued to finance or refinance one or more of the projects specified in the bond authorizations and not to finance the general purposes of the District.

## California Constitutional and Statutory Provisions Relating to Ad Valorem Property Taxes

Article XIII A of the California Constitution. On June 6, 1978, California voters approved Proposition 13, adding Article XIIIA to the California Constitution. Article XIIIA limits the amount of any ad valorem tax on real property to one percent of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness, and (iii) (as a result of a constitutional amendment approved by California voters on November 7, 2000) on bonded indebtedness incurred for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the bond measure. Article XIIIA effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-1976 tax bill under full 'cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." Assessed value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to

reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. As a result, property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property. Similar property that has recently been acquired may have a substantially higher assessed value reflecting the recent acquisition price. Increases in assessed value in a taxing area due to the change in ownership of property may occur even when the rate of inflation or consumer price index do not permit an increase in assessed valuation of property that does not change ownership. Proposition 13 has had the effect of stabilizing assessed valuation such that it does not fluctuate as significantly as the market value of property, but instead gradually changes as longer owned residential properties are transferred and reassessed upon such transfer. On June 18, 1992, the United States Supreme Court issued a decision upholding the constitutionality of Article XIIIA (*Nordlinger v. Hahn*, 112 S. Ct. 2326, 120 L. Ed. 2d 1 (1992)).

Article XIIIA has subsequently been amended to permit reduction of the full cash value base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways. Proposition 8, approved by the voters in November of 1978, provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years. All taxable property is shown at full assessed value on the tax rolls. Consequently, the one percent tax rate is expressed as \$1 per \$100 of taxable value.

Prospective purchasers of the Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Bonds in full.

## **Assessed Valuation of Property within the District**

*General.* As required by State law, the District uses the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are the County, the City of Los Angeles and other local agency and special district taxes.

State law exempts \$7,000 of the full cash value of an owner-occupied dwelling from property tax, but this exemption does not result in any loss of revenue to local entities, including the District, because an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State to the County for distribution to local agencies.

The County levies property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases or decreases in real property assessed valuation (the "Supplemental Assessment"). In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year. Accordingly, each school district is to receive allocations of revenue from such Supplemental Assessments and, in accordance with various apportionment factors, to the County, the County superintendent of schools, each community college district, each city and each special district within the County. Such allocations are to be from amounts remaining after allocations to the successor entity to each redevelopment agency in the County in connection with the 1% ad valorem property tax levy.

The 2018-19 Assessment Roll for property within the District's boundaries reflects a 6.6% increase in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 (1978) when the current market value of property is less than assessed value as of January 1, the county assessor annually initiates reviews of property for reassessments due to decline-in-value. See " – Legislation Implementing Article XIII A" herein.

The following Table 1 sets forth the gross assessed valuation of taxable property within the boundaries of the District in Fiscal Years 2014-15 through 2018-19.

TABLE 1

COMPTON UNIFIED SCHOOL DISTRICT

Historical Gross Assessed Valuation of Taxable Property (1)

Fiscal Years 2014-15 through 2018-19

Fiscal Year	Local Secured	Utilities	Unsecured	Total
2014-15	\$8,799,677,524	\$2,099,822	\$781,032,944	\$ 9,582,810,290
2015-16	9,238,148,945	1,928,158	803,048,296	10,043,125,399
2016-17	9,807,331,824	1,928,158	800,582,428	10,609,842,410
2017-18	10,254,529,688	2,923,504	819,323,142	11,076,776,334
2018-19	10,852,808,500	2,923,504	949,619,355	11,805,351,359

<sup>(1)</sup> Full cash value.

Source: California Municipal Statistics, Inc.

The following Table 2 sets forth the assessed valuation by land use of property within the District in Fiscal Year 2018-19.

TABLE 2

COMPTON UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

	2018-19 Local Secured Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	\$ 968,414,778	8.92%	1,307	4.05%
Vacant Commercial	40,540,807	0.37	116	0.36
Industrial	3,381,397,757	31.16	1,027	3.18
Vacant Industrial	104,450,724	0.96	275	0.85
Recreational	36,125,869	0.33	40	0.12
Government/Social/Institutional	96,131,270	0.89	554	1.72
Miscellaneous	<u>59,539,644</u>	0.55	<u>218</u>	0.68
Subtotal Non-Residential	\$4,686,600,849	43.18%	3,537	10.96%
Residential:				
Single Family Residence	\$4,876,091,888	44.93%	23,701	73.44%
Condominium	180,406,669	1.66	731	2.26
Mobile Home and Lots	7,697,964	0.07	38	0.12
Mobile Home Park	61,589,526	0.57	23	0.07
2-4 Residential Units	751,005,768	6.92	2,743	8.50
5+ Residential Units/Apartments	234,995,311	2.17	412	1.28
Vacant Residential	<u>54,420,525</u>	0.50	<u>1,089</u>	<u>3.37</u>
Subtotal Residential	\$6,166,207,651	56.82%	28,737	89.04%
Total	\$10,852,808,500	100.00%	32,274	100.00%

<sup>(1)</sup> Local Secured Assessed Valuation for Fiscal Year 2018-19. Excludes tax-exempt property.

Source: California Municipal Statistics, Inc.

The following Table 3 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2018-19.

TABLE 3

COMPTON UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2018-19

	_	No. of Parcels	2018-1 Assessed Va		Avera Assessed Va	U		Median sed Valuation
Single Family Residentia	al	23,701	\$4,876,09	1,888	\$205,7	734	\$	195,407
2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total	Valuation	% of T	Total_	Cumulative % of Total
\$0 - \$24,999 \$25,000 - \$49,999 \$50,000 - \$74,999 \$75,000 - \$99,999 \$100,000 - \$124,999 \$125,000 - \$149,999 \$150,000 - \$174,999 \$175,000 - \$199,999 \$200,000 - \$224,999 \$225,000 - \$249,999 \$275,000 - \$274,999 \$275,000 - \$299,999 \$300,000 - \$324,999 \$350,000 - \$349,999 \$350,000 - \$349,999 \$350,000 - \$374,999 \$375,000 - \$399,999	411 2,937 1,146 747 1,054 1,461 2,135 2,389 1,921 1,576 1,382 1,241 1,126 971 1,002 804	1.734% 12.392 4.835 3.152 4.447 6.164 9.008 10.080 8.105 6.650 5.831 5.236 4.751 4.097 4.228 3.392	1.734% 14.126 18.961 22.113 26.560 32.724 41.732 51.812 59.917 66.567 72.398 77.634 82.385 86.482 90.709 94.102	\$ 11 6 6 11 20 34 44 40 33 36 35 35 32 36	6,976,820 10,374,524 59,320,585 55,121,414 19,803,210 01,711,516 48,316,615 47,834,671 07,117,541 74,416,915 63,064,784 55,863,653 51,584,535 27,461,726 62,748,693 10,673,883	0.14 2.26 1.42 1.33 2.45 4.13 7.14 9.18 8.34 7.67 7.44 7.29 7.21 6.71 7.43 6.37	3% 4 4 2 6 6 7 7 7 3 4 4 9 9 9 6 8 0 6 8 0 0 6	0.143% 2.407 3.828 5.164 7.621 11.758 18.901 28.085 36.434 44.113 51.559 58.857 66.067 72.783 80.222 86.594
\$400,000 - \$424,999 \$425,000 - \$449,999 \$450,000 - \$474,999 \$475,000 - \$499,999 \$500,000 and greater Total	471 246 221 120 <u>340</u> 23,701	1.987 1.038 0.932 0.506 <u>1.435</u> 100.000%	96.089 97.127 98.059 98.565 100.000	10 10 5 <u>19</u>	93,477,618 97,116,913 92,029,134 58,384,843 92,692,295 76,091,888	3.96 2.19 2.09 1.19 <u>3.95</u> 100.00	77 72 77 7 <u>2</u>	90.562 92.758 94.851 96.048 100.000

<sup>(1)</sup> Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units such as apartment buildings.

Source: California Municipal Statistics, Inc.

Tax Rates, Levies and Collections. Taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. Real property that changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due. The annual tax rate is based on the amount necessary to pay all obligations payable from ad valorem property taxes and the assessed value of taxable property in a given year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District's outstanding general obligation bonds. The District cannot predict and does not

make any assurances regarding the effects that natural disasters, such as fire, drought, earthquakes or other related natural or man-made conditions, have or may have on the value of taxable property within the District, or to what extent the effects such natural disasters might have on economic activity in the District.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing property (real or personal) the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is listed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and June 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then may be sold at public auction by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due in one payment on the January 1 lien date and become delinquent after August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (i) a civil action against the taxpayer; (ii) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (iv) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The County has not adopted the "Teeter Plan" for the distribution of tax levies and collections within the County. Accordingly, the District's receipt of property taxes is subject to delinquencies, and the District's tax receipts reflect the receipt of interest and penalties relating to delinquent taxes.

Proposition 13 and its implementing legislation impose the function of property tax allocation on counties in the State and prescribe how levies on countywide property values are to be shared with local taxing entities within each county. The limitations in Proposition 13, however, do not apply to *ad valorem* property taxes or special assessments to pay the interest and redemption charges on indebtedness, such as the District's general obligation bonds, approved by the voters.

The County levies a 1% ad valorem property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions that serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

State Government Code Sections 29100 through 29107 provide the procedures that all counties must follow for calculating tax rates. The secured tax levy within the District consists of the District's share of the 1% general *ad valorem* property and unitary taxes assessed on a County-wide basis and amounts levied that are in excess of the 1% general *ad valorem* property taxes. These tax receipts are part

of the District's operations. In addition, the secured tax levy also includes the amount for the District's share of special voter-approved *ad valorem* property taxes assessed on a District-wide basis, such as the *ad valorem* property taxes assessed for the District's general obligation bonds issued pursuant to the authorizations received at elections held on November 5, 2002 and November 3, 2015 at which more than 55% of the persons voting on the proposition voted to authorize the issuance and sale of not more than \$80,000,000 and \$350,000,000, respectively, of general obligation bonds and any related general obligation refunding bonds. *Ad valorem* property taxes levied for general obligation bonds are deposited with the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the District's general obligation bonds and general obligation refunding bonds. The District does not receive such funds nor are they available to pay any of the District's operating expenses. In addition, the total secured tax levy includes special assessments, improvement bonds, supplemental taxes or other charges which have been assessed on property within the District. Since State law allows homeowners' exemptions (described above) and certain business exemptions from *ad valorem* property taxation, such exemptions are not included in the total secured tax levy. See " – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations" herein.

Further, State Education Code Section 15251 provides that all taxes levied with respect to general obligation bonds when collected will be paid into the county treasury of the county whose superintendent of schools has jurisdiction over the school district on behalf of which the tax was levied, to the credit of the debt service fund (or interest and sinking fund) of the school district, and will be used for the payment of the principal of and interest on the general obligation bonds and general obligation refunding bonds of the school district and for no other purpose. Accordingly, the County may not borrow or spend such amounts nor can the District receive such funds and use them for operating purposes.

The following Table 4 sets forth the tax rates for the general percentage of the levy applied to all property owners for all of the District's outstanding general obligation bonds and general obligation refunding bonds and State school loan repayment and the total overlapping tax rate levied on real property owners within the District from Fiscal Year 2014-15 through 2018-19.

TABLE 4

COMPTON UNIFIED SCHOOL DISTRICT
Typical Tax Rates

Typical Tax Rate per \$100 of Assessed Valuation (TRA 2800)
Fiscal Years 2014-15 through 2018-19

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
	1.000000	1.000000	1.000000	1.000000	1.000000
Compton Unified School District	0.066423	0.072373	0.125918	0.122296	0.118344
Compton Community College District	0.023799	0.022019	0.021936	0.022806	0.045071
City of Compton	0.451632	0.451632	0.451632	0.451632	0.451632
Metropolitan Water District of	0.003500	0.003500	0.003500	0.003500	0.003500
Southern California					
Total Tax Rate	1.545354	1.549524	<u>1.602986</u>	1.600234	<u>1.618547</u>

Source: California Municipal Statistics, Inc.

The following Table 5 sets forth the secured tax charges for the one percent General Fund apportionment and the District's general obligation bond debt service levy on property in the District from Fiscal Years ended June 30, 2014 through June 30, 2018 and the amount and percent delinquent as of June 30 of each such fiscal year.

## TABLE 5

# COMPTON UNIFIED SCHOOL DISTRICT

## Property Tax Levies and Collections Fiscal Years ended June 30, 2014 to June 30, 2018

1% General Fund Apportionment

District's General Obligation Bond Debt Service Levy

Fiscal Year ended June 30	Secured Tax Charge (1)	Amount Delinquent (June 30)	Percent Delinquent (June 30)	Secured Tax Charge (2)	Amount Delinquent (June 30)	Percent Delinquent (June 30)
2014	\$18,814,937.48	\$273,932.49	1.46%	\$6,338,004.49	\$161,282.33	2.54%
2015	19,741,470.27	281,441.77	1.43	5,873,791.48	144,714.49	2.46
2016	20,730,911.03	290,859.13	1.40	6,675,766.68	129,855.78	1.95
2017	21,819,949.41	256,511.62	1.18	12,241,905.88	218,571.34	1.79
2018	22,897,048.86	281,613.17	1.23	12,548,991.69	194,831.22	1.55

<sup>(1) 1%</sup> General Fund apportionment. Excludes redevelopment agency impounds. Reflects county-wide delinquency rate.

Source: California Municipal Statistics, Inc.

*Largest Taxpayers in the District.* The following Table 6 sets forth the 20 largest secured taxpayers in the District for Fiscal Year 2018-19.

<sup>(2)</sup> District's general obligation bond debt service levy only.

## TABLE 6

## COMPTON UNIFIED SCHOOL DISTRICT Largest Local Secured Taxpayers Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	Prologis LP	Industrial	\$286,748,352	2.64%
2.	AMB Property LP	Industrial	162,944,488	1.50
3.	Carson Dominguez Properties LP	Industrial	162,505,704	1.50
4.	Watson Partners LP	Industrial	131,193,054	1.21
5.	Anschutz So CA Sports Complex Stubhub CenterSports Arena	Sports Arena	117,441,547	1.08
6.	General Mills Operations Inc.	Industrial	111,877,066	1.03
7.	La Brickyard LLC	Industrial	107,100,591	0.99
8.	PR I Dominguez Hills	Industrial	106,957,017	0.99
9.	Ralphs Grocery Co.	Industrial	93,833,800	0.86
10.	South Bay Industrials Co. LLC	Industrial	86,309,835	0.80
11.	Comref Southern California Industrial	Industrial	66,499,625	0.61
12.	Rexford Industrial Industry Way	Industrial	58,239,932	0.54
13.	Plains West Coast Terminals LLC	Industrial	56,672,980	0.52
14.	First Industrial LP	Industrial	47,550,977	0.44
15.	Gateway Towne Center	Shopping Center	32,203,733	0.30
16.	Central Ave. Industrial Park LLC	Office Building	31,239,263	0.29
17.	Owens Corning Roofing	Industrial	29,742,332	0.27
18.	Gateway Opportunity Fund LLC	Shopping Center	29,183,143	0.27
19.	Inland Empire Realty Holding Co. Inc.	Industrial	28,675,213	0.26
20.	UB II Santa Fe LLC Lessor	Industrial	28,169,883	0.26
			<u>\$1,775,088,535</u>	16.36%

<sup>(1) 2018-19</sup> Local Secured Assessed Valuation: \$10,852,808,500 (excluding State-assessed values and homeowner's exemptions).

Source: California Municipal Statistics, Inc.

#### **Fiscal Year Debt Service**

Prior to the issuance of the Bonds, the District has outstanding the 2002 Election General Obligation Bonds, Series A (the "2003 Series A Bonds"), the General Obligation Bonds, 2002 Election, 2004 Series B (the "2004 Series B Bonds"), General Obligation Refunding Bonds, 2002 Election, 2016 Series D (the "2006 Series D Bonds"), General Obligation Refunding Bonds, 2002 Election, 2015 Series E (the "2015 Series E Bonds"), General Obligation Refunding Bonds, 2002 Election, 2016 Series F (the "2016 Series F Bonds"), General Obligation Bonds, 2015 Election, 2016 Series A (the "2016 Series A Bonds" and, together with the 2003 Series A Bonds, the 2004 Series B Bonds, the 2006 Series D Bonds, the 2015 Series E Bonds and the 2016 Series F Bonds, the "Outstanding General Obligation Bonds"). The Outstanding General Obligation Bonds are payable from *ad valorem* property taxes levied by the County on taxpayers within the District. The following Table 7 sets forth the annual debt service obligations in each Fiscal Year for all of the District's outstanding general obligation bonds. See Appendix A - "District Financial Information and Regional Economic and Demographic Information - District Financial Information - District Debt" attached hereto.

TABLE 7
COMPTON UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Annual Debt Service Schedule

**Current Interest Bonds Capital Appreciation Bonds** Aggregate **Payment Date Outstanding General Annual Debt** Accreted **Annual Debt** Annual (June 1) **Obligation Bonds Principal** Service **Principal Interest** Service **Debt Service** Interest \$ 19,279,860.83 2020 \$11,690,087.50 \$ 2,830,000.00 \$ 4,759,773.33 \$ 7,589,773.33 2021 8,486,637.50 7,590,000.00 6,214,800.00 13,804,800.00 22,291,437.50 2022 5,911,200.00 8.535.337.50 7,930,000.00 13,841,200.00 22,376,537.50 2023 3,884,037.50 3,030,000.00 5,594,000.00 8,624,000.00 12,508,037.50 2024 3,887,412.50 3.130,000.00 5,472,800.00 8,602,800.00 12,490,212.50 2025 3,890,787.50 3,610,000.00 5,316,300.00 8,926,300.00 12,817,087.50 2026 3,884,037.50 4,110,000.00 5,135,800.00 9,245,800.00 --13,129,837.50 2027 3,886,850.00 4,645,000.00 4,930,300.00 9,575,300.00 13,462,150.00 --2028 3,419,662.50 5,225,000.00 4,698,050.00 9,923,050.00 13,342,712.50 2029 3,414,000.00 5,840,000.00 4,436,800.00 10,276,800.00 13,690,800.00 2030 3,417,175.00 6,500,000.00 4,144,800.00 10,644,800.00 14,061,975.00 2031 3,417,125.00 7,140,000.00 3,884,800.00 11,024,800.00 14,441,925.00 2032 7,825,000.00 3,599,200.00 11,424,200.00 11,424,200.00 2033 3,286,200.00 3,286,200.00 \$ 5,832,468.00 \$ 2,717,532.00 \$ 8,550,000.00 11,836,200.00 2034 3.286,200.00 3,286,200.00 5,885,625,50 3.089.374.50 8,975,000.00 12,261,200,00 2035 3,286,200.00 3,286,200.00 5,935,216.00 3,479,784.00 9,415,000.00 12,701,200.00 2036 6,005,777.50 3,286,200.00 3,286,200.00 3,869,222.50 9,875,000.00 13,161,200.00 3,286,200.00 2037 3,286,200.00 6,067,894.50 4,282,105.50 10,350,000.00 13,636,200.00 2038 3.286,200.00 3,286,200.00 6,124,388,40 4,720,611.60 10.845,000.00 14.131.200.00 --2039 3.286,200.00 3,286,200.00 6,171,783.15 5,183,216.85 11,355,000.00 14,641,200.00 2040 3,286,200.00 3,286,200.00 6,212,527.20 5,672,472.80 15,171,200.00 11,885,000.00 2041 3,286,200.00 3,286,200.00 6,248,736.40 6,191,263.60 12,440,000.00 15,726,200.00 --2042 3,286,200.00 3,286,200.00 6,274,983.20 6,735,016.80 13,010,000.00 16,296,200.00 2043 3,286,200.00 3,286,200.00 6,308,360.00 7,291,640.00 13,600,000.00 16,886,200.00 2044 3.286,200.00 3,286,200.00 6,368,320.00 7,846,680.00 14,215,000.00 17,501,200,00 2045 14,850,000.00 3,286,200.00 18,136,200.00 18,136,200.00 2046 16,065,000.00 2,732,200.00 18,797,200.00 18,797,200.00 2047 17,355,000.00 2,129,600.00 19,484,600.00 19,484,600.00 2048 20,195,400.00 18,720,000.00 1,475,400.00 20,195,400.00 2049 20,165,000.00 766,600.00 20,931,600.00 20,931,600.00 \$61.813.150.00 \$156,560,000.00 \$73,436,079.85 \$61,078,920.15 \$134,515,000.00 \$113,923,023,33 \$270,483,023,33 **Total** \$466,811,173.33

#### **BOND INSURANCE**

## **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the Policy. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law. See Appendix H – "Specimen Municipal Bond Insurance Policy" attached hereto.

## **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

## Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

## Additional Information Available from BAM

<u>Credit Insights Videos</u>. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

<u>Disclaimers</u>. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## RISKS RELATED TO BOND INSURANCE

The following are risk factors relating to municipal bond insurance policies and the issuers of such policies generally:

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the municipal bond insurance policy for such payments. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with redemption of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the issuer of the municipal bond insurance policy at such time and in such amounts as would have been due absence such redemption by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Any amendment, supplement or modification to the Resolution that adversely affect the rights or interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer. Upon the occurrence and continuance of a default, the Bond Insurer shall be deemed to be the sole holder of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Paying Agent for the benefit of such holders under the Resolution. No default may be waived without the Bond Insurer's written consent.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the municipal bond insurance policy, the Bonds are payable solely from the moneys received pursuant to the Resolution. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District or the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the municipal bond insurance policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## **TAX MATTERS**

Opinion of Bond Counsel. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in

connection with the Bonds, and Bond Counsel has assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount. "Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial

sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium. In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

*Miscellaneous*. Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## LIMITATION ON REMEDIES AND BANKRUPTCY

General. State law contains a number of provisions to protect the financial solvency of school districts. If these provisions are not successful in preventing a school district from becoming insolvent, the, State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the District for the adjustment of its debts, assuming that the District meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9 of the Bankruptcy Code. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District or the County (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary to pay the Bonds. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the existence of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of Chapter 9, a school district is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the

expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to the California Government Code, all general obligation bonds issued by local agencies, including refunding bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax and the lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the bonds are executed and delivered. See "Security and Source of Payment for the Bonds". Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed.

Special Revenues. If the ad valorem tax revenues that are pledged to the payment of the Bonds (see "Security and Source of Payment for the Bonds") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged ad valorem revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Bonds. Additionally, the *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects under Proposition 39 or (ii) if the applicable bond proposition is approved by two-thirds of voters under Proposition 46, such bonds must be issued for the acquisition or improvement of real property. State law prohibits the use of the tax proceeds for any purpose other than payment of the general obligation bonds and the original bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of ad valorem tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

The Bankruptcy Code provides that there is no stay of application of pledged special revenues to payment of indebtedness secured by such revenues. The United States Court of Appeals for the First Circuit, in a case arising out of the insolvency proceedings of Puerto Rico, recently held that this provision permitted voluntary payments of debt service by the issuer of bonds backed by special revenues, but did not permit the bondholders to compel the issuer to make payments of debt service from special revenues. If this decision is followed by other courts, the holders of the Bonds may be prohibited from taking any action to require the District or the County to make payments on the Bonds without the bankruptcy court's permission. This could result in substantial delays in payments on the Bonds.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds.

Possession of Tax Revenues; Remedies. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if

the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed form of the approving opinion of Bond Counsel, attached hereto as Appendix C, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

## AMOUNTS HELD IN THE COUNTY TREASURY POOL

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Treasury Pool, as described in Appendix F – "The Los Angeles County Treasury Pool" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Interest and Sinking Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of, and premium, if any, and interest on the Bonds unless the owners of the Bonds can "trace" those funds. There can be no assurance that the owners could successfully "trace" such taxes on deposit in the Interest and Sinking Fund where such amounts are invested in the County Treasury Pool. The Resolution and the State Government Code require the County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds.

#### CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") for each fiscal year by not later than the March 1 following the end of the District's fiscal year (currently ending June 30) commencing with the Annual Report for Fiscal Year 2018-19, and to provide notices of the occurrence of certain Listed Events. The District will provide or cause to be provided the Annual Report and these notices to the Municipal Securities Rulemaking Board through the EMMA System or in the manner prescribed by the SEC. The specific nature of the information to be contained in the Annual Report and a notice of a Listed Event is set forth in Appendix D – "Form of Continuing Disclosure Certificate" attached hereto. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

The District has designated the Chief Administrative Officer as the primary contact for continuing disclosure. The Chief Administrative Officer coordinates with Government Financial Strategies inc. to file all appropriate documents and works with District staff to ensure all filings are made in a timely manner.

## **CERTAIN LEGAL MATTERS**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is contained in Appendix C, attached hereto. Bond Counsel undertakes no responsibility for the accuracy,

completeness or fairness of this Official Statement. Certain legal matters will also be passed upon for the District by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Underwriter by its counsel, Nixon Peabody LLP, San Francisco, California.

#### FINANCIAL STATEMENTS

The District's Audited Financial Statements, including its general purpose financial statements for the Fiscal Year ended June 30, 2018, are attached hereto as Appendix B. The basic financial statements of the District for the Fiscal Year ended June 30, 2018 have been audited by Christy White Associates (the "Auditor"), as stated in their report appearing in Appendix B. The District has not requested nor has the District obtained the consent of the Auditor to the inclusion of its report in Appendix B to this Official Statement. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report. The Auditor has not been requested to perform and has not performed any procedures relating to the Official Statement.

#### LITIGATION

There is no litigation pending against the District or, to the knowledge of its respective executive officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or the Authorizations or any proceedings of the District taken with respect to the issuance or sale thereof, or the levy or application of *ad valorem* property taxes for the payment of principal of, premium, if any, and interest on the Bonds or the use of the proceeds of the Bonds. To the best of the District's knowledge, there are no pending lawsuits that, in the opinion of the District, challenge the validity of the Bonds, the existence of the District, or the title of the executive officers to their respective offices. There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities under these lawsuits and claims will not materially affect the finances of the District.

#### RATINGS

Moody's and S&P (collectively, the "Rating Agencies") have assigned a rating of "Aa3" and "A", respectively, to the Bonds. S&P is expected to assign the Bonds the long term insured rating of "AA," assuming issuance of the Policy by the Bond Insurer concurrently with the issuance of the Bonds. The District has furnished to each Rating Agency certain materials and information with respect to itself and the Bonds. Generally, Rating Agencies base their ratings on such information and materials and on their own investigations, studies and assumptions. Each rating reflects only the view of the respective Rating Agency, and any explanation of the significance of such rating may be obtained only from the respective Rating Agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 533-0300 and Standard & Poor's, 55 Water Street, New York, New York 10041, telephone: (212) 438-2124. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such Rating Agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by RBC Capital Markets, LLC, as underwriter (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at the purchase price of \$247,720,559.99 (which is equal to the aggregate principal amount of the Bonds of \$229,996,079.85, plus original issue premium of \$18,759,462.50 and less an Underwriter's discount of \$1,034,982.36) pursuant to a Contract of Purchase (the "Contract of Purchase") relating to the Bonds.

Pursuant to the Contract of Purchase, the Underwriter will purchase all of the Bonds if any of such Bonds are purchased. The Underwriters may offer and sell the Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page of this Official Statement. The initial public offering prices or yields may be changed from time to time by the Underwriter.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of either the County or the Participants. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

## ADDITIONAL INFORMATION

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County or the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

#### COMPTON UNIFIED SCHOOL DISTRICT

By:	/s/ Alejandro Alvarez	
	Deputy Superintendent,	
	Chief Administrative Officer	



# APPENDIX A

# DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

# TABLE OF CONTENTS

	Page
DISTRICT GENERAL INFORMATION	A-1
District Governance; Senior Management	A-1
School Facilities	A-1
DISTRICT FINANCIAL INFORMATION	Δ_1
State Financial Accountability and Oversight Provisions	
Significant Accounting Policies, System of Accounts and Audited Financial Statements	Λ-3 Δ-5
Employees and Labor Relations	
Retirement Systems	
Other Postemployment Benefits.	
Insurance	
District Debt	
Future Financings	
Overlapping Debt Obligations	
Academic Performance and Instructional Initiatives	
STATE FUNDING OF EDUCATION	Δ_24
General	
Local Control Funding Formula.	
Average Daily Attendance	
Charter School Funding	
Proposition 98	
State Budget	
State Funding of Schools without a State Budget	
Limitations on School District Reserves	
CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO AD	
VALOREM PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS	A 24
Article XIIIB of the State Constitution	
Proposition 98	
Proposition 39	
Proposition 1A	
Proposition 22 Proposition 22	
Proposition 30	
Future Initiatives	
REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION	
Population	
Income	
Employment	
Taxable Transactions	A-4 <i>3</i>

This Appendix A provides information concerning the operations and finances of the Compton Unified School District (the "District") and certain demographic information in the area covered by the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District and are not an obligation of the County or of the general fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

#### DISTRICT GENERAL INFORMATION

#### **General Information**

The District became a unified school district in 1970. The boundaries of the District encompass approximately 30 square miles in the southern portion of the County of Los Angeles, California (the "County") and includes the City of Compton, portions of the Cities of Paramount and Carson, and unincorporated areas of the County which includes residential and industrial areas.

#### **District Governance; Senior Management**

The District is governed by a seven-member Board of Trustees (the "District Board") elected by voters within the District to serve alternating four-year terms. The chief executive officer of the District, appointed by the District Board to manage the day-to-day operations of the District, is the Superintendent (the "Superintendent"). Dr. Darin Brawley currently serves as the Superintendent. Brief biographical information for Superintendent Brawley and other senior management of the District is set forth below.

<u>Superintendent, Darin Brawley.</u> Dr. Brawley was appointed Superintendent of the District in September 2012. Dr. Brawley previously served as the Superintendent of Adelanto Elementary School District. His career in education also includes experience as a high school science teacher, middle school Assistant Principal, elementary school Principal, middle school Principal, Director of Human Resources, Executive Director of Human Resources, and Deputy Superintendent of Student Learning.

<u>Deputy Superintendent, Chief Administrative Officer. Alejandro Alvarez.</u> Dr. Alvarez was appointed Deputy Superintendent, Chief Administrative Officer by the District Board in November 2012. Dr. Alvarez previously served as the Associate Superintendent, Business Services for the Fontana Unified School District. His career in education includes experience as an elementary school teacher, elementary school Assistant Principal, elementary school Principal and Director, Certificated Human Resources.

#### **School Facilities**

As of June 30, 2018, the District operated 21 elementary schools, seven middle schools, and three high schools. The District also operates one early college high school, one school for adult education, three alternative schools and 10 children's centers. In addition, as of June 30, 2018, there were three fiscally independent charter schools and one affiliated charter school within the District's boundaries. The District had an estimated 20,062 students for Fiscal Year 2018-19.

#### DISTRICT FINANCIAL INFORMATION

*General*. State law requires that each school district maintain a balanced budget in each fiscal year, and that each district project beginning balances, revenues, expenditures, and ending balances for two subsequent years in order to provide, based upon the available information, that the district can project a positive, qualified or negative certification. See "– State Financial Accountability and Oversight Provisions—Interim Reporting Requirements" below.

The California Department of Education ("CDE") imposes a uniform budgeting and accounting format for school districts. Under current law, the District Board must file with the county superintendent of schools a budget by June 30 immediately prior to each fiscal year (referred to herein as the "Adopted Budget"). After approval of the Adopted Budget, the District's administration may submit budget revisions to the District Board during the fiscal year.

School districts in the State must also conduct a review of their budgets according to certain standards and criteria established by the CDE. A written explanation must be provided for any element in a budget that does not meet the established standards and criteria. The school district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the school district's county office of education. The balanced budget requirement makes appropriation reductions necessary to offset any revenue shortfalls, unless sufficient balances exist to cover the shortfall.

Furthermore, county offices of education are required to review school district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards and criteria. In addition, county offices of education are required to determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. Pursuant to the Education Code, on or before August 15 of each year, the county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district. The Education Code directs the county superintendent of schools to disapprove any school district budget if it determines that the budget does not include expenditures necessary to implement a Local Control Accountability Plan (the "LCAP") or an annual update to the LCAP. See "State Funding of Education – Local Control Funding Formula – Local Control Accountability Plan" herein.

In the event that the county office of education disapproves the school district's budget, the county superintendent will submit to the governing board of the school district on or before August 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can conditionally approve that budget. In addition, school districts must make available for public review any revisions to revenues and expenditures that it has made to its budget to reflect the funding made available by the State Budget Act (defined herein) not later than 45 days after the enactment of the State Budget Act. If the county superintendent of schools disapproves a revised budget, he or she will call for the formation of a budget review committee. By November 30 of each year, every school district must have an adopted and approved budget, or the county superintendent of schools will impose one and report such school district to the State Legislature and the State Department of Public Finance.

*Fiscal Year 2018-19 District Budget*. The District Board adopted its budget for Fiscal Year 2018-19 on June 27, 2018 (the "Fiscal Year 2018-19 District Adopted Budget") and submitted the Fiscal Year 2018-19 District Adopted Budget to the Los Angeles County Office of Education ("LACOE") in a timely manner for review. In addition, the District Board approved the LCAP on June 27, 2018. See "District Financial Information – State Funding of Education – Local Control Funding Formula – General" and " – Local Control Accountability Plan" herein.

The Fiscal Year 2018-19 District Adopted Budget projects a General Fund beginning balance of \$60.8 million, revenues of \$284.7 million, total estimated expenditures of \$284.2 million, net other financing uses (*i.e.*, transfers out) of \$3.1 million and an ending balance of \$58.2 million. The Fiscal Year 2018-19 District Adopted Budget projects that its General Fund ending balance of \$58.2 million will

consist of approximately \$1.4 million of nonspendable funds, \$10.4 million for the mandatory Reserve for Economic Uncertainty, \$10.5 million of restricted funds and \$35.9 million of assigned ending balances. The District's audited financial results for Fiscal Year 2017-2018 reflect on June 30, 2018 an ending General Fund balance of \$52.0 million, which reflects a \$8.7 million net decrease in the General Fund balance from the General Fund beginning balance on July 1, 2017 of \$60.7 million.

Fiscal Year 2019-20 District Budget. The District Board adopted its budget for Fiscal Year 2019-20 on June 12, 2019 (the "Fiscal Year 2019-20 District Adopted Budget") and submitted the Fiscal Year 2019-20 District Adopted Budget to the LACOE in a timely manner for review. In addition, the District Board approved the LCAP on June 12, 2019. See "District Financial Information – State Funding of Education – Local Control Funding Formula – General" and "–Local Control Accountability Plan" herein.

The Fiscal Year 2019-20 District Adopted Budget projects a General Fund beginning balance of \$52.9 million, revenues of \$295.4 million, total estimated expenditures of \$293.5 million, net other financing uses (*i.e.*, transfers out) of \$3.1 million and an ending balance of \$51.7 million. The Fiscal Year 2019-20 District Adopted Budget projects that its General Fund ending balance of \$51.7 million will consist of approximately \$1.5 million of nonspendable funds, \$11.0 million for the mandatory Reserve for Economic Uncertainty, \$16.2 million of restricted funds and \$22.9 million of assigned ending balances.

The following Table A-1 sets forth the District's Adopted Budgets for the District General Fund for Fiscal Years 2015-16 through 2019-20, the District's General Fund actual amounts for Fiscal Years 2015-16 through 2017-18, and the District's General Fund projected year totals as of its March 13, 2019 Second Interim Report for Fiscal Year 2018-19. The beginning balance for each fiscal year reflects the estimated ending balance for the prior fiscal year based upon information as of the budget adoption date. Accordingly, the budgeted ending balance for a fiscal year and the subsequent budgeted beginning balance in the following Table A-1 may differ from the actual ending balance and actual beginning balance set forth in Table A-3 "Statement of Revenues, Expenditures and District General Fund Balances" herein. See " – Significant Accounting Policies, System of Accounts and Audited Financial Statements" herein for financial results for Fiscal Years 2013-14 through 2017-18.

TABLE A-1

COMPTON UNIFIED SCHOOL DISTRICT

District Budgets for Fiscal Years 2015-16 through 2019-20

for the District General Fund<sup>(1)(2)</sup>

Figaal Voor

	Fiscal Yea	r 2015-16	Fiscal Yea	r 2016-17	Fiscal Yea	r 2017-18	Fiscal Yea	r 2018-19 Estimated	Fiscal Year 2019-20
	<b>Budget</b>	Actual <sup>(3)</sup>	<b>Budget</b>	Actual <sup>(3)</sup>	<b>Budget</b>	Actual <sup>(3)</sup>	<b>Budget</b>	<u>Actuals</u>	<b>Budget</b>
Revenue:		****			****	****			*****
LCFF/Revenue Limit Revenues <sup>(4)</sup>	\$221,777,398	\$220,616,286	\$226,270,402	\$217,947,571	\$225,893,458	\$219,714,976	\$241,355,475	\$240,943,833	\$244,999,414
Federal	19,421,976	19,865,491	21,290,680	16,632,051	23,586,001	23,528,642	20,394,669	28,166,030	23,747,816
Other State	43,733,775	50,835,797	26,719,693	30,644,683	21,704,340	29,927,468	21,665,945	27,511,773	23,678,334
Other Local	1,058,141	3,359,728	965,841	3,274,683	3,005,709	6,518,287	1,300,000	3,419,301	3,011,416
Total Revenue	\$ <u>285,991,290</u>	\$ <u>294,677,302</u>	\$ <u>275,246,616</u>	\$ <u>268,498,988</u>	\$ <u>274,189,508</u>	\$ <u>279,689,373</u>	\$ <u>284,716,089</u>	\$ <u>300,040,937</u>	\$ <u>295,436,980</u>
Expenditures:									
Certificated Salaries	\$120,092,089	\$110,058,396	\$116,372,002	\$112,194,829	\$120,694,332	\$112,677,522	\$127,404,297	\$121,204,251	\$121,201,866
Classified Salaries	42,469883	37,660,310	39,818,939	37,240,403	34,475,965	39,027,390	37,478,715	40,164,836	39,777,828
Employee Benefits	40,334,722	45,176,1145	49,008,680	48,294,252	42,025,550	58,425,221	45,033,674	55,816,976	53,114,020
Books and Supplies	17,101,199	16,039,194	18,775,361	16,966,574	17,417,933	19,197,039	17,140,757	20,982,941	24,550,457
Services & Other Operating Expenses	48,684,835	44,689,341	52,179,170	46,935,996	51,490,916	51,236,890	52,415,958	53,777,008	52,745,273
Capital Outlay	7,887,851	7,897,029	1,304,132	946,824	1,755,799	1,639,768	2,337,732	1,713,939	490,341
Other Outgo									
Excl. Transfers of Indirect Costs	2,280,443	4,450,184	2,840,675	2,624,953	2,599,305	2,710,617	2,640,200	2,653,273	2,700,550
Transfers of Indirect Costs	(862,978)	(872,164)	(891,137)	(168,251)	(22,165)	(182,438)	(207,420)	(298,383)	(1,048,972)
Total Expenditures	\$ <u>277,988,044</u>	\$ <u>265,098,435</u>	\$ <u>279,407,822</u>	\$ <u>265,035,580</u>	\$ <u>270,437,635</u>	\$ <u>284,732,009</u>	\$ <u>284,243,913</u>	\$ <u>296,014,841</u>	\$ <u>293,531,363</u>
Excess (Deficiency) of Revenues Over									
Expenditures	\$ 8,003,246	\$ 29,578,867	\$ (4,161,206)	\$ 3,463,408	\$ 3,751,873	\$(5,042,636)	\$ 472,176	\$ 4,026,096	\$ 1,905,617
<b>Total Other Financing Sources/(Uses)</b>	\$(4,751,659)	\$(4,084,156)	\$ (3,567,083)	\$ (3,567,083)	\$(3,667,083)	\$(3,667,083)	\$(3,103,754)	\$(3,102,756)	\$(3,139,784)
Net Increase (Decrease)									
in Fund Balance	\$3,251,587	\$25,494,711	\$ (7,728,289)	\$ (103,675)	\$ 84,790	\$(8,709,719)	\$(2,631,578)	\$923,340	\$(1,234,167)
Beginning Fund Balance, July 1	\$33,125,131	\$33,792,642	\$ 59,287,353	\$ 59,287,353	\$60,700,559	\$60,700,559	\$60,785,349	\$51,990,840	\$52,914,180
Ending Balance, June 30	\$36,376,718	\$59,287,353	\$ 51,559,064	\$ 59,183,678	\$60,785,349	\$51,990,840	\$58,153,771	\$52,914,180	\$51,680,013

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding.

Sources: Compton Unified School District Audited Financial Statements for Fiscal Years 2015-16 through 2017-18, the District's Second Interim Report for Fiscal Year 2018-19, and the District's Budget for Fiscal Year 2018-19 and 2019-20.

<sup>(2)</sup> Includes the restricted and unrestricted portions of the General Fund.

<sup>(3)</sup> Actual amounts do not equal amounts reported in the District's statement of Revenues, Expenditures and Changes, as set forth for in Table A-2, due to various accounting adjustments.

<sup>(4)</sup> See State Funding of Education – Local Control Funding Formula" and " – Prior Revenue Limit Funding" herein.

#### State Financial Accountability and Oversight Provisions

Interim Reporting Requirements. State law grants to each county superintendent of schools certain oversight with respect to the budget development process and interim financial reporting of public school districts. Pursuant to the Education Code, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the thencurrent fiscal year and, based on current forecasts, for the two subsequent fiscal years. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district, based on then-current projections, which may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. In the event that a school district is certified as qualified or negative, the county superintendent of schools is required to report to the State Superintendent of Public Instruction on the financial condition of the school district and the proposed remedial actions and to take all actions that are necessary to ensure that the school district meets its financial obligations. The county office of education reviews the interim reports and certifications made by school districts and may change certification to qualified or negative if necessary. If a school district has a qualified or negative certification report in any year, the school district may not issue non-voter-approved debt instruments in that fiscal year or in the next succeeding fiscal year unless the county office of education, using criteria from the State Superintendent of Public Instruction, determines repayment is probable.

The District filed a positive certification in connection with its last interim report, being the Second Interim Report for Fiscal Year 2018-19. The First Interim Report for Fiscal Year 2019-20 will be submitted in December 2019.

#### Significant Accounting Policies, System of Accounts and Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in Appendix B – "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows.

The District is required to file its audited financial statements for the preceding fiscal year with the State Controller's Office, the CDE and the County Superintendent of Schools by December 15 of each year. The audited financial information included in this Official Statement, including the audited financial statements for Fiscal Year 2017-18 (the "Fiscal Year 2017-18 Audited Financial Statements") attached as Appendix B hereto, were prepared by the District using information from the annual financial statements which are prepared for the District and audited by independent certified public accountants (the "Auditor") each year. Christy White Associates, Certified Public Accountants, served as Auditor to the District for its audited financial statements for Fiscal Year 2017-18. See Appendix B – "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto.

The following Table A-2 sets forth the District's audited District General Fund revenues, expenditures and fund balances for the Fiscal Years 2013-14 through 2017-18.

**TABLE A-2** COMPTON UNIFIED SCHOOL DISTRICT Statement of Revenues, Expenditures and District General Fund Balances (1) Fiscal Years 2013-14 through 2017-18

	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2014-15</u>	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2017-18</u>
Revenues					
Revenue Limit / LCFF <sup>(2)</sup>	\$178,863,078	\$193,359,893	\$220,616,286	\$217,947,571	\$216,047,893
Federal	24,047,405	21,599,186	19,865,491	16,632,051	23,528,642
Other State	34,482,167	34,847,910	50,835,797	30,644,683	29,927,468
Other Local	1,670,587	2,147,575	4,027,238	4,791,564	6,518,287
Total Revenues	\$ <u>239,063,237</u>	\$ <u>251,954,564</u>	\$ <u>295,344,812</u>	\$ <u>270,015,869</u>	\$ <u>276,022,290</u>
Expenditures					
Instruction	\$ 148,283,299	\$157,517,747	\$160,502,229	\$165,721,032	\$172,708,283
Instruction – Related Services					
Instructional Supervision and Administration	6,597,688	7,598,340	7,253,937	8,532,848	10,832,042
Instructional Library, Media and Technology	1,783,175	1,710,374	1,676,128	1,665,257	1,721,224
School Site Administration	11,973,577	12,580,477	13,077,566	13,132,117	16,479,952
Pupil Services					
Pupil Services - Home to School Transportation	4,648,819	5,252,405	5,231,412	7,570,121	6,060,089
Pupil Services - Food Services		219			2,847,143
Pupil Services – All Other Pupil Services	11,557,845	12,794,051	13,319,096	13,756,463	15,789,824
General Administration					
General Admin Centralized Data Processing	1,895,112	2,758,664	2,999,346	3,647,526	2,223,219
General Admin - Other	13,473,608	18,366,361	17,602,280	19,171,394	20,135,035
Plant Services	29,475,520	29,178,498	30,119,476	26,914,880	30,686,301
Facility Acquisition & Construction		1,346,378	7,692,468	995,367	1,019,876
Ancillary Services	1,315,027	1,674,273	1,174,313	1,303,622	1,518,336
Enterprise Activities			· · ·		68
Transfers to Other Agencies	4,349,857		1,873,352	45,354	131,617
Other Outgo	, , , <u></u>		, , , , , , , , , , , , , , , , , , ,		
Debt Service – Principal	1,005,000	1,444,727	1,520,000	1,580,000	1,650,000
Debt Service – Interest	1,127,483	654,073	1,056,832	999,599	929,000
Debt Service – Issuance Costs/Discount	, , ,	,,,,,	,,	,	,
<b>Total Expenditures</b>	\$ <u>237,486,010</u>	\$ <u>252,876,587</u>	\$ <u>265,098,435</u>	\$ <u>265,035,580</u>	\$ <u>284,732,009</u>
Excess (Deficiency) of Revenues	\$ 1,577,227	\$ (922,023)	\$ 30,246,377	\$ 4,980,289	\$ (8,709,719)
Other Financings Sources/(Uses)					
Transfers In					
Other sources					
Transfers Out <sup>(3)</sup>	\$ (4,400,000)	\$ (6,011,788)	\$ (4,084,156)	\$ (3,567,083)	
Other uses					
Total Other Financing Sources/(Uses)	\$ <u>(4,400,000)</u>	\$ (6,011,788)	\$ (4,084,156)	\$ (3,567,083)	\$0
Net Change in Fund Balance	\$ (2,822,773)	\$ (6,933,811)	\$ 26,162,221	\$ 1,413,206	\$ (8,709,719)
Beginning Balance	\$ 44,256,162	\$ 40,058,943	\$ 33,125,132	\$ 59,287,353	\$ 60,700,559
Ending Balance	\$ 41,433,389	\$ 33,125,132	\$ 59,287,353	\$ 60,700,559	\$ 51,990,840

Sources: Compton Unified School District's audited financial statements for Fiscal Years 2013-14 through 2017-18.

Totals may not equal sum of component parts due to rounding.

See State Funding of Education " – Local Control Funding Formula" and " – Prior Revenue Limit Funding" herein.

The District's audited financial statements for Fiscal Year 2017-18 reported no "Transfers Out" for the District's General Fund. Instead, these transfers, which have typically consisted of a portion of the District's LCFF revenues, were reported as LCFF revenues in non-governmental funds.

#### **Employees and Labor Relations**

The District's Fiscal Year 2019-20 District Adopted Budget authorizes 1,149.1 certificated (non-management) full-time equivalent ("FTE") positions and 546.9 classified (non-management) FTE positions, and 135.0 management, supervisor and confidential FTE positions.

The District has five bargaining units which maintain contracts with the District. Certificated employees are represented by the Compton Education Association. Classified employees are represented by the Teamsters, which includes classified Unit A - Operations Support Services Employees, Unit C - Operations Support Services Employees and Unit D - Operations Support Services Employees, and California School Employees Association, which includes classified Unit B. Classified supervisors are represented by Service Employees' International Union, Local 347. Police officers and safety personnel employed by the Federation Public Service Employees. In addition, certain employees are not represented by a formal bargaining unit (collectively, the "Non-Represented Employees"). The following Table A-3 sets forth the number of members of each bargaining unit as of June 1, 2019 and the expiration dates of the labor agreements with each of the District's employee bargaining units.

TABLE A-3

COMPTON UNIFIED SCHOOL DISTRICT

Employee Bargaining Units and Contract Expiration Dates (1)

As of June 1, 2019

<b>Employee Bargaining Unit</b>	<b>Members</b>	Contract Expiration Date(2)
Compton Education Association	1,181	February 28, 2019
Teamsters	581	June 30, 2019
California School Employees Association	396	June 30, 2019
Service Employees' International Union, Local 347	80	June 30, 2019
Police Officers' Association	13	June 30, 2021
Non-Represented Employees	146	N/A

<sup>(1)</sup> Does not reflect side letters, tentative agreements and other agreements by and between the District and each of the employee bargaining units pertaining to, among other things, job services and restoration, health care, and evaluations of personnel.

Source: Compton Unified School District.

#### **Retirement Systems**

General. The District currently participates in the California State Teachers' Retirement System ("CalSTRS") and California Public Employees' Retirement System ("CalPERS"). Certificated employees are eligible to join CalSTRS, and classified employees are eligible to join CalPERS. Pursuant to federal law, all public sector employees who are not members of their employers existing retirement systems must be covered by Social Security or an alternative plan. The amounts of the District's contributions to CalSTRS and CalPERS are subject to, among other things, collective bargaining agreements and changes in State law. See Appendix B - "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto.

CalPERS and CalSTRS are operated on a statewide basis and, based on available information, both have substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes are required under State law. The amounts of the pension/award benefit obligation with respect to CalPERS or actuarially accrued liability with respect to CalPERS and CalSTRS will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the

<sup>(2)</sup> The employee bargaining units with expired contracts are operating under the terms of the applicable expired contract. As of the date hereof, the District and such bargaining units are negotiating terms to be contained in new contracts.

amount of these liabilities will be in the future or the amount of the contributions which the District may be required to make to CalPERS and CalSTRS. Accordingly, there can be no assurances that the District's required contributions to CalPERS and CalSTRS will not significantly increase in the future in excess of the current rates approved by State law and the District as described herein.

The information set forth below regarding CalSTRS and CalPERS has been obtained from publicly available sources and has not been independently verified by the District or Disclosure Counsel, not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District or Disclosure Counsel. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities ("UAAL") stated below.

California State Teachers' Retirement System. CalSTRS is a defined benefit plan that covers all full-time certificated District employees and some classified District employees, which are District employees employed in a position that does not require a teaching credential from the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.

Member benefits are determined pursuant to the Education Code and are generally based on a member's age, final compensation and years of credited service. Members are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to \$400 per month. Members hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Benefits include a by 2% cost of living increase (computed on a simple, noncompounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit. See "District Financial Information – Retirement Systems - California Public Employees' Pension Reform Act of 2013" herein and Note 11 set forth in Appendix B – "Report on Audited Basic Financial Statements for the Fiscal Year Ended June 30, 2018" attached hereto.

The CalSTRS defined benefit plan (the "DB Plan") is funded through a combination of investment earnings and statutorily set contributions from members of CalSTRS, the participating employers (including the District) and the State. The State is not an employer (with certain limited exceptions) in any of the CalSTRS programs but contributes to the DB Plan and a supplemental benefits maintenance account pursuant to provisions of the Education Code. Pursuant to the Education Code, for Fiscal Year 2019-20, the State will contribute 10.328% of members' annual earnings to the CalSTRS DB Plan and an additional 2.5% of member earnings into the CalSTRS supplemental benefit maintenance account, which is used to maintain the purchasing power of benefits. In addition, the Board of CalSTRS is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. Contribution rates for the members and the employers to fund the DB Plan are based on contribution rates set by provisions of the Education Code and are not adjusted to reflect or offset actuarial investment returns or other factors that affect the funded status of the DB Plan. This methodology has contributed over time to an underfunding of the CalSTRS DB Plan. To address the underfunding, the State legislature enacted Assembly Bill 1469 (2014) ("AB 1469"), a funding plan that is intended to eliminate the current CalSTRS DB Plan unfunded liability by 2046. The funding plan began in Fiscal Year 2014-15 and is being phased in over several years.

The District's employer contribution rate increased by 1.85% of covered payroll annually beginning July 1, 2015 and will continue to increase until the employer contribution rate is 19.10% of covered payroll. Effective July 1, 2021 the employer contribution rate will be adjusted based on the contribution rate necessary to amortize the unfunded 1990 benefit and contribution rate structure (as described in the CalSTRS Defined Benefit Program Actuarial Valuation as of June 30, 2015, the "1990 Benefit Structure") attributable to service prior to July 1, 2014 that is not funded by the State. The District's employer contribution rate for Fiscal Year 2018-19 was 16.28% of covered payroll. The District's employer contribution rate for Fiscal Year 2019-20 is 17.10% of covered payroll (a decrease from 18.13% as a result of contributions to CalSTRS in the 2019-20 State Budget (as herein defined)). See "State Funding of Education – State Budget – 2019-20 State Budget" herein. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 9.20% for Fiscal Year 2015-16, 10.25% for Fiscal Years 2016-17 through 2018-19, and will remain 10.25% for Fiscal Year 2019-20. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members)was 8.56% for Fiscal Year 2015-16, 9.205% for Fiscal Year 2016-17 and 2017-18, 10.205% for Fiscal Year 2018-19, and will remain 10.205% for Fiscal Year 2019-20.

<u>DB Plan Actuarial Valuation</u>. The State Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the DB Plan. CalSTRS actuarial consultant (the "Actuarial Consultant") determines the actuarial value of the DB Plan's assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

Based on the CalSTRS Actuarial Valuation dated as of June 30, 2018 (the "2018 CalSTRS Actuarial Valuation"), CalSTRS continues to make progress toward fully funding the system by June 30, 2046. The 2018 CalSTRS Actuarial Valuation reflects that the funding ratio increased from 62.6% in 2017 (\$107.3 billion unfunded actuarial obligation) to 64.0% in 2018 (\$107.2 billion unfunded actuarial obligation). The increase in funded status was due primarily to salary increases that were less than assumed and actuarial asset gains recognized from the current and prior fiscal years.

The actuarial assumptions set forth in the 2018 CalSTRS Actuarial Valuation use the "Entry Age Normal Cost Method" and, among other things, a 7.00% investment rate of return for measurements as of June 30, 2017 and an assumed 7.00% investment rate of return for measurements as of June 30, 2018, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation, and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2018 CalSTRS Actuarial Valuation were based on the CalSTRS Experience Study and Review of Actuarial Assumptions for the period from July 1, 2010 to June 30, 2015 adopted by the Teacher's Retirement Board in February 2017. CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The UAAL and funded status of the CalSTRS pension fund as of valuation dates June 30, 2014 through June 30, 2018 are set forth in the following Table A-4. The individual funding progress for the District is not provided in the actuarial report from CalSTRS.

TABLE A-4

Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program
Valuation Dates June 30, 2014 through June 30, 2018
(\$ in millions)

Valuation Date (June 30)	Actuarial Obligation	Actuarial Value of Assets (1)	Market Value of Assets	Unfunded Actuarial Obligation	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2014	\$231,213	\$158,495	\$179,749	\$72,718	69%	78%
2015	241,753	165,553	180,633	76,200	69	70
2016	266,704	169,976	177,914	96,728	64	62
2017	286,950	179,689	197,718	107,261	63	64
2018	297,603	190,451	211,367	107,152	64	66

<sup>(1)</sup> Net Actuarial Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2014 through June 30, 2018.

<u>District's Proportionate Share of DB Plan</u>. As of June 30, 2018, the District recognized \$183,615,185 as its proportionate share of the CalSTRS net pension liability ("NPL") and \$108,626,078 as the State's proportionate share of the net pension liability associated with the District, for a total of \$292,241,263 in CalSTRS pension liability. The NPL was measured as of June 30, 2017, and the total pension liability used to calculate the NPL was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The District's proportion of the NPL was based on a projection of the District's long-term share of contributions to CalSTRS DB Plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.199%, which was a decrease of 0.016% from its proportion measured as of June 30, 2016.

As of June 30, 2018, the District recognized pension expenses of \$17,026,100 and pension expense and revenue of \$3,122,060 for support provided by the State. The District also recognized as of June 30, 2018, deferred inflows of resources was \$53,346,474 and deferred outflows of resources was \$74,965,618. Based on the DB Plan actuarial valuation as of June 30, 2017, the District's NPL was projected to be \$113,828,311 if the discount rate was increased to 8.10% and \$269,605,385 if the discount rate was decreased to 6.10%.

In addition, the District received on-behalf of payments made by the State to CalSTRS for K-12 education, which payments consist of State general fund contributions of approximately \$8,833,553 to CalSTRS.

The following Table A-5 sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2011-12 through 2016-17, and the contributions as a percentage of the District's General Fund expenditures for the same years.

<sup>(2)</sup> Funded Ratio – Market Value Basis percentage does not include the SBMA Reserve amount in the Market Value of Assets.

# TABLE A-5 COMPTON UNIFIED SCHOOL DISTRICT Annual Regular CalSTRS Contributions Fiscal Years 2013-14 through 2018-19

Fiscal Year	District Contribution (All Funds)	District Contribution as Percentage of General Fund Expenditures <sup>(1)</sup>	District General Fund Contribution	General Fund Contribution as Percentage of General Fund Expenditures <sup>(1)</sup>
2013-14	\$ 8,413,273	3.54%	\$ 8,333,474	3.59%
2014-15	12,531,812	5.06	12,444,994	5.03
2015-16	19,143,445	7.22	18,972,498	7.16
2016-17	18,491,022	6.96	18,289,644	6.90
2017-18	24,755,982	8.69	24,477,367	8.60
$2018-19^{(2)}$	15,106,448	5.31	14,939,717	5.26

<sup>(1)</sup> Amount of General Fund used to calculate this percentage excludes transfers out for other fund expenditures.

(2) Budgeted.

Sources: Compton Unified School District.

Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Official Statement.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS.

Qualified employees of the District are eligible to participate in the Schools Pool Plan (the "Schools Pool Plan"), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The Schools Pool Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries as established by State statutes, as legislatively amended, set forth in the California Public Employees' Retirement Law (the "Public Employees' Retirement Law"). The Schools Pool Plan (commonly referred to as "PERF B") is a component of CalPERS' Public Employees' Retirement Fund ("PERF"), which also includes an agent multiple-employer plan for the State and most public agencies rate plan with more than 100 active members (commonly referred to as PERF A) and a plan for public agencies with generally less than 100 active members (commonly referred to as PERF C).

Employees, who were hired prior to January 1, 2013, are eligible for retirement at the age of 50 and are entitled to a monthly benefit of 1.1% of final compensation for each year of service credit. The rate is increased if retirement is deferred beyond the age of 50, up to age 63. The Schools Pool Plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions and interest earned on those funds are refundable through the date of separation. Under the provisions of PEPRA (as herein defined), all miscellaneous (non-safety) member hired on or after January 1, 2013 will be under a new defined benefit formula of a monthly benefit of 2% of their final compensation at age 62, with an early retirement age of 52 and a maximum benefit factor of 2.418% at age 67. Final compensation means the monthly average of a member's highest 12 consecutive months' full-time equivalent monthly pay for employees hired prior to

January 1, 2013. For PEPRA members, final compensation is based on the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay, up to a certain cap, which may be adjusted annually.

The benefits for the CalPERS pension plans are funded by contributions from members and employers, and earnings from investment. Member and employer contributions are a percentage of applicable member compensation. Member and employer contributions are a percentage of applicable compensation. Member contributions rates are established pursuant to the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. In certain circumstances, a portion of member contributions are paid for by the employer, including the District. Employer paid member contributions are reported as member contributions. Employer contribution rates are determined by periodic actuarial valuations or by statue. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions are credited with a market value adjustment in determining contribution rates. The cost of administering CalPERS is financed through contributions and investment earnings. For Fiscal Year 2018-19, the employee contribution rate for non-PEPRA members is 7% of monthly salary and the employee contribution rate for PEPRA members is 7% of monthly salary (being 0.5% higher than the prior year's rate). The District's employer contribution rate increased from 11.847% of covered payroll for Fiscal Year 2015-16, to 13.888% of covered payroll for Fiscal Year 2016-17, then to 15.531% of covered payroll for Fiscal Year 2017-18 and was 18.062% of covered payroll for Fiscal Year 2018-19. See Note 11 set forth in Appendix B – "Report on Audited Basic Financial Statements for the Fiscal Year Ended June 30, 2018" attached hereto.

<u>Schools Pool Plan Actuarial Valuation</u>. Since the June 30, 2015 valuation, CalPERS has employed an amortization and smoothing policy that apportions all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. In contrast, the previous policy spread investment returns over a 15-year period with experience gains and losses spread over a rolling 30-year period. On December 21, 2016, the CalPERS Board of Administration (the "CalPERS Board") lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017 (the "2017 CalPERS Schools Pool Actuarial Valuation"). The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution. See Table A-6 – "Actuarial Value of Schools Portion of CalPERS – Historical Funding Status" herein.

The actuarial funding method used in the 2017 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method". The 2017 CalPERS Schools Pool Actuarial Valuation assumes, among other things projected inflation of 2.75% and projected payroll growth of 3.00% compounded annually. The 2017 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.375% compounded annually (net of administrative expenses) as of June 30, 2017, 7.25% compounded annually (net of administrative expenses) as of June 30, 2018, and 7.0% compounded annually (net of administrative expenses) as of June 30, 2019. The first reduction in the investment rate of return will impact the District's employer contribution rates beginning in fiscal year 2018-19. The CalPERS Board also adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.75% as of June 30, 2017, to 2.625% as of June 30, 2018, and finally to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future. The overall payroll growth will be reduced from 3.0% annually as of June 30, 2017, to 2.875% as of June 30, 2018, and finally to 2.75% as of June 30, 2019.

The 2017 CalPERS Schools Pool Plan Valuation projects that future employer contribution rates will be 20.7%, 23.4%, 24.5%, 25.0% and 25.5% for Fiscal Years 2019-20, 2020-21, 2021-22, 2022-23, and 2023-24 respectively. The projections are based on, among other things, a discount rate of 8.6% for Fiscal Year 2017-18 and 7.25% for Fiscal Year 2018-19, and 7.00% for every fiscal year thereafter. The projections also

assume that all other actuarial assumptions will be realized and no changes to assumptions, contributions, benefits or funding will occur during the projection period. The actuarial assumptions include payroll growth of 2.875% in Fiscal Year 2018-19 and 2.75% for every fiscal year thereafter and an inflation rate of 2.625% for Fiscal Year 2018-19 and 2.50% for every fiscal year thereafter. An actuarial valuation by employer is not available. One actuarial valuation is performed for those employers (including the District) participating in the pool and the same contribution rate applies to each such employer.

On April 17, 2019, subsequent to the release of the 2017 CalPERS Schools Pool Plan Valuation, the CalPERS Board adopted Agenda Item 6d ("Agenda Item 6d"), which includes updated projections for future employer contribution rates. Specifically, Agenda Item 6d projects employer contribution rates will be 23.6%, 24.9%, 25.7%, and 26.4% in Fiscal Years 2020-21, 2021-22, 2022-23, and 2023-24, respectively. Agenda Item 6d did not adjust the employer contribution rate for Fiscal Year 2019-20.

On June 27, 2019, CalPERS released an Actuarial Circular Letter, which reflected a modified employer contribution rate of 19.7% (reduced from 20.7%) for Fiscal Year 2019-20 as a result of contributions to CalPERS included in the 2019-20 State Budget. See "State Funding of Education – State Budget – 2019-20 State Budget" herein.

The following Table A-6 sets forth the actuarial accrued liabilities, market value of assets, funded status (based on market value of assets), unfunded liabilities (based on market value of assets), projected payroll for determining contributions and unfunded liabilities as a percentage of covered payroll as of June 30, 2013 through 2017.

TABLE A-6

Actuarial Value of Schools Portion of CalPERS

Historical Funding Status

Valuation Dates June 30, 2013 through June 30, 2017

(\$ in millions)

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Determining Contributions	Unfunded Liabilities/ (Surplus) as a % of Covered Payroll
2013	\$61,487	\$49,482	80.5%	\$12,005	\$10,424	115.2%
2014	65,600	56,838	86.6	8,761	11,294	77.6
2015	73,325	56,814	77.5	16,511	12,098	136.5
2016	77,544	55,785	71.9	21,759	13,022	167.1
2017	84,416	60,865	72.1	23,551	13,683	172.1

Source: CalPERS Schools Actuarial Valuations as of June 30, 2017.

<u>District's Proportionate Share of Schools Pool Plan</u>. As of June 30, 2018, the District's proportionate share of the Schools Pool Plan net pension liabilities was \$70,997,380. The NPL was measured as of June 30, 2017, and the total pension liability used to calculate the NPL was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The District's proportion of the NPL was based on a projection of the District's long-term share of contributions to CalPERS relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.297%, which was a decrease of 0.018% from its proportion measured as of June 30, 2016.

As of June 30, 2018, the District's proportionate Schools Pool Plan pension expense was \$11,047,733, deferred inflows of resources was \$7,226,223 and deferred outflows of resources was \$23,017,745. Based on the 2017 CalPERS Schools Pool Actuarial Valuation, the District's proportionate share of the CalPER's NPL was projected to be \$43,237,420 if the discount rate was increased to 8.15% and \$104,459,897 if the discount rate was decreased to 6.15%.

<u>Safety Members</u>. The District previously established a pension plan through CalPERS for its safety members ("Safety Plan"). The District also recently established a pension plan through CalPERS for its police safety members ("Police Safety Plan"), although there is currently only one participating member. The Safety Plan and Police Safety Plan are part of the safety risk pool for CalPERS because of the limited number of District safety members.

According to the actuarial valuation for the Safety Plan as of June 30, 2017 (the "2017 Safety Plan Actuarial Valuation"), the most recent actuarial valuation for the Safety Plan available, there were 18 active members, 10 transferred members, 6 separated members and 40 retired members as of June 30, 2017. The projected payroll for contribution purposes for Fiscal Year 2018-19 and Fiscal Year 2019-20 are \$1,650,617 and \$1,330,956, respectively. The District's normal cost rate for Fiscal Year 2018-19 is 21.206%, its normal cost rate for Fiscal Year 2019-20 is 22.434% and its projected normal cost rate for Fiscal Years 2020-21 through 2024-25 is 23.8%. According to the 2017 Safety Plan Actuarial Valuation, the District's estimated total employer contribution for Fiscal Years 2018-19 and 2019-20 will be \$1,177,284 and \$1,186,965, respectively, in each case inclusive of the District's estimated employer normal costs for such fiscal years. The 2017 Safety Plan Actuarial Valuation projects that the District's payment for amortization of its unfunded accrued liability for Fiscal Years 2020-21 through 2024-25 will be \$917,000, \$956,000, \$997,000, \$1,039,000 and \$1,083,000, respectively. The foregoing amounts exclude the estimated employer normal cost that the District will be required to pay, which estimates remain to be determined pursuant to subsequent actuarial valuations. According to the 2017 Safety Plan Actuarial Valuation, as of June 30, 2017, the risk pool had an aggregate \$20,966,498,823 accrued liability and aggregate pool unfunded actuarial liabilities of \$5,939,788,240.

According to the actuarial valuation for the Police Safety Plan as of June 30, 2017 (the "2017 Police Safety Plan Actuarial Valuation"), the most recent actuarial valuation for the Police Safety Plan available, there was one active member and no transferred members, separated members or retired members as of June 30, 2017. The projected payroll for contribution purposes for Fiscal Year 2019-20 is \$52,618. The District's normal cost rate for Fiscal Year 2019-20 is 13.786% and its projected normal cost rate for Fiscal Years 2020-21 through 2024-25 is 13.9%. According to the 2017 Police Safety Plan Actuarial Valuation, the District's estimated total employer contribution for Fiscal Years 2019-20 will be \$7,254, inclusive of the District's estimated employer normal costs for such fiscal year. The 2017 Police Safety Plan Actuarial Valuation projects that the District's payment for amortization of its unfunded accrued liability for Fiscal Years 2020-21 through 2024-25 will be \$580, \$480, \$410, \$340 and \$290, respectively. The foregoing amounts exclude the estimated employer normal cost that the District will be required to pay, which estimates remain to be determined pursuant to subsequent actuarial valuations.

The following Table A-7 sets forth the Safety Plan's proportionate share of the risk pool accrued liability, its proportionate share of the risk pool unfunded actuarial liability, its proportionate share of the risk pool market value of assets and its funded ratio as of June 30, 2013 through 2017.

TABLE A-7

CalPERS Actuarial Value of the District's Safety Plan<sup>(1)</sup>

Historical Funding Status

Valuation Date of June 30, 2013 through June 30, 2017

Actuarial Valuation Date (June 30)	Accrued Liability	Share of Pool's Market Value of Assets	Share of Pool's Unfunded Liability	Funded Ratio Market Value	Annual Covered Payroll
2013	\$18,673,098	\$10,600,409	\$8,072,689	56.8%	\$1,786,554
2014	20,297,098	12,397,044	7,900,054	61.1	1,608,203
2015	21,106,045	12,622,108	8,483,937	59.8	1,594,819
2016	21,781,251	12,279,105	9,502,146	56.4	1,510,548
2017	21,581,981	12,078,437	9,503,544	56.0	1,222,459

Data set forth in Table A-7 reflects information relating to the District's Safety Plan and does not include information relating to the Miscellaneous Plan. Actuarial information relating to the historical funding status of the District's Miscellaneous Plan is not available from CalPERS as a separate report.

Source: CalPERS Safety Plan of the Compton Unified School District (CalPERS ID 4627108958) Annual Valuation Report as of June 30, 2017.

For the Police Safety Plan, as of June 30, 2017, the plan had an accrued liability of \$8,026, its share of the risk pool's market value of assets was \$8,146, its share of the risk pool unfunded actuarial liability was \$(120), its funded ratio was 101.5%, and the annual covered payroll was \$48,329.

<u>District's CalPERS Contributions</u>. The following Table A-8 sets forth the District's regular annual contributions, inclusive of employee contributions paid by the District, to CalPERS for Fiscal Years 2013-14 through 2017-18 and the budgeted contribution for Fiscal Year 2018-19 and these contributions as a percentage of the District's General Fund expenditures for the same fiscal years.

TABLE A-8

COMPTON UNIFIED SCHOOL DISTRICT
Annual Regular CalPERS Contributions
Fiscal Years 2013-14 through 2018-19

Fiscal Year	District Contributions (All Funds)	District Contribution as Percentage of General Fund Expenditures <sup>(1)</sup>	District General Fund Contribution	General Fund Contribution as Percentage of General Fund Expenditures <sup>(1)</sup>
2013 14	\$4,944,902	2.08%	\$4,331,853	1.87%
2014 15	5,292,672	2.14	4,615,454	1.87
2015-16	4,966,156	1.87	4,313,809	1.63
2016-17	5,543,200	2.09	5,284,230	1.94
2017-18	6,348,967	2.22	5,515,374	2.45
$2018-19^{(2)}$	5,973,432	2.01	5,185,096	2.22

<sup>(1)</sup> Amount of General Fund used to calculate this percentage excludes transfers out for other fund expenditures.

Sources: Compton Unified School District audited financial statements for Fiscal Years 2013-14 and 2017-18 and the District for Fiscal Year 2018-19.

<sup>(2)</sup> Budgeted.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

California Public Employees' Pension Reform Act of 2013. Among other things, the California Public Employees' Pension Reform Act of 2013 ("PEPRA") establishes new retirement formulas for employees hired on or after January 1, 2013 ("PEPRA Employees") and prohibits public employers from offering defined benefit pension plans to PEPRA Employees that exceed the benefits provided thereunder. PEPRA increases the retirement age for new State, school, city and local agency employees depending on job function and limits the annual CalPERS and CalSTRS pension benefit payouts. PEPRA applies to all public employers except the University of California, charter cities and charter counties. However, PEPRA is applicable to those entities which contract with CalPERS.

PEPRA mandates equal sharing of normal costs between a contracting agency or school employer and their employees and that employees pay at least 50% of normal costs and that employers not pay any of the required employee contribution. However, PEPRA limits the contribution to an amount not in excess of 8% of pay for local miscellaneous or school members, not more than 12% of pay for local police officers, local firefighters, and county peace officers, and not more than 11% of pay for all local Safety Members. PEPRA requires employers to complete a good faith bargaining process as required by law prior to implementing changes regarding the contribution requirements. The changes to required contribution requirements went into effect on January 1, 2018.

In addition, PEPRA amended then-existing laws to redefine final compensation for purposes of pension benefits for PEPRA Employees. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRA Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRA requirements unless, among other things, its retirement system's chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA.

Pension Accounting and Financial Reporting Standards. In 2012, the Governmental Accounting Standards Board issued Governmental Accounting Standards Board Statement No. 68 – "Accounting And Financial Reporting For Pensions" ("GASB 68"), which revises and establishes new financial reporting requirements for most public employers, such as the District, that provide pension benefits to their employees. GASB 68, among other things, requires public employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including thorough guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost allocation method. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. GASB 68 became effective for the financial statements of plan employers, including the District's financial statements, commencing the fiscal year ended June 30, 2015.

Pursuant to GASB 68, CalSTRS and CalPERS will use a new blended rate that reflects a long-term rate of return on plan assets, which reflects a pension fund's long-term investment strategy, and a high-quality, non-taxable municipal bond index rate, to account for the potential need to borrow funds to pay pension benefits after net assets have been fully depleted. CalSTRS has cautioned that use of the new, blended discount rate may cause the financial statements of plans, such as CalSTRS, to reflect an increased unfunded liability.

#### **Other Postemployment Benefits**

General. The District pays a portion of the medical costs for eligible retirees through the Compton Unified School District Retiree Benefit Plan (the "OPEB Plan"), which is a defined benefit plan for post-employment benefits other than pensions (such other post-employment benefits being referred to herein as "OPEB"). All active employees who retire directly from the District and meet other eligibility criteria may participate in the OPEB Plan. According to the actuarial valuation of the OPEB Plan as of June 30, 2017 (the "2017 OPEB Actuarial Valuation"), the most recent actuarial valuation of the OPEB Plan, membership in the OPEB Plan as of June 30, 2017 consisted of 351 retirees receiving benefits and 2,301 active employees who may become eligible to retire and receive benefits in the future.

The OPEB Plan pays benefits until the retiree reaches age 65, respectively, depending on their bargaining unit. Pursuant to the OPEB Plan, there is no age requirement for disability retirees and coverage for such retirees continues until the earlier of age 65 or a term of up to 36 months. Historically, the District has funded the OPEB Plan on a pay-as-you-go basis, paying an amount in each fiscal year equal to the benefits distributed or disbursed in that fiscal year. The District's annual OPEB cost is calculated based on the annual required contribution, as determined by the actuarial consultant, which represents a level of funding that, if paid on an on-going basis, is projected to be sufficient to pay the normal cost of OPEB each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years.

Postemployment Benefits Other Than Pensions Accounting and Financial Reporting Standards. In June 2015, the Governmental Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" ("GASB 75"), which revised and established new accounting and financial reporting requirements for state and local governments, such as the District, that offer OPEB to employees. Pursuant to GASB 75, net OPEB liabilities are required to be recognized in the financial statements for such state and local governments. In addition, GASB 75 provides additional guidance with respect to recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 directs the use of "entry age normal" as the actuarial cost allocation method to be used and the various procedures, assumptions and discount rates to be used in connection with the calculation of liabilities. In connection therewith, states and local governments that do not pre-fund their respective OPEB obligations may report increased liabilities. GASB 75, among other things, requires additional note disclosures and the presentation of required supplementary information in financial statements.

Fiscal Year 2017-18 OPEB Liability and the 2017 OPEB Actuarial Valuation. According to the 2017 OPEB Actuarial Valuation, the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (the "Total OPEB Liability) as of June 30, 2017 was \$55,803,023. The Total OPEB Liability was determined using, among other things, an assumed inflation of 2.75%, salary increases of 3.00% and a discount rate of 3.40%. The 2017 OPEB Actuarial Valuation projected that the District's OPEB contributions would increase from approximately \$1.6 million in Fiscal Year 2019-20 to approximately \$3.5 million in Fiscal Year 2026-27.

The District implemented GASB 75 for its Fiscal Year 2017-18 Audited Financial Statements. Utilizing the "roll-back" option under GASB 75, which permits a valuation measurement date 12 months prior to the reporting date to be used, the Fiscal Year 2017-18 Audited Financial Statements relied on the amounts set forth in the 2017 OPEB Actuarial Valuation and reported a Total OPEB Liability of \$55,803,023. Consistent with the 2017 OPEB Actuarial Valuation, which reflected no qualifying assets in the OPEB Plan as of June 30, 2017, the 2017-18 Audited Financial Statements reported a fiduciary net position of \$0 and net OPEB liability (being the difference between the Total OPEB Liability and the fiduciary net position, the "Net OPEB Liability") of \$55,803,023. The Fiscal Year 2017-18 Audited Financial Statements also reflect \$1,374,630 in contributions that were made subsequent to the measurement date of June 30, 2017, which will be recognized as a reduction of the Total OPEB Liability for Fiscal Year 2018-19, and

deferred inflows of \$3,882,003 relating to changes in assumptions. See Note 10 of Appendix B for information on projected changes to the District's Total OPEB Liability if the discount rate was increased or decreased by 1% and if the healthcare cost trend rate was increased or decreased by 1%.

The District subsequently commissioned its GASB No. 75 Actuarial Valuation for the Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018) (the "GASB 75 Actuarial Valuation"). Starting with the Total OPEB Liability of \$55,803,023 set forth in the 2017 OPEB Actuarial Valuation (calculated as set forth below), the GASB 75 Actuarial Valuation determined that the Net OPEB Liability as of June 30, 2018 was \$59,239,849, determined as follows:

Total OPEB Liability	Fiscal Year 2017-18	Fiscal Year 2016-17
Service Cost	\$ 3,113,634	\$ 3,414,597
Interest	1,988,611	1,683,118
Changes of assumptions	(809,196)	(4,529,038)
Benefit payments, including refunds of member	(856,223)	(815,657)
contributions		
Net change in Total OPEB Liability	3,436,826	(246,980)
Total OPEB Liability – Beginning of Fiscal Year	55,803,023	56,050,003
Total OPEB Liability – End of Fiscal Year	\$59,239,849	\$55,803,023
Fiduciary Net Position	0	0
Net OPEB Liability – End of Fiscal Year	\$59,239,849	\$ <u>55,803,023</u>
OPEB Plan Fiduciary Net Position	0.0%	0.0%
as a Percentage of Total OPEB Liability		
Covered employee payroll	\$132,662,000	\$132,662,000
Net OPEB Liability as a percentage	44.7%	42.1%
of covered employee payroll		

Source: Compton Unified School District GASB No. 75 Actuarial Valuation for the Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018).

The GASB 75 Actuarial Valuation included, among other things, an assumed inflation of 2.75%, salary increases of 3.00% and a discount rate of 3.50%.

The following Table A-9 sets forth the District's funding of the OPEB Plan for Fiscal Years 2014-15 through 2017-18, the estimated actual contribution for Fiscal Year 2018-19, the budgeted contribution for Fiscal Year 2019-20 and the contributions as a percentage of the District's Total General Fund expenditures for the same fiscal years.

#### **TABLE A-9**

## COMPTON UNIFIED SCHOOL DISTRICT Expenditures for Other Postemployment Benefits Fiscal Years 2014-15 through 2019-20

Fiscal Year	Amount	Percentage of Total General Fund Expenditures
2014-15	\$ 683,652	0.27%
2015-16	1,292,330	0.48
2016-17	1,292,329	0.50
2017-18	1,374,630	0.50
2018-19(1)	5,427,247	1.82
$2019-20^{(2)}$	4,613,790	1.55

<sup>(1)</sup> Estimated as of July 29, 2019. Excludes other employee benefits in the estimated amount of \$625,432.

Sources: District OPEB expenditures from the Compton Unified School District Audited Financial Statements for Fiscal Years 2013-14 through 2017-18; the District for Fiscal Year 2018-19 and 2019-20 amounts and the percentage of Total General Fund Expenditures.

Table A-10 below sets forth the District's ARC, annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the Net OPEB Obligation for Fiscal Years 2013-14 through 2017-18.

TABLE A-10 COMPTON UNIFIED SCHOOL DISTRICT

# Annual Required Contributions and OPEB Costs Fiscal Years 2013-14 through 2017-18

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Annual <u>OPEB Cost</u>	Actual <u>Contribution</u>	Percentage Annual OPEB Cost <u>Contributed</u>
2014	\$3,095,453	\$2,882,393	\$ 674,700	23%
2015	3,095,453	2,843,030	683,652	24
2016	4,796,443	4,505,520	1,292,330	29
2017	4,796,443	4,448,226	1,292,329	29
$2018^{(1)}$	4,796,443	3,414,597	1,374,630	40

The District implemented GASB 75 for its Fiscal Year 2017-18 Audited Financial Statements and utilized the "roll-back" option under GASB 75, which permits a valuation measurement date 12 months prior to the reporting date to be used. In connection therewith, the District restated its Total OPEB Liability as of June 30, 2017 and used such amount as the base from which subsequent liabilities are calculated. See description of GASB 75 Actuarial Valuation above.

Source: Compton Unified School District audited financial statements for Fiscal Years ended June 30, 2014 through June 30, 2018.

<sup>(2)</sup> Budgeted.

Table A-11 below sets forth the schedule of funding progress as of July 1, 2009, July 1, 2011, July 1, 2013, July 1, 2015, and July 1, 2017.

#### **TABLE A-11**

# COMPTON UNIFIED SCHOOL DISTRICT Schedule of Funding Progress As of July 1, 2009, 2011, 2013, 2015 and 2017

Valuation <u>Date</u>	Actuarial Valuation <u>of Assets</u>	<u>AAL</u>	<u>UAAL</u>	Funded Ratio	Covered <u>Payroll</u>	UAAL as a % of Covered Payroll
2009	0%	\$21,530,631	\$21,530,631	0%	\$163,794,208	13%
2011	0	21,598,646	21,598,646	0	144,833,489	15
2013	0	27,039,808	27,039,808	0	139,876,101	19
2015	0	38,208,733	38,208,733	0	165,876,878	23
2017	0	55,803,023	55,803,023	0	132,662,000	42

Source: Compton Unified School District Audited Financial Statements for Fiscal Year 2014-2018 and the 2017 OPEB Actuarial Valuation.

On May 10, 2017, the District Board approved the establishment of an OPEB trust fund (the "Special Reserve Postemployment Benefits Fund"). On March 9, 2018, the District deposited approximately \$1 million in the Special Reserve Postemployment Benefits Fund. Effective July 1, 2018, the District established a 1% contribution for retirees and in February 2019 the District established a fixed contribution amount of \$169 for active employees. These contributions are based on total payroll amount for all full-time District employees. Based on these contributions, on June 6, 2019, the District made a second deposit into the Special Reserve Postemployment Benefits Fund of approximately \$2.7 million.

For additional information regarding the District's OPEB, see Appendix B – "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto.

#### **Insurance**

The District participates in two insurance joint ventures under joint powers agreements. These include the Schools Excess Liability Fund ("SELF") for excess workers' compensation coverage and the Southern California Regional Liability Excess Fund ("SCR") for the District's property and liability coverage. SELF and SCR are governed by a separate boards consisting of representatives from each member district. The governing boards which control the operations of SELF and SCR, including selection of management and approval of operating budgets, are independent of the District and other local agency members beyond representation on the governing board. SELF arranges for and provides a self-funded or additional insurance for excess liability for the District. The District pays an annual premium based upon the amounts calculated by SELF and shares surpluses and deficits proportionate to its participation in SELF.

SELF and SCR are not component units of the District. The operating budgets and financial reports of SELF and SCR are not set forth in the District's financial statements. However, fund transactions between the District and SELF and SCR, respectively, are included in the District's financial statements. Audited financial statements are available from the respective entities.

The District maintains self-insurance programs for property and liability and workers' compensation. The District funds property and liability coverage from a contribution from the unrestricted portion of General Fund. Worker's compensation is funded through payroll charges. Based upon prior claims

experience, the District believes that its self-insured program and participation in SELF and SCR are sufficient to satisfy pending claims.

#### **District Debt**

General Obligation Bonds. The District's voters approved an \$80 million general obligation bond authorization on November 5, 2002 (the "Measure I Authorization") and approved a \$350 million general obligation bond authorization on November 3, 2015 (the "2015 Authorization"). All of the Measure I Authorization has been issued. The District has issued \$20 million out of the total \$350 million amount of the 2015 Authorization. After the issuance of the Bonds described in this Official Statement, there will be approximately \$115 million remaining under the 2015 Authorization. Pursuant to Sections 15106 of the Education Code, as a unified school district the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County. Prior to the issuance of the Bonds, the principal amount of the District's outstanding general obligation bonds is approximately equal to 0.28% of its taxable property valuation.

The following Table A-12 sets forth the general obligation bonds issued prior to the issuance of the Bonds under the Measure I Authorization and the amount outstanding as of July 1, 2019.

TABLE A-12
COMPTON UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds

<b>Bond Issue</b>	Original <u>Principal Amount</u>	Outstanding Amount as of July 1, 2019	Date of Issue
General Obligation Bonds, 2002 Election, 2006 Series C	\$ 19,999,970.15	\$ 5,999,970.15	June 8, 2006
General Obligation Refunding Bonds, 2002 Election, 2006 Series $D^{(1)}$	50,789,740.85	11,259,528.10	June 8, 2006
General Obligation Refunding Bonds, 2002 Election, 2015 Series $E^{(2)}$	5,505,000.00	5,180,000.00	April 14, 2015
General Obligation Refunding Bonds, 2002 Election, 2016 Series F <sup>(3)</sup>	7,785,000.00	3,245,000.00	November 17, 2016
General Obligation Bonds, 2015 Election, 2016 Series A	20,000,000.00	7,570,000.00	November 17, 2016
TOTAL	\$ <u>104,079,711.00</u>	\$ <u>33,254,498.25</u>	

<sup>(1)</sup> The 2006 Series D Bonds refunded portions of the 2002 Election General Obligation Bonds, Series A.

Source: Compton Unified School District.

*Certificates of Participation*. The District has outstanding lease obligations relating to the 2015 Refunding Series A Certificates. The proceeds of the 2015 Refunding Series A Certificates were used to advanced refund all of the District's outstanding 2004 Series B Certificates and to partially refund the 2007 Series B Certificates.

The following Table A-13 sets forth the outstanding certificates of participation (the "Certificates") of the District and the amount outstanding as of July 1, 2019.

<sup>(2)</sup> The 2015 Series E Bonds refunded portions of the 2002 Election General Obligation Bonds, 2006 Series C.

<sup>(3)</sup> The 2016 Series F Bonds refunded portions of the 2002 Election General Obligation Bonds, 2006 Series C.

#### **TABLE A-13**

## COMPTON UNIFIED SCHOOL DISTRICT Outstanding Certificates of Participation

Certificates of Participation	Original <u>Principal Amount</u>	Outstanding Amount as of <u>July 1, 2019</u>	Date of <u>Delivery</u>
Certificates of Participation (Los Angeles County Schools Pooled			
Financing Program) 2015 Refunding Series A (Compton Unified			
School District)	20,135,000	15,535,000	April 14, 2015

Source: Compton Unified School District.

The District has entered into a lease agreement with Central Avenue Industrial Park, LLC for the use of a 20.15 acre parcel of land owned by the District, dated April 12, 2001 (the "Truck Company Lease") pursuant to which the District deposits the lease payments received under the Truck Company Lease (the "Trucking Lease Payments") into a fund separate and apart from the District's General Fund. The District uses the Trucking Lease Payments to pay a portion of the lease payments with respect to the Certificates.

#### **Future Financings**

The District expects to provide for the execution and delivery of Certificates of Participation (Los Angeles County Schools Pooled Financing Program) 2019 Series A (Compton Unified School District) (the "2019 Series A Certificates") in an aggregate principal amount of approximately \$17 million in September 2019. The proceeds of the 2019 Series A Certificates will be used to finance the construction or installation of various capital improvements and equipment in the District's facilities.

#### **Overlapping Debt Obligations**

Set forth on Table A-14 on the following page is the report prepared by California Municipal Statistics Inc. which provides information with respect to direct and overlapping debt within the District as of April 1, 2019 (the "Overlapping Debt Report") based on information as of April 1, 2019. The Overlapping Debt Report is included for general information purposes only. The District has not reviewed the Overlapping Debt Report for completeness or accuracy and makes no representations in connection therewith. The Overlapping Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in Table A-14 names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Table A-14) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

#### **TABLE A-14**

# COMPTON UNIFIED SCHOOL DISTRICT Schedule of Direct and Overlapping Bonded Debt As of April 1, 2019

#### COMPTON UNIFIED SCHOOL DISTRICT

2018-19 Assessed Valuation: \$11,805,351,359

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/19
Metropolitan Water District	0.405%	\$ 194,603
Compton Community College District	55.281	66,259,753
Compton Unified School District	100.	43,170,167 <sup>(1)(2)</sup>
City of Carson Assessment District No. 2001-1	100.	22,395,000
Los Angeles County Regional Park and Open Space Assessment District	0.777	105,827
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$132,125,350
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.777%	\$16,798,092
Los Angeles County Superintendent of Schools Certificates of Participation	0.777	45,283
Compton Unified School District Certificates of Participation	100.	17,260,000
City of Compton Certificates of Participation	99.477	37,139,738
Other City General Fund and Pension Obligation Bonds	Various	506,624
Los Angeles County Sanitation District No. 1 Authority	21.607	1,209,546
Los Angeles County Sanitation District No. 2 Authority	0.125	10,805
Los Angeles County Sanitation District No. 8 Authority	19.966	682,642
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$73,652,730
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		\$92,665,434
COMBINED TOTAL DEBT		\$298,443,514(3)
Ratios to 2018-19 Assessed Valuation:  Direct Debt (\$43,170,167)	0.270/	

Direct Debt (\$43,170,167) 0.37%

Total Overlapping Tax and Assessment Debt......1.12%

Combined Direct Debt (\$60,430,167) 0.51%

Combined Total Debt......2.53%

Ratio to Redevelopment Incremental Valuation (\$2,948,128,472):

KD:(\$500)

Source: California Municipal Statistics, Inc.

<sup>(1)</sup> Excludes accreted values of capital appreciation bonds.

<sup>(2)</sup> Excludes issue to be sold.

<sup>(3)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

#### **Academic Performance and Instructional Initiatives**

In connection with the reauthorization of the Elementary and Secondary Education Act of 1965, the United States Congress passed the federal No Child Left Behind Act of 2001 (the "NCLB Act"). Under the NCLB Act, a state is required to identify a local educational agency ("LEA") for improvement ("Program Improvement") if the LEA fails to make federal Adequate Yearly Progress ("AYP") requirements, evaluated by state standards, for two consecutive years. The State evaluates AYP based on, among other things, a LEA's (1) percentage participation rates in English-language arts and mathematics assessments measured LEA-wide, by grade span (grades 2 through 5, grades 6 through 8 and grade 10) and by numerically significant subgroups within grade spans, (2) graduation rate criteria LEA-wide, if a LEA has high school students, and (3) percentage of students performing at or above the proficient level in English-language arts and mathematics (also measured LEA-wide, by grade span and by subgroups) as compared to performance targets established under the NCLB Act. In addition, the NCLB Act requires that each LEA identified for Program Improvement take a variety of actions, including but not limited to developing or revising an improvement plan, promptly implementing that plan and informing parents of the LEA's Program Improvement status. The District adopted an LEA Program Improvement Plan designed to address these academic performance concerns and has received additional categorical funding from the State for this purpose.

The District cannot predict what actions it will take or what actions will be taken in the future by the State, Congress or the President in connection with the proposed reauthorization of the Elementary and Secondary Education Act of 1965 or the waiver of certain requirements set forth therein. Further, the United States Secretary of Education may terminate any waivers that the Department of Education has granted if such waivers are superseded by the reauthorization of the Elementary and Secondary Education Act of 1965. To the extent that the reauthorization of the Elementary and Secondary Education Act of 1965 or the waivers result in reduced revenues or increased expenses for the District or requires programmatic changes, the District will be required to make adjustments to its budget.

#### STATE FUNDING OF EDUCATION

#### General

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* property taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment of funds pursuant to the Local Control Funding Formula (collectively, "State Aid") is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District. See "District Financial Information" herein. Beginning with the Fiscal Year ending June 30, 2014, the State has replaced the former revenue limit formula for State Aid to school districts with the Local Control Funding Formula.

Historically, approximately 91% of the annual District General Fund revenues have consisted of payments from or under the control of the State. Payments made to K-12 public schools and public colleges and universities are priority payments for State funds and are expected to be made prior to other State payment obligations. Although the State Constitution protects the priority of payments to K-12 schools, college and universities, it does not protect the timing of such payments and other obligations may be scheduled and have been scheduled to be paid in advance of those dates on which payments to school districts are scheduled to be made.

A large percentage of a school district's budgeted revenues comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The State lottery is another source of funding for school

districts, providing approximately 1.7% of a school district's general fund budget. Every school district receives the same amount of lottery funds per pupil from the State. The initiative authorizing the State lottery mandates the funds be used for instructional purposes and prohibits their use for land acquisition, construction or research and development. A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. Some school districts derive a significant portion of their operating funds from voter-approved parcel taxes.

#### **Local Control Funding Formula**

General. Funding for school districts, charter schools and county offices of education in connection with the Local Control Funding Formula ("LCFF") includes State apportionments for general operating costs ("State Aid") and funding for categorical programs. During Fiscal Year 2017-18, approximately 78.55% of the District's General Fund revenues were pursuant to the LCFF. During Fiscal Year 2018-19, approximately 80.30% of the District's General Fund revenues consisted of funds determined under the LCFF.

Pursuant to the LCFF, LEAs are required to, among other things show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargaining an annual alternative average class enrollment in those grades for each school. The LCFF allocates State funding based on a school district's demographics. Each school district receives a base grant (the "Base Grant") per ADA in an amount determined by the State. In addition, based on the ADA of the given demographic classification, school districts are eligible to receive a 20% supplemental grant (the "Supplemental Grant") for students classified as English learners ("EL"), students eligible to receive a free or reduced price meal ("FRPM"), and students classified as foster youth ("LI"). The State expects the Supplemental Grants to reflect the additional costs associated with the education of EL, FRPM and LI students. In addition, school districts are eligible to receive a concentration grant (the "Concentration Grant") if the school district has a significant concentration of students classified as EL, FRPM or LI (collectively, "Targeted Disadvantaged Students"). The LCFF uses an unduplicated student count to determine the amount of the Supplemental Grant and Concentration Grant authorized for a school district. A school district may only count a student one time if such student classified in more than one of the categories EL, FRPM and LI. In the event the percentage of EL or LI students exceeds 55% of the school district's total enrollment, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district's adjusted Base Grant for each EL or LI student above the 55% threshold.

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2018-19, the LCFF proposes to provide to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$8,235 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,571 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,796 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$9,269 per ADA for grades 9 through 12. However, the amount of funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.

The 2018 19 State Budget (as defined herein) provided \$3.7 billion in new funding for the LCFF, which fully implements the LCFF two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional \$570 million above the cost of living adjustment as an ongoing increase to the LCFF.

The following Table A-15 sets forth the District's projected ADA for EL Students, FRPM Students, and Foster Youth on an unduplicated basis and the District's projected LCFF annual allocation amounts for Fiscal Years 2019-20 through 2021-22. LCFF funding reflects the aggregate of, among other things, Base Grant, Supplemental Grant and Concentration Grant funding, funding from K-3 class size reduction and

grades 9-12 adjustment. The estimated ADA and enrollment of EL Students, FRPM Students, and Foster Youth on an unduplicated basis are based on, among other things, surveys of District students and estimated financial information prepared by the District.

#### **TABLE A-15**

## COMPTON UNIFIED SCHOOL DISTRICT Local Control Funding Formula Projected Annual Allocation Fiscal Years 2019-20 through 2021-22<sup>(1)(2)</sup>

Fiscal Year	$ADA^{(3)}$	LCFF Annual Allocation
2019-20	20,170	\$244,999,414
2020-21	20,092	251,935,401
2021-22	20,092	258,661,086

Source: Compton Unified School District.

Economic Recovery Target. During the period in which LCFF was phased in, certain LEAs were eligible for an additional funding amount (the "Economic Recovery Target"). The Economic Recovery Target consists of funding, which the State adds on to LCFF funding for school districts and charters. The Economic Recovery Target was generally available if the school district or charter school would have generated greater revenues if the revenue limit's deficit factor were retired and categorical funding had been restored than under the LCFF. Under the LCFF, only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the prior revenue limit system as determined at the 2013-14 P-2 Certification were eligible for Economic Recovery Target payments. With the full implementation of the LCFF in Fiscal Year 2018-19, the Economic Recovery Target has become a permanent add-on to LCFF formula funding for eligible LEAs. The District expects to receive the full amount of the Economic Recovery Target in Fiscal Year 2019-20.

Local Control Funding Formula Gap Funding. Prior to the full implementation of the LCFF in Fiscal Year 2018-19, each school district had a gap between the school district's prior year funding and the target amount of funding under the LCFF for the current year. In order to address this shortfall, the LCFF provided school districts with additional funding based on the percentage of the gap ("LCFF Gap Funding"). The State provided school districts with the same percentage of LCFF Gap Funding, but the dollar amount of the LCFF Gap Funding varied between school districts. For Fiscal Year 2014-15 and each fiscal year thereafter, an LEA's funding amount was based on a calculation of its target entitlement under the LCFF and technical calculations related to adjustments to its prior year's funding. With the full implementation of the LCFF in Fiscal Year 2018-19, the target entitlement represents the actual amount of funding received by the District.

Local Control and Accountability Plan. Pursuant to the LCFF, school districts, county offices of education and charter schools are required to develop, adopt and annually update a three-year local control and accountability plan ("LCAP") beginning July 1, 2014. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. On June 12, 2019, the District Board adopted the LCAP for the District for Fiscal Year 2019-20.

The State's priorities include, among other things, compliance with the *Williams* settlement with respect to appropriateness of teacher assignments, ensuring that teachers are fully credentialed in the subject

<sup>(1)</sup> Estimated at P-2.

<sup>(2)</sup> Assumes 90% of District enrollment is comprised of unduplicated EL Students, FRPM Students and Foster Youth.

<sup>(3)</sup> Excludes charter schools.

areas and for the pupils they are teaching, and ensuring that every pupil in the school district has sufficient access to the standards-aligned instructional materials as determined in accordance with the Education Code. See "District Financial Information – Funding from the Quality Education Investment Act of 2006" herein. In addition, school facilities are to be maintained in good repair. The State requires proper implementation of the academic content and performance standards adopted by the State Board of Education and will measure parental involvement (e.g., efforts to seek input from parents or guardians regarding decisions for the district and the school site), pupil achievement (e.g. performance on Statewide assessments, the Academic Performance Index, readiness for college or career technical education, progress towards English proficiency, performance on advance placement examinations), pupil engagement (e.g., school attendance rates, chronic absenteeism rates, middle school dropout rates, high school dropout and graduation rates, pupil suspension and expulsion rates, etc.), access and enrollment in a broad course of study including the core subject areas and programs and services developed and provided to Targeted Disadvantaged Students, and pupil outcomes in the subject areas comprising a broad course of study.

In November 2014, the State Board of Education adopted final regulations to govern the expenditure of the Supplemental Grant and Concentration Grant funding. These regulations require school districts, county offices of education, and charter schools to increase and improve services for Targeted Disadvantaged Students and provide authority for school districts to spend funds school-wide when significant populations of Targeted Disadvantaged Students attend a school. Pursuant to the regulations, LEAs are required to obtain input from parents of students and the general public in connection with the development, revision and updates of LCAPs. In addition, the regulations require County superintendents to review school district LCAPs and require county offices of education to provide technical assistance if they disapprove an LCAP. The Education Code grants the State Superintendent of Public Instruction authority to intervene if a school district or charter school fails to show improvement across multiple subgroups in three out of four consecutive years.

#### **Average Daily Attendance**

The Fiscal Year 2019-20 District Adopted Budget projects a decrease in the ADA as compared to Fiscal Year 2018-19. The following Table A-16 sets forth the District's annual ADA record for Fiscal Year 2014-15 through 2017-18, the estimated annual ADA for Fiscal Year 2018-19, and the projected annual ADA for Fiscal Year 2019-20.

TABLE A-16

COMPTON UNIFIED SCHOOL DISTRICT
Annual Average Daily Attendance<sup>(1)</sup>
Fiscal Years 2014-15 through 2019-20

Fiscal Year	<u>K-12</u>
2014-15	22,464
2015-16	21,593
2016-17	20,884
2017-18	20,979
2018-19(2)	20,062
$2019-20^{(3)}$	20,062

<sup>(1)</sup> Includes non-public school special education students.

Sources: Compton Unified School District audited financial statements for Fiscal Years 2015-16 through 2017-18; 2019-20 District Adopted Budget for Fiscal Years 2018-19 and 2020-21.

<sup>(2)</sup> Estimated.

<sup>(3)</sup> Projected.

Education Revenue Augmentation Fund. As part of the Fiscal Year 1992-93 State budget resolution, the State required counties, cities and special districts to shift ad valorem property tax revenues to school districts by contributing to the Education Revenue Augmentation Fund ("ERAF") in lieu of direct payments to school districts from the general fund of the State (the "State General Fund"). This transfer is commonly referred to as the "ERAF shift." The Fiscal Year 1993-94 State Budget Act required a similar shift of ad valorem property taxes to school districts from local government entities, which shift of ad valorem property taxes has continued. The manner in which the shift of ad valorem property taxes has occurred has varied year by year. As a result of the various shifts of ad valorem taxes, school districts no longer receive ERAF funds. See Table 6 in the forepart of this Official Statement which sets forth real property tax levies and collections for the District's last ten Fiscal Years, in the Section entitled "- Assessed Valuation of Property within the District – Tax Rates, Levies and Collections".

Proposition 1A (defined herein) generally prohibited the State from shifting to schools or community colleges any share of *ad valorem* property tax revenues allocated from the 1% levy to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. However, Proposition 1A provided that beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues from the general 1% *ad valorem* property tax levy, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Notwithstanding the aforementioned shifts in property tax revenues in prior fiscal years, certain levels of funding are guaranteed as described in "— Proposition 98" below. *Ad valorem* property taxes levied to pay debt service on the District's general obligation bonds, are not subject to the shifts described above for *ad valorem* property taxes provided from the 1% levy. Further, the State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 1A" and "—Proposition 22" herein.

#### **Charter School Funding**

A charter school is a public school authorized by a school district, county office of education or the State Board of Education. State law requires that charter petitions be approved if they comply with the statutory criteria. The District has certain fiscal oversight and other responsibilities with respect to both affiliated and independent charter schools located in the District geographic boundaries. However, independent charter schools are separate local education agencies, the funding for which is primarily revenues from the State. According, independent charter schools are not included in the District's audit report and have control over their staffing and budgets. Accordingly, information regarding enrollment, average daily attendance ("ADA"), budgets and other financial information relating to such independent charter schools is not included in the District's audit reports or in this Official Statement unless otherwise noted.

Pursuant to the LCFF, charter schools will receive a Base Grant per ADA and will be eligible to receive Supplemental Grants and Concentration Grants in the same manner as school districts. See " – Local Control Funding Formula" herein. In addition, charter schools are eligible for certain categorical funds which are provided separate from the Base Grant. As of June 30, 2018, there were three fiscally independent charter schools and one affiliated charter schools within the District's boundaries.

#### **Proposition 98**

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level and the operation

of the State's appropriation limit as described in Article XIIIB of the State Constitution, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), there are currently three tests which determine the minimum level of K-14 funding. See "Constitutional and Statutory Provisions Relating to *Ad valorem* Property Taxes, District Revenues and Appropriations" herein. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the revenue limit to K-14 schools under Article XIIIB of the State Constitution.

Proposition 98 permits the State Legislature, by two-thirds vote of both houses and with the Governor's concurrence, to suspend the K 14 schools' minimum funding formula for a one-year period. The amount of suspension is eventually repaid according to a specified State Constitutional formula, thereby restoring Proposition 98 funding to the level that would have been required in the absence of such suspension. The 2019-20 State Budget (as herein defined) fully funds the Proposition 98 minimum guarantee for Fiscal Year 2019-20. In addition, the 2019-20 State Budget allocates approximately \$687 million in Fiscal Year 2019-20 for Proposition 98 settle-up payments.

#### **State Budget**

General. The District's operating income consists primarily of two components, which include the State Aid portion funded from the State General Fund and a locally generated portion derived from the District's share of the general 1% ad valorem property tax levy authorized by the State Constitution. In addition, school districts, such as the District, may be eligible for other special categorical funding, including funding for certain State and federal programs. Currently, the District receives approximately 91% of District General Fund revenues from funds of or controlled by the State. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

The following description of the State's budget has been obtained from publicly available information which the District believes to be reliable; however, none of the District, its counsel (including Disclosure Counsel or the Financial Advisor guarantees the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov. These websites are not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), or the Financial Advisor make any representation as to the accuracy of the information provided therein.

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. State law requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "May Revision"). Proposition 25, which was adopted by voters in the State at an election held on November 2, 2010, amended the State Constitution such that a final budget must be adopted by a simple majority vote of each house of the State Legislature by no later than June 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor (the "Budget Act").

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act, as approved by the State Legislature and signed by the Governor. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by

a two-thirds majority vote of each House of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the State Legislature and be signed by the Governor. Bills containing K-14 education appropriations require only a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse. See " – State Funding of Schools Without a State Budget" herein for a description of payments of appropriations during a budget impasse.

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the "2018-19 State Budget") on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately \$133.33 billion in revenues, and \$83.82 billion in non-Proposition 98 expenditures and \$54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a \$1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately \$1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of \$97.2 billion (\$56.1 billion General Fund and \$41.1 billion other funds) for all kindergarten through grade 12 ("K-12") education programs. The 2018-19 State Budget provides \$3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional \$570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides \$300 million onetime Proposition 98 General Fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State's academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- <u>Statewide System of Support.</u> The 2018-19 State Budget includes \$57.8 million in Proposition 98 General Fund resources for county offices of education to provide technical assistance to school districts, of which \$4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.
- <u>Multi-Tiered Systems of Support (MTSS)</u>. The 2018-19 State Budget includes \$15 million one-time Proposition 98 General Fund resources to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.
- <u>Community Engagement Initiative</u>. The 2018-19 State Budget includes \$13.3 million one-time Proposition 98 General Fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the local control and accountability plan ("LCAP") process.
- <u>California Collaborative for Educational Excellence</u>. The 2018-19 State Budget includes \$11.5 million Proposition 98 General Fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.
- <u>Special Education Local Plan Area (SELPA) Technical Assistance</u>. The 2018-19 State Budget includes \$10 million Proposition 98 General Fund resources for SELPAs to assist county offices of

education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.

- <u>Strong Workforce Program</u>. The 2018-19 State Budget includes \$164 million ongoing Proposition 98 General Fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.
- <u>Career Technical Education Incentive Grant Program</u>. The 2018-19 State Budget includes \$150 million ongoing Proposition 98 General Fund resources to make permanent the Career Technical Education Incentive Grant Program.
- <u>Inclusive Early Education Expansion Program</u>. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing \$167.2 million one-time Proposition 98 General Fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference..

2019-20 State Budget. The Governor signed the Fiscal Year 2019-20 State Budget (the "2019-20 State Budget") on June 27, 2019. The 2019-20 State Budget sets forth a balanced budget for Fiscal Year 2019-20. The 2019-20 State Budget estimates that total resources available in Fiscal Year 2018-19 totaled \$149.5 billion (including a prior year balance of approximately \$11.4 billion) and total expenditures in Fiscal Year 2018-19 totaled \$142.7 billion. The 2019-20 State Budget that projects total resources available for Fiscal Year 2019-20 of approximately \$150.6 billion, inclusive of revenues and transfers of approximately \$143.8 billion and a prior year balance of \$6.8. The 2019-20 State Budget includes a deposit to the Public School System Stabilization Account of \$377 million. The 2019-20 State Budget also projects approximately \$91.9 billion in non-Proposition 98 expenditures and \$55.9 billion in Proposition 98 expenditures. The 2019-20 State Budget allocates approximately \$1.4 billion to the Reserve for Liquidation of Encumbrances and \$1.4 billion to the Special Fund for Economic Uncertainties. The 2019-20 State Budget includes total funding of \$103.4 billion (\$58.8 billion General Fund and \$44.6 billion other funds) for all K-12 education programs. The 2019-20 State Budget also amends the process for finalizing the Proposition 98 funding level for a given fiscal year by, among other things, providing a new mechanism for annual certifications.

Certain budgeted adjustments for K-12 education set forth in the 2019-20 State Budget include the following:

- <u>Proposition 98 Settle-Up.</u> The 2019-20 State Budget includes an increase of \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through Fiscal Year 2017-18.
- <u>Retirement Systems' Employer Contribution Rate</u>. The 2019-20 State Budget includes a \$3.15 billion one-time non-Proposition 98 General Fund payment on behalf of local educational agencies and community college districts to CalSTRS and the CalPERS Schools Plan.
- <u>Local Control Funding Formula</u>. The 2019-20 State Budget includes \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% cost-of-living adjustment.

- <u>Retaining and Supporting Well-Prepared Educators</u>. The 2019-20 State Budget includes \$43.8 million one-time non-Proposition 98 General Fund moneys to provide training and resources for classroom educators to build capacity around key state priorities.
- <u>Classified School Employees Summer Assistance Program</u>. The 2019-20 State Budget includes an increase of \$36 million one-time Proposition 98 General Fund moneys to provide an additional year of funding for the Classified School Employees Summer Assistance Program.
- <u>Full-Day Kindergarten</u>. The 2019-20 State Budget includes \$300 million one-time non-Proposition 98 General Fund moneys to construct new, or retrofit existing, facilities to support full-day kindergarten programs.
- <u>After School Programs</u>. The 2019-20 State Budget includes \$50 million ongoing Proposition 98 General Fund moneys to provide an increase of approximately 8.3% to the per-pupil daily rate for the After School Education and Safety Program.

The complete 2019-20 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of 2019-20 State Budget. On July 18, 2019, the Legislative Analyst's Office (the "LAO") released its preliminary analysis of the Fiscal Year 2019-20 State Budget Act, entitled "The 2019-20 Budget: Overview of the California Spending Plan" (the "LAO Overview"). The LAO Overview summarizes the 2019-20 State Budget Act and highlights certain major features. The LAO Overview notes that Proposition 98 funding for Fiscal Year 2019-20 is \$81.1 billion, an increase of \$2.9 billion from the revised amount for Fiscal Year 2018-19. The LAO Overview states that the approved funding amounts for Fiscal Years 2018-19 and 2019-20 meet the Proposition 98 minimum guarantee. The LAO Overview notes that the 2019-20 State Budget Act commits approximately \$21.5 billion in discretionary general fund spending to four major purposes: \$9 billion to pay down State debts and liabilities, \$4 billion in new ongoing programmatic spending, \$6.5 billion in one-time programmatic spending, and \$2.1 billion in optional reserves. The LAO Overview estimates that ongoing spending will grow to approximately \$5.9 billion at full implementation of the 2019-20 State Budget Act, and that the cost of new discretionary ongoing spending in Fiscal Year 2019-20 is \$4 billion, which is an increase in funding from available surplus compared to other recent budgets. The LAO Overview also notes that the increase in reserve level from \$15.9 billion in the 2018-19 State Budget Act to \$19.2 billion in the 2019-20 State Budget Act results from the net effect of required deposits into the Budget Stabilization Account, an optional deposit of \$700 million in to the safety net reserve, a deposit into the school reserve, and a reduction of \$550 million, relative to the amount in the 2018-19 State Budget Act, in the State's special fund for economic uncertainties. The LAO Overview highlights the following as some of the major features of the 2019-20 State Budget Act: the expansion of the Earned Income Tax Credit, the creation of a State-wide individual health insurance coverage mandate, the payment of approximately \$2.2 billion in constitutionally required debt payments, the allocation of \$5.9 billion to pay down unfunded pension liabilities on behalf of the State and school districts, various programmatic spending projects, and the allocation of approximately \$1 billion to affordable housing programs.

The LAO Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Additional Information. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the

website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

Future State Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

#### State Funding of Schools without a State Budget

Although the State Constitution requires that the State Legislature adopt a budget for the State by June 15 of the prior fiscal year and that the Governor sign a budget by June 30, this deadline has been missed from time to time. Delays in the adoption of a Budget Act in any fiscal year could impact the receipt of State funding by the District. On May 29, 2002, the California Court of Appeal for the Second District decided the case of Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell (as Controller of the State of California), et al. (also referred to as White v. Davis) ("Connell"). The California Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of State funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the State Legislature, (ii) authorized by a self-executing provision of the State Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the State Constitution—the provision establishing minimum funding of K-14 education enacted as part of Proposition 98—did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. Nevertheless, the State Controller has concluded that the provisions of the State Education Code establishing K-12 and county office of education revenue limit funding do constitute continuing appropriations enacted by the State Legislature and, therefore, has indicated that State payments of such amounts would continue during a budget impasse. The State Controller, however, has concluded that K-12 categorical programs are not authorized pursuant to a continuing appropriation enacted by the State Legislature and, therefore, cannot be paid during a budget impasse. To the extent the Connell decision applies to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of some payments to the District while such required legislative action is delayed, unless the payments are self-executing authorizations, continuing appropriations or are subject to a federal mandate. However, the District does not expect any delays in payments from the State to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved ad valorem property taxes.

#### **Limitations on School District Reserves**

On June 15, 2014, the State Legislature approved Senate Bill 858 ("SB 858"), an education omnibus bill. SB 858 was approved by the Governor on June 21, 2014. In connection with voter approval of

Proposition 2 (2014) in November 2014 with respect to the State's Rainy Day Fund, SB 858 amended the Education Code to limit school district reserves. In addition to the conditions described herein, additional conditions must be satisfied before the reserve limitations are operative. Pursuant to Proposition 2 (2014), in any fiscal year following a year in which the State has made a transfer into the Public School System Stabilization Account and all other applicable conditions have been satisfied, the combined unassigned and assigned ending fund balance in any budget adopted or revised by a school district may not be (i) more than two times the amount of the minimum recommended reserve specified under the Education Code for school districts such as the District with an ADA of less than 400,000 or (ii) more than three times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of 400,000 or greater. Further, a county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive fiscal years within a three-year period if certain extraordinary fiscal circumstances exist.

The State-imposed minimum recommended reserve for the District, which is accounted for in the Reserve for Economic Uncertainties, is an amount equal to 6% of General Fund expenditures and other financing uses. The District cannot predict the extent to which the State will fund the Public School System Stabilization Account. In addition, the District cannot predict what steps it will implement, if any, to adjust its budgeted reserves to comply with the amended Education Code. Further, the District cannot predict whether the limitations on reserves in the Education Code, as amended, will apply solely to fund balances in the District's General Fund or if it will apply to other funds of the District. However, the District does not expect the limitations on reserves in the Education Code, as amended, to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

# CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS

#### **Constitutionally Required Funding of Education**

The State Constitution requires that from all State revenues there shall first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases as well as increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

#### **Article XIIIA of the California Constitution**

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). On June 3, 1986, California voters approved Proposition 46 ("Proposition 46") which amended Article XIIIA to permit local governments and school districts to increase the ad valorem property tax rate above 1% if two-thirds of those voting in a local election approve the issuance of such bonds and the proceeds of such bonds are used to acquire or improve real property.

The provisions of Article XIIIA were subsequently modified pursuant to Proposition 39, which was approved by California voters on November 7, 2000. See " – Proposition 39" below. Article XIIIA limits the amount of any ad valorem property tax to 1% of the full cash value thereof, except that additional ad valorem property taxes may be levied to pay debt service on (i) bonded indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the

proposition. The Measure R Authorization and the Measure Y Authorization were approved under Proposition 39. See "- Proposition 39" herein.

Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Subsequent amendments further limit the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on bonded indebtedness approved by the requisite percentage of voters voting on the proposition.

# **Legislation Implementing Article XIIIA**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any ad valorem property tax (except to pay voter-approved indebtedness). The 1% ad valorem property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the up to 2% annual inflationary adjustment of the 1% tax base are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years. Separate ad valorem property taxes to pay voter approved indebtedness such as general obligation bonds are levied by the County on behalf of the local agencies. Article XIIIA effectively prohibits the levying of any other ad valorem property tax above the Proposition 13 limit except for taxes to support such indebtedness.

The full cash value of taxable property under Article XIIIA represents the maximum taxable value for property. Accordingly, the fair market value for a given property may not be the equivalent of the full cash value under Article XIIIA. During periods in which the real estate market within the District evidences an upward trend, the fair market value for a given property, which has not been reappraised due to a change in ownership, may exceed the full cash value of such property. During periods in which the real estate market demonstrates a downward trend, the fair market value of a given property may be less than the full cash value of such property and the property owner may apply for a "decline in value" reassessment pursuant to Proposition 8. Reassessments pursuant to Proposition 8, if approved by the Office of the County Assessor, lower valuations of properties (where no change in ownership has occurred) if the current value of such property is lower than the full cash value of record of the property. The value of a property reassessed as a result of a decline in value may change, but in no case may its full cash value exceed its fair market value. When and if the fair market value of a property which has received a downward reassessment pursuant to Proposition 8 increases above its Proposition 13 factored base year value, the Office of the County Assessor will enroll such property at its Proposition 13 factored base year value.

# **Article XIIIB of the State Constitution**

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Under Article XIIIB, the State and each local governmental entity have an annual "appropriations limit" and are not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax

revenues, State subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in costs of living and changes in population, and adjusted where applicable for transfer of financial responsibility of providing services to or from another unit of government. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school district's revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year. See "State Funding of Education—State Budget" herein.

The District's annual appropriation limit for Fiscal Year 2017-18 was \$144,092,652.22. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. For Fiscal Year 2018-19, the annual appropriations limit is estimated to be \$149,663,667.53.

# Article XIIIC and Article XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the so called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution ("Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIID deals with assessments and property related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Proposition 218 does not affect the *ad valorem* property taxes to be levied to pay debt service on the Bonds.

# **Proposition 98**

On November 8, 1988, State voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (i) in general, a fixed percent of the State General Fund's revenues ("Test 1"), (ii) the amount appropriated to K-14 districts in the prior year, adjusted for changes in the cost of living (measured as in Article XIIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (iii) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 0.05% is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General

Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of Fiscal Year 1988-89 that implemented Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 34.559% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature, by a two-thirds vote of both houses of the State Legislature and with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In the fall of 1989, the State Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. In the fall of 2004, the State Legislature and the Governor agreed to suspend the K-14 districts' minimum funding formula set forth pursuant to Proposition 98 in order to address a projected shortfall during Fiscal Year 2004-05. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIIB limit to K-14 districts.

The 2018-19 State Budget projects Proposition 98 expenditures for Fiscal Year 2018-19 of approximately \$78.4 billion, which reflects an increase of approximately \$2.8 billion compared to the Proposition 98 expenditures for Fiscal Year 2017-18. For further information concerning the impact of State Budgets on Proposition 98 funding, see "District Financial Information—State Budget" herein.

# **Proposition 39**

Proposition 39, which was approved by California voters in November 2000 ("Proposition 39"), provides an alternative method for passage of school facilities bond measures by lowering the constitutional voting requirement from two-thirds to 55% of voters and allows property taxes to exceed the current 1% limit in order to repay such bonds. The lower 55% vote requirement would apply only to bond issues to be used for construction, rehabilitation, or equipping of school facilities or the acquisition of real property for school facilities. The State Legislature enacted additional legislation which placed certain limitations on this lowered threshold, requiring that (i) two-thirds of the governing board of a school district approve placing a bond issue on the ballot, (ii) the bond proposal be included on the ballot of a Statewide or primary election, a regularly scheduled local election, or a Statewide special election (rather than a school district election held at any time during the year), (iii) the tax rate levied as a result of any single election not exceed \$25 for a community college district, \$60 for a unified school district, or \$30 for an elementary school or high school district per \$100,000 of taxable property value, and (iv) the governing board of the school district appoint a citizen's oversight committee to inform the public concerning the spending of the bond proceeds. In addition, the school board of the applicable district is required to perform an annual, independent financial and performance audit until all bond funds have been spent to ensure that the funds have been used only for the projects listed in the measure. The District's Measure I Authorization was authorized pursuant to Proposition 39. See "District Financial Information – District Debt – General Obligation Bonds" herein. The District is in full compliance with all Proposition 39 requirements.

# **Proposition 1A**

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition

1A provided, however, that beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the vehicle license fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "- Proposition 22" below.

# **Proposition 22**

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See "- Proposition 1A" herein. In addition, Proposition 22 generally eliminated the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increased school and community college district's share of property tax revenues, prohibited the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibited the State from reallocating vehicle license fee revenues to pay for Stateimposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO stated that Proposition 22 would prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. However, the California Supreme Court, in California Redevelopment Association v. Matosantos, held that the dissolution provisions set forth in Assembly Bill No. 26 of the First Extraordinary Session (2011) were constitutional and permitted the State to allocate revenues that would have been directed to the redevelopment agencies to make pass-through payments (i.e., payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO stated that Proposition 22 would require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow needs. The District does not believe that the adoption of Proposition 22 will have a significant impact on their respective revenues and expenditures.

# **Proposition 30**

Proposition 30, which was approved voters in the State in November 2012 ("Proposition 30") authorizes the State to temporarily increase the maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of

10.3 percent, 11.3 percent and 12.3 percent. The tax increases set forth in Proposition 30 are in effect from tax year 2012 to tax year 2018. In addition, Proposition 30 temporarily increases the State's sales and use tax rate by 0.25 percent from 2013 to 2016.

Pursuant to Proposition 30, the State will include revenues from the temporary tax increases in the General Fund calculation of the Proposition 98 minimum guarantee for education spending. The State will deposit a portion of the new General Fund revenues into an Education Protection Account be established to support funding for schools and community colleges. The remainder of the new General Fund revenues will be available to help the State balance its budget through Fiscal Year 2017-18. However, the allocation of such revenues to particular programs is subject to the discretion of the Governor and the State Legislature.

In addition, Proposition 30 amends the State Constitution to address certain provisions relating to the realignment of State program responsibilities to local governments. Proposition 30 requires the State to continue to provide tax revenues that were redirected in calendar year 2011 (or equivalent funds) to local governments to pay for transferred program responsibilities. Further, Proposition 30 permanently excludes sales tax revenues that are redirected to local governments from the calculation of the Proposition 98 minimum guarantee for schools and community colleges.

Pursuant to Proposition 30, the State's ability to expand program requirements will be limited. Local governments will not be required to implement any future State laws that increase local costs to administer realigned program responsibilities unless the State provides such local governments with additional money to pay for the increased costs. Further, Proposition 30 requires the State to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations that are related to the realigned program responsibilities. Proposition 30 eliminates potential funding liability on the part of the State for mandates imposed upon local governments. Previously, the State was required to reimburse local governments when the State imposed new mandates upon them. In addition, Proposition 30 eliminates the State's practice of reimbursing local governments for costs resulting from certain provisions of the Ralph M. Brown Act including, among other things, the requirement to prepare and post agendas for public meetings.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the voters approved on November 8, 2016 the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), which extends by twelve years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30. Revenues from the tax increase will be allocated to school districts and community colleges in the State.

# **Future Initiatives**

The foregoing described amendments to the State Constitution and propositions were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted that further affect District revenues or the District's ability to expend revenues.

# REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

The District's boundaries include the City of Compton and portions of the Cities of Carson and Los Angeles (collectively, the "Cities"). The following economic and demographic information pertains to the Cities and the County of Los Angeles. The Bonds are general obligations of the District, but they are not general obligations of the Cities or the County.

# **Population**

The following Table A-17 sets forth the estimates of the population of the City, the County and the State in calendar years 2015 through 2019.

TABLE A-17
Population Estimates 2015 through 2019

Year	City of	ity of County of	
(as of January 1)	<b>Compton</b>	Los Angeles	<u>California</u>
2015	99,326	10,155,753	38,952,462
2016	99,196	10,185,851	39,214,803
2017	99,125	10,226,920	39,504,609
2018	98,985	10,254,658	39,740,508
2019	98,711	10,253,716	39,927,315

Source: State of California Department of Finance Demographic Research Unit.

# **Income**

The following Table A-18 summarizes the median household income for the City, the County, the State and the United States for calendar years 2013 through 2017.

TABLE A-18
Median Household Income<sup>(1)</sup>
2013 through 2017

	City of	County of	State of	United States of
<u>Year</u>	<u>Compton</u>	Los Angeles	<u>California</u>	<u>America</u>
2013	\$42,953	\$55,909	\$61,094	\$53,046
2014	43,230	55,870	61,489	53,482
2015	43,507	56,196	61,818	53,889
2016	45,406	57,952	63,783	55,322
2017	48,117	61,015	67,169	57,652

<sup>(1)</sup> Estimated. In inflation-adjusted dollars.

Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

The following Table A-19 is the distribution of income by certain income groupings as a percentage of households for the City, the County, the State and the United States for calendar year 2014.

TABLE A-19
Income Groupings
Calendar Year 2017<sup>(1)</sup>

Income Per Household	City of <u>Compton</u>	County of Los Angeles	State of <u>California</u>	United States of <u>America</u>
\$24,999 & Under	25.7%	21.2%	18.7%	21.4%
\$25,000-49,999	25.8	20.9	19.7	22.5
\$50,000 & Over	48.6	57.9	61.7	56.2

<sup>(1)</sup> Estimated. In 2017 inflation-adjusted dollars.

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

# **Employment**

The District is within the Los Angeles-Long Beach-Glendale Metropolitan Division (Los Angeles County) Labor Market. The following Table A-20 sets forth information regarding the civilian labor force and wage and salary employment in the County for calendar years 2014 through 2018.

TABLE A-20
Labor Force and Employment in Los Angeles County<sup>(1)</sup>
2014 through February 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Civilian Labor Force <sup>(2)</sup>	4,992,600	4,989,800	5,041,400	5,096,500	5,136,300
Employment	4,580,300	4,659,700	4,776,700	4,853,800	4,896,500
Unemployment	412,300	330,100	264,800	242,700	239,800
Unemployment Rate	8.3%	6.6%	5.3%	4.8%	4.7%
Wage and Salary Employment <sup>(3)</sup>					
Farm	5,200	5,000	5,300	5,700	4,800
Mining and Logging	3,100	2,900	2,400	2,000	1,900
Construction	118,500	126,100	133,900	138,400	146,000
Manufacturing	371,500	368,200	360,800	349,900	343,700
Trade, Transportation and	804,500	822,200	835,600	845,700	850,900
Utilities					
Information	198,900	207,600	229,400	214,900	217,400
Financial Activities	211,200	215,600	219,800	221,600	223,000
Professional and Business	589,100	591,000	600,100	608,800	620,000
Services					
Educational and Health Services	725,000	745,900	772,700	800,600	823,600
Leisure and Hospitality	464,100	486,600	510,000	524,600	534,300
Other Services	150,500	151,000	153,300	155,700	159,700
Government	556,200	568,500	576,700	586,100	589,600
Total <sup>(1)</sup>	4,197,800	4,290,600	4,400,000	4,454,000	4,514,900

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding. All information updated per 2018 Benchmark.

Source: State Employment Development Department, Labor Market Information Division.

<sup>(2)</sup> Based on place of residence.

<sup>(3)</sup> The State Employment Development Department has reported a preliminary unemployment rate within the County of 4.6% for February 2019.

# **Taxable Transactions**

The following Table A-21 sets forth taxable sales in the County for the calendar years 2013 through 2017.

TABLE A-21

County of Los Angeles
Taxable Transactions<sup>(1)</sup>

Calendar Years 2013 through 2017
(\$ in thousands)

Type of Business	2013	2014	2015	2016	2017
Motor Vehicle and Parts Dealers	\$ 15,543,657	\$ 16,564,553	\$ 18,058,173	\$ 18,502,763	\$ 18,564,128
Home Furnishings and Appliance Stores <sup>(2)</sup>	·		7,832,717	7,842,401	7,608,635
Furniture and Home Furnishings Stores	2,568,630	2,734,737			
Electronics and Appliance Stores	3,576,308	4,040,534			
Building Materials and Garden Equipment and					
Supplies	6,558,312	6,971,149	7,402,869	7,688,704	8,033,660
Food and Beverage Stores	6,051,754	6,279,795	6,689,582	6,696,653	6,922,448
Health and Personal Care Stores <sup>(3)</sup>	3,306,274	3,414,941			
Gasoline Stations	13,817,056	13,265,979	11,468,929	10,137,302	10,962,033
Clothing and Clothing Accessories Stores	9,926,558	10,560,952	10,974,322	11,413,847	11,554,496
Sporting Goods, Hobby, Book & Music Stores <sup>(3)</sup>	2,487,061	2,460,392			
General Merchandise Stores	11,463,750	11,557,051	10,912,560	10,904,814	11,249,712
Miscellaneous Store Retailers <sup>(3)</sup>	4,953,245	5,204,656			
Nonstore Retailers <sup>(3)</sup>	1,906,573	2,170,084			
Food Services and Drinking Places	17,481,996	18,964,996	20,605,855	22,002,191	23,198,676
Other Retail Group <sup>(4)</sup>			14,202,014	14,808,367	15,186,560
Total Retail and Food Services	\$ <u>99,641,174</u>	\$ <u>104,189,819</u>	\$ <u>108,147,021</u>	\$ <u>109,997,043</u>	\$ <u>113,280,347</u>
All Other Outlets	\$ <u>40,438,534</u>	\$ <u>43,257,109</u>	\$ <u>42,886,760</u>	\$ <u>44,211,290</u>	\$ <u>45,979,009</u>
TOTAL ALL OUTLETS	\$ <u>140,079,708</u>	\$ <u>147,446,927</u>	\$ <u>151,033,781</u>	\$ <u>154,208,33</u>	\$ <u>159,259,356</u>

<sup>(1)</sup> Totals may not equal sum of component parts due to rounding.

Source: California State Board of Equalization, Taxable Sales in California for Fiscal Years 2013 through 2016; California Department of Tax and Fee Administration for Fiscal Year 2017.

<sup>(2)</sup> In 2015, the taxable transactions for the type of business for Furniture and Home Furnishings Stores and Electronics and Appliance Stores were combined.

<sup>(3)</sup> In 2015, the taxable transactions for the type of business for Health and Personal Care Stores, Sporting Goods, Hobby, Book & Music Stores, Miscellaneous Store Retailers and Nonstore Retailers were eliminated.

<sup>(4)</sup> In 2015, the taxable transactions for the type of business for Other Retail Group was included.

# **Major Employers**

The economic base of the County is diverse, with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The following Table A-22 sets forth the major employers in the County.

# **TABLE A-22**

# County of Los Angeles Major Employers<sup>(1)</sup> 2018

<b>Employer</b>	Product/Service	<b>Employees</b>
Los Angeles County	Government	109,881
Los Angeles Unified School District	Education	60,240
University of California, Los Angeles	Education	48,570
U.S. Government – Federal Executive Board	Government	47,200
Kaiser Permanente	Non-profit health plan	37,468
City of Los Angeles	Government	33,375
State of California	Government	30,000
University of Southern California	Private university	21,055
Northrop Grumman Corp.	Defense contractor	16,600
Providence Health & Services Southern California	Health care	15,951
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	14,970
Walt Disney Co.	Entertainment	13,000
Allied Universal	Security	12,879
NBC Universal	Entertainment	12,000
AT&T Inc.	Telecommunications	11,500
Home Depot	Home improvement specialty retailer	11,200
Albertsons/Vons/Pavillions	Retail grocer	10,200
Los Angeles County Metropolitan Transp. Auth.	Transportation	9,907
UPS	Transportation and freight	9,553
Los Angeles Department of Water & Power	Energy	9,425
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,697
Wells Fargo & Co.	Diversified financial services	8,582
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning	8,000
FedEx Corp.	Shipping and logistics	7,000
Los Angeles Community College District	Education	6,893
Long Beach Unified School District	Education	6,686
Bank of America Corp.	Banking and financial services	6,572
Dignity Health	Health care	6,200
Space Exploration Technologies Corp. (SpaceX)	Rockets and spacecraft	6,000
City of Hope	Treatment and research center for cancer and other diseases	5,950
Raytheon Co.	Aerospace and defense	5,800
Children's Hospital Los Angeles	Hospital	5,735
Costco Wholesale	Membership chain of warehouse stores	5,445
SoCalGas	Natural gas utility	5,400
City of Long Beach	Government	5,318
Paramount Pictures	Entertainment	5,000
Torrance Memorial Medical Center	Medical center	5,000
JPMorgan Chase & Co.	Banking and financial services	5,000
Boeing Co.	Aerospace and defense	5,000

<sup>(1)</sup> The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.

Source: "2018 Book of Lists," Los Angeles Business Journal, August 27, 2018.

# APPENDIX B

# AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2018



# COMPTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT JUNE 30, 2018

San Diego
Los Angeles
San Francisco
Bay Area



# FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds – Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund	
Balances to the Statement of Activities	16
Proprietary Funds – Statement of Net Position	
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Position	
Proprietary Funds – Statement of Cash Flows	
Fiduciary Funds – Statement of Net Position	
Fiduciary Funds – Statement of Changes in Net Position	
Notes to Financial Statements	
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund – Budgetary Comparison Schedule	
Schedule of Changes in Total OPEB Liability and Related Ratios	
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS	
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS	
Schedule of District Contributions - CalSTRS	
Schedule of District Contributions - CalPERS	
Notes to Required Supplementary Information	65
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	67
Schedule of Average Daily Attendance (ADA)	68
Schedule of Instructional Time	
Schedule of Financial Trends and Analysis	70
Local Education Agency Organization Structure	71
Schedule of Charter Schools	72
Notes to Supplementary Information	73

# OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Aud of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance	
Required by the Uniform Guidance	77
Report on State Compliance	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  Summary of Auditors' Results	82
Financial Statement Findings	
rmanciai statement rindings	
Federal Award Findings and Questioned Costs	83
	83 84

# 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, 2018, and the related notes to the financial statements, which collectively comprise the Compton Unified School District's basic financial statements as listed in the table of contents.

# Management's Responsibility for the Financial Statements

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

# Auditor's Responsibility

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

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

**Heather Daud Rubio** 

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office: 348 Olive Street San Diego, CA 92103

toll-free: 877.220.7229 tel: 619.270.8222 fax: 619.260.9085 www.christywhite.com

Licensed by the California
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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# **Emphasis of Matter**

As discussed in Notes 1 and 10 to the financial statements, in 2018 Compton Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

# Other Matters

# Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, 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

histy White Associates

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 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 the effectiveness of Compton Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Compton Unified School District's internal control over financial reporting and compliance.

San Diego, California December 14, 2018

# COMPTON UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

# **INTRODUCTION**

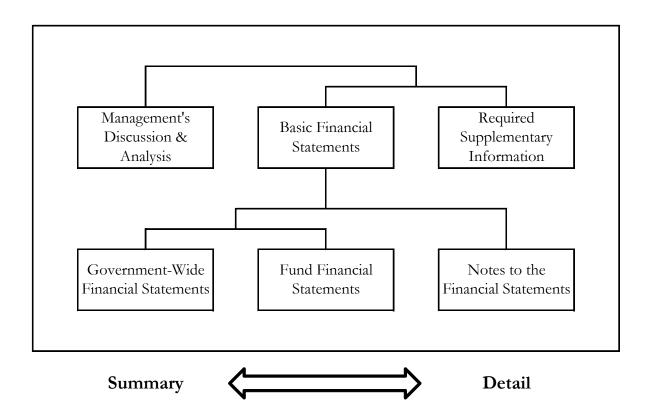
Our discussion and analysis of Compton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

# FINANCIAL HIGHLIGHTS

- The District's total net position was \$26,697,799 at June 30, 2018. This was a decrease of \$7,014,871 from the prior year after restatement.
- Overall revenues were \$308,494,210 which were exceeded by expenses of \$315,509,081.

# **OVERVIEW OF FINANCIAL STATEMENTS**

# **Components of the Financials Section**



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.

# FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

# **Net Position**

The District's net position was \$26,697,799 at June 30, 2018, as reflected in the table below. Of this amount, \$(261,013,166) 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.

	<b>Governmental Activities</b>				
		2018	2017	Net Change	
ASSETS					
Current and other assets	\$	158,443,043	\$ 173,955,504	\$ (15,512,461)	
Capital assets		319,171,901	320,714,215	(1,542,314)	
Total Assets		477,614,944	494,669,719	(17,054,775)	
DEFERRED OUTFLOWS OF RESOURCES		100,509,493	77,668,912	22,840,581	
LIABILITIES					
Current liabilities		106,183,692	95,933,736	10,249,956	
Long-term liabilities		380,788,216	343,512,025	37,276,191	
Total Liabilities		486,971,908	439,445,761	47,526,147	
DEFERRED INFLOWS OF RESOURCES		64,454,730	51,837,354	12,617,376	
NET POSITION					
Net investment in capital assets		269,855,769	261,372,073	8,483,696	
Restricted		17,855,196	20,855,378	(3,000,182)	
Unrestricted		(261,013,166)	(201,171,935)	(59,841,231)	
Total Net Position	\$	26,697,799	\$ 81,055,516	\$ (54,357,717)	

# 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 and expenses for the year.

	Governmental Activities				
	2018	2017	Net Change		
REVENUES					
Program revenues					
Charges for services	\$ 2,505	\$ \$ 6,775	\$ (4,270)		
Operating grants and contributions	59,993,199	100,518,099	(40,524,900)		
General revenues					
Property taxes	51,780,626	47,659,277	4,121,349		
Unrestricted federal and state aid	190,088,225	193,119,296	(3,031,071)		
Other	6,629,655	4,707,440	1,922,215		
Total Revenues	308,494,210	346,010,887	(37,516,677)		
EXPENSES					
Instruction	171,512,364	181,672,037	(10,159,673)		
Instruction-related services	29,855,213	25,664,888	4,190,325		
Pupil services	38,104,161	37,572,291	531,870		
General administration	22,384,956	25,940,889	(3,555,933)		
Plant services	36,964,434	30,218,324	6,746,110		
Ancillary and community services	1,518,875	1,336,925	181,950		
Debt service	3,304,684	4,376,675	(1,071,991)		
Other outgo	131,617	307,503	(175,886)		
Depreciation	11,705,709	10,005,788	1,699,921		
Enterprise activities	27,068	3,949	23,119		
Total Expenses	315,509,081	317,099,269	(1,590,188)		
Change in net position	(7,014,871	) 28,911,618	(35,926,489)		
Net Position - Beginning, as Restated*	33,712,670	52,143,898	(18,431,228)		
Net Position - Ending	\$ 26,697,799	\$ 81,055,516	\$ (54,357,717)		

<sup>\*</sup> Beginning Net Position was restated for the 2018 year only

### FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

# **Changes in Net Position (continued)**

The cost of all our governmental activities this year was \$315,509,081 but the net cost of services was only \$255,513,377. The amount that our taxpayers ultimately financed for these activities through taxes was only \$51,780,626 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services				
		2018		2017	
Instruction	\$	135,588,723	\$	108,398,805	
Instruction-related services		22,156,817		18,914,298	
Pupil services		23,872,444		18,986,865	
General administration		20,652,902		24,581,966	
Plant services		36,580,426		29,702,757	
Ancillary and community services		1,512,108		1,299,114	
Debt service		3,304,684		4,376,675	
Other outgo		112,496		307,503	
Depreciation		11,705,709		10,005,788	
Enterprise activities		27,068		624	
<b>Total Expenses</b>	\$	255,513,377	\$	216,574,395	

# 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 \$78,533,897, which is less than last year's ending fund balance of \$94,002,255. The District's General Fund had \$8,709,719 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Building Fund had \$2,797,155 less in operating revenues than expenditures for the year ended June 30, 2018.

### **CURRENT YEAR BUDGET 2017-2018**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a frequent 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.

# CAPITAL ASSET AND DEBT ADMINISTRATION

# **Capital Assets**

By the end of 2017-2018 the District had invested \$319,171,901 in capital assets, net of accumulated depreciation.

	Governmental Activities					es .
		2018 201		2017	N	Net Change
CAPITAL ASSETS						_
Land	\$	8,494,776	\$	6,693,026	\$	1,801,750
Construction in progress		1,499,152		208,944		1,290,208
Land improvements		39,382,737		34,686,782		4,695,955
Buildings & improvements		421,919,986		420,476,747		1,443,239
Furniture & equipment		22,938,061		22,005,818		932,243
Accumulated depreciation		(175,062,811)	(	(163,357,102)		(11,705,709)
Total Capital Assets	\$	319,171,901	\$	320,714,215	\$	(1,542,314)

# **Long-Term Debt**

At year-end, the District had \$380,788,216 in long-term debt, an increase of 1% from last year's restated balance – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities					
		2018	2017	2017 N		
LONG-TERM LIABILITIES						
Total general obligation bonds	\$	65,310,345	\$ 77,313,469	\$	(12,003,124)	
Total certificates of participation		19,444,780	21,337,533		(1,892,753)	
Compensated absences		1,752,544	2,047,288		(294,744)	
Total OPEB liability*		55,803,023	56,050,003		(246,980)	
Net pension liability		254,612,565	235,970,403		18,642,162	
Less: current portion of long-term debt		(16,135,041)	(15,842,288)		(292,753)	
Total Long-term Liabilities	\$	380,788,216	\$ 376,876,408	\$	3,911,808	
		•	•			

<sup>\*</sup>Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.

# 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.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The 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, 2018. 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 2018-19 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.

	G	overnmental Activities
ASSETS		
Cash and investments	\$	139,790,657
Accounts receivable		17,448,988
Inventory		258,599
Prepaid expenses		944,799
Capital assets, not depreciated		9,993,928
Capital assets, net of accumulated depreciation		309,177,973
Total Assets		477,614,944
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		97,983,363
Deferred outflows related to OPEB		1,374,630
Deferred amount on refunding		1,151,500
<b>Total Deferred Outflows of Resources</b>		100,509,493
LIABILITIES		
Accrued liabilities		77,764,762
Unearned revenue		2,187,459
Claims liability		10,096,430
Long-term liabilities, current portion		16,135,041
Long-term liabilities, non-current portion		380,788,216
Total Liabilities		486,971,908
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		60,572,697
Deferred inflows related to OPEB		3,882,033
<b>Total Deferred Inflows of Resources</b>		64,454,730
NET POSITION		
Net investment in capital assets		269,855,769
Restricted:		, ,
Capital projects		4,877,110
Debt service		1,292,343
Educational programs		11,630,538
All others		55,205
Unrestricted		(261,013,166)
Total Net Position	\$	26,697,799

# COMPTON UNIFIED SCHOOL DISTRICT STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

							R	et (Expenses) evenues and Changes in
				Program	Reve	nues	1	Net Position
Function/Programs		Expenses		Charges for Services	(	Operating Grants and ontributions	G	overnmental Activities
GOVERNMENTAL ACTIVITIES		_				_		
Instruction	\$	171,512,364	\$	-	\$	35,923,641	\$	(135,588,723)
Instruction-related services								
Instructional supervision and administration		11,236,110		-		4,816,583		(6,419,527)
Instructional library, media, and technology		1,841,278		-		196,663		(1,644,615)
School site administration		16,777,825		-		2,685,150		(14,092,675)
Pupil services								
Home-to-school transportation		6,074,322		-		118,376		(5,955,946)
Food services		16,072,830		-		12,129,789		(3,943,041)
All other pupil services		15,957,009		-		1,983,552		(13,973,457)
General administration								
Centralized data processing		1,913,838		-		-		(1,913,838)
All other general administration		20,471,118		2,505		1,729,549		(18,739,064)
Plant services		36,964,434		-		384,008		(36,580,426)
Ancillary services		1,518,875		-		6,767		(1,512,108)
Enterprise activities		27,068		-		-		(27,068)
Interest on long-term debt		3,304,684		-		-		(3,304,684)
Other outgo		131,617		-		19,121		(112,496)
Depreciation (unallocated)		11,705,709		-		-		(11,705,709)
Total Governmental Activities	\$	315,509,081	\$	2,505	\$	59,993,199		(255,513,377)
	Gen	eral revenues						
	Ta	xes and subven	tions	;				
	F	roperty taxes, l	evie	d for general pur	poses	;		36,768,954
	F	roperty taxes, l	evie	d for debt service	e			13,451,918
	F	roperty taxes, l	evied	d for other specif	ic pu	rposes		1,559,754
				not restricted fo	_	=		190,088,225
		terest and inves			•	1 1		2,066,593
		scellaneous		S				4,563,062
	Sub	total, General R	levei	nue				248,498,506
	CH	ANGE IN NET I	POSI	TION				(7,014,871)
	Net	Position - Begin	nning	g, as Restated				33,712,670
		Position - Endir		-			\$	26,697,799

# COMPTON UNIFIED SCHOOL DISTRICT GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

				Non-Major Governmenta		G	Total overnmental	
	G	eneral Fund	В	uilding Fund		Funds		Funds
ASSETS								
Cash and investments	\$	95,235,723	\$	16,697,327	\$	13,054,867	\$	124,987,917
Accounts receivable		16,604,500		97,821		675,935		17,378,256
Stores inventory		193,717		-		64,882		258,599
Prepaid expenditures		908,079		-		35,100		943,179
Total Assets	\$	112,942,019	\$	16,795,148	\$	13,830,784	\$	143,567,951
LIABILITIES								
Accrued liabilities	\$	59,903,137	\$	73	\$	2,943,385	\$	62,846,595
Unearned revenue	4	1,048,042	Ψ	-	4	1,139,417	4	2,187,459
Total Liabilities		60,951,179		73		4,082,802		65,034,054
FUND BALANCES								
Nonspendable		2,208,123		-		99,982		2,308,105
Restricted		11,007,688		16,795,075		7,000,782		34,803,545
Committed		-		-		2,647,218		2,647,218
Assigned		28,492,216		-		-		28,492,216
Unassigned		10,282,813						10,282,813
<b>Total Fund Balances</b>		51,990,840		16,795,075		9,747,982		78,533,897
<b>Total Liabilities and Fund Balances</b>	\$	112,942,019	\$	16,795,148	\$	13,830,784	\$	143,567,951

# COMPTON UNIFIED SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total Fund Balance - Governmental Funds		\$	78,533,897
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	\$ 494,234,712		
Accumulated depreciation	(175,062,811)	_	319,171,901
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:			1,151,500
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 unmatured interest owing at the end of the period was:			(153,274)
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	\$ 65,310,345		
Total certificates of participation	19,444,780		
Compensated absences	1,752,544		
Total OPEB liability	55,803,023		
Net pension liability	254,612,565	_	(396,923,257)
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	\$ 97,983,363		
Deferred inflows of resources related to pensions	 (60,572,697)	_	37,410,666
Deferred outflows and inflows of resources relating to OPEB:			
In governmental funds, deferred outflows and inflows of resources relating to			
OPEB are not reported because they are applicable to future periods. In the			
statement of net position, deferred outflows and inflows of resources relating to			
OPEB are reported.			
Deferred outflows of resources related to OPEB	\$ 1,374,630		
Deferred inflows of resources related to OPEB	(3,882,033)	_	(2,507,403)
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:			(9,986,231)
Total Net Position - Governmental Activities		\$	26,697,799

# COMPTON UNIFIED SCHOOL DISTRICT GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	G	eneral Fund	Building Fund		Non-Major Governmental Funds	G	Total overnmental Funds
REVENUES							
LCFF sources	\$	216,047,893	\$ -	\$	3,667,083	\$	219,714,976
Federal sources		23,528,642	-		11,539,547		35,068,189
Other state sources		29,927,468	-		6,299,578		36,227,046
Other local sources		6,518,287	294,798		16,382,407		23,195,492
Total Revenues		276,022,290	294,798		37,888,615		314,205,703
EXPENDITURES							
Current							
Instruction		172,708,283	-		3,298,352		176,006,635
Instruction-related services							
Instructional supervision and administration		10,832,042	-		485,570		11,317,612
Instructional library, media, and technology		1,721,224	-		_		1,721,224
School site administration		16,479,952	-		341,575		16,821,527
Pupil services							
Home-to-school transportation		6,060,089	-		-		6,060,089
Food services		2,847,143	-		12,749,589		15,596,732
All other pupil services		15,789,824	-		-		15,789,824
General administration							
Centralized data processing		2,223,219	-		-		2,223,219
All other general administration		20,135,035	-		182,438		20,317,473
Plant services		30,686,301	-		5,140,168		35,826,469
Facilities acquisition and maintenance		1,019,876	3,091,953		5,119,319		9,231,148
Ancillary services		1,518,336	-		-		1,518,336
Enterprise activities		68	-		-		68
Transfers to other agencies		131,617	-		-		131,617
Debt service							
Principal		1,650,000	-		13,375,000		15,025,000
Interest and other		929,000	-		1,158,088		2,087,088
Total Expenditures		284,732,009	3,091,953		41,850,099		329,674,061
NET CHANGE IN FUND BALANCE		(8,709,719)	(2,797,155	)	(3,961,484)		(15,468,358)
Fund Balance - Beginning		60,700,559	19,592,230		13,709,466		94,002,255
Fund Balance - Ending	\$	51,990,840	\$ 16,795,075	\$	9,747,982	\$	78,533,897

# 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, 2018

### Net Change in Fund Balances - Governmental Funds

\$ (15,468,358)

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:
Depreciation expense:

10,163,395

(11,705,709)

(1,542,314)

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:

15,025,000

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:

(109,123)

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:

20,650

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.

(2,189,164)

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:

294,744

(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, 2018

### Postemployment benefits other than pensions (OPEB):

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

1,621,610

### 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:

(5,802,431)

### 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:

74,474

### Change in Net Position of Governmental Activities

\$ (7,014,871)

# COMPTON UNIFIED SCHOOL DISTRICT PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities
	Internal Service
	Fund
ASSETS	
Current assets	
Cash and investments	\$ 14,802,740
Accounts receivable	70,732
Prepaid expenses	1,620
Total current assets	14,875,092
Total Assets	14,875,092
LIABILITIES	
Current liabilities	
Accrued liabilities	14,764,893
Total current liabilities	14,764,893
Non-current liabilities	10,096,430
<b>Total Liabilities</b>	24,861,323
NET POSITION	
Restricted	(9,986,231)
<b>Total Net Position</b>	\$ (9,986,231)

# COMPTON UNIFIED SCHOOL DISTRICT PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

	Governmental		
		Activities	
	In	ternal Service	
	Fund		
OPERATING REVENUE			
Charges for services	\$	7,948,286	
Other local revenues		34,426	
Total operating revenues		7,982,712	
OPERATING EXPENSE			
Salaries and benefits		327,877	
Supplies and materials		12,422	
Professional services		7,777,054	
Total operating expenses		8,117,353	
Operating income/(loss)		(134,641)	
NON-OPERATING REVENUES/(EXPENSES)			
Interest income		209,115	
Total non-operating revenues/(expenses)		209,115	
CHANGE IN NET POSITION		74,474	
Net Position - Beginning		(10,060,705)	
Net Position - Ending	\$	(9,986,231)	

# COMPTON UNIFIED SCHOOL DISTRICT PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	G	overnmental Activities
	In	ternal Service Fund
Cash flows from operating activities		
Cash received (paid) from assessments made to		
(from) other funds	\$	7,995,731
Cash payments for payroll, insurance, and operating costs		(12,096,018)
Net cash provided by (used for) operating activities		(4,100,287)
Cash flows from investing activities		
Interest received		209,115
Net cash provided by (used for) investing activities		209,115
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,891,172)
CASH AND CASH EQUIVALENTS		
Beginning of year		18,693,912
End of year	\$	14,802,740
Reconciliation of operating income (loss) to cash		
provided by (used for) operating activities		
Operating income (loss)	\$	(134,641)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		14,639
(Increase) decrease in prepaid expenses		(1,620)
Increase (decrease) in accounts payable		14,538,749
Increase (decrease) in non-current liabilities	<u></u>	(18,517,414)
Net cash provided by (used for) operating activities	\$	(4,100,287)

# COMPTON UNIFIED SCHOOL DISTRICT FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Trust Fund			Agency Funds						
	Priva	te-Purpose	Wa	rrant/Pass-	Student Body Fund					
	Tru	ast Fund	thr	ough Fund						
ASSETS										
Cash and investments	\$	86,673	\$	-	\$	35,535				
Accounts receivable		328		397,265		-				
Prepaid expenses		-		4,033,119		-				
Total Assets		87,001	\$	4,430,384	\$	35,535				
LIABILITIES										
Deficit cash		-	\$	4,430,384	\$	-				
Due to student groups		-		-		35,535				
<b>Total Liabilities</b>		-	\$	4,430,384	\$	35,535				
NET POSITION										
Restricted		87,001								
Total Net Position	\$	87,001								

# COMPTON UNIFIED SCHOOL DISTRICT FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

	Tru	ıst Fund
	Priva	te-Purpose
	Tru	st Fund
ADDITIONS		
Investment earnings	\$	1,344
<b>Total Additions</b>		1,344
CHANGE IN NET POSITION		1,344
<b>Net Position - Beginning</b>		85,657
Net Position - Ending	\$	87,001

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. Financial Reporting Entity

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

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

#### B. Component Units

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

#### C. Basis of Presentation

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

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

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

#### C. Basis of Presentation (continued)

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

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

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

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

#### **Major Governmental Funds**

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

**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]).

#### 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.).

#### 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. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position</u>

#### 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.

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

# E. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)</u>

#### **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:

#### **Asset Class**

Buildings and Improvements Furniture and Equipment Vehicles

#### **Estimated Useful Life**

20-50 years 5-20 years 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. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)</u>

#### **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.

#### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date June 30, 2017 Measurement Date June 30, 2017

Measurement Period July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

#### **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.

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

# E. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)</u>

#### **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.

#### **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.

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

# E. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)</u>

#### Fund Balance (continued)

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

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

#### F. Interfund Activity

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

#### G. Estimates

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

#### H. Budgetary Data

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

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

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

#### I. <u>Property Tax</u>

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

#### J. New Accounting Pronouncements

GASB Statement No. 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 implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

#### **NOTE 2 – CASH AND INVESTMENTS**

#### A. Summary of Cash and Investments

						Total	
	G	overnmental	In	ternal Service	G	overnmental	Fiduciary
		Funds		Funds		Activities	 Funds
Investment in county treasury	\$	124,737,917	\$	13,952,740	\$	138,690,657	\$ 86,673
Cash on hand and in banks		-		-		-	35,535
Cash with fiscal agent		100,000		850,000		950,000	-
Cash in revolving fund		150,000		-		150,000	 <u> </u>
Total cash and investments	\$	124,987,917	\$	14,802,740	\$	139,790,657	\$ 122,208

#### 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.

#### 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.

	Maximum	Maximum	Maximum
	Remaining	Percentage of	Investment in
Authorized Investment Type	Maturity	Portfolio	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 \$136,918,328 and an amortized book value of \$138,777,330. The average weighted maturity for this pool is 609 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, 2018, the pooled investments in the County Treasury were not rated.

#### 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, 2018, 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, 2018 were as follows:

	Uı	ncategorized
Investment in county treasury	\$	136,918,328
Total fair market value of investments	\$	136,918,328

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

					C	Non-Major Governmental	Int	ernal Service	G	Total overnmental		
	G	eneral Fund	Bui	lding Fund		Funds		Funds		Activities	Tot	al Fiduciary
Federal Government												
Categorical aid	\$	12,727,904	\$	-	\$	96,369	\$	-	\$	12,824,273	\$	-
State Government												
Categorical aid		576,736		-		325,579		-		902,315		-
Lottery		920,115		-		-		-		920,115		-
Local Government												
Other local sources		2,379,745		97,821		253,987		70,732		2,802,285		397,593
Total	\$	16,604,500	\$	97,821	\$	675,935	\$	70,732	\$	17,448,988	\$	397,593

## **NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

		Balance				Balance	
	J	uly 01, 2017	Additions		Deletions		June 30, 2018
Governmental Activities							_
Capital assets not being depreciated							
Land	\$	6,693,026	\$ 1,801,750	\$	-	\$	8,494,776
Construction in progress		208,944	1,290,208		-		1,499,152
Total Capital Assets not Being Depreciated		6,901,970	3,091,958		-		9,993,928
Capital assets being depreciated	'						_
Land improvements		34,686,782	4,695,955		-		39,382,737
Buildings & improvements		420,476,747	1,443,239		-		421,919,986
Furniture & equipment		22,005,818	932,243		-		22,938,061
Total Capital Assets Being Depreciated		477,169,347	7,071,437		-		484,240,784
Less Accumulated Depreciation							_
Land improvements		6,167,657	1,698,398		-		7,866,055
Buildings & improvements		136,432,166	9,592,223		-		146,024,389
Furniture & equipment		20,757,279	415,088		-		21,172,367
Total Accumulated Depreciation		163,357,102	11,705,709		-		175,062,811
Governmental Activities							
Capital Assets, net	\$	320,714,215	\$ (1,542,314)	\$	-	9	319,171,901

#### **NOTE 5 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2018 consisted of the following:

						Non-Major						Total
					G	overnmental	In	ternal Service			G	overnmental
	G	eneral Fund	Build	ling Fund		Funds		Funds	Dis	strict-Wide		Activities
Payroll	\$	30,038,430	\$	-	\$	1,088,055	\$	-	\$	-	\$	31,126,485
Construction		-		73		1,449,971		-		-		1,450,044
Vendors payable		29,864,707		-		405,359		-		-		30,270,066
Unmatured interest		-		-		-		-		153,274		153,274
Other liabilities		-		-		-		14,764,893		-		14,764,893
Total	\$	59,903,137	\$	73	\$	2,943,385	\$	14,764,893	\$	153,274	\$	77,764,762

#### **NOTE 6 – CLAIMS LIABILITY**

The District is self-insured for Workers' Compensation. At June 30, 2018, the District maintained a reserve of \$10,096,430 to pay future claims. At June 30, 2018, the District had \$14,875,092 in assets available to pay claims.

#### **NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2018 consisted of the following:

				Non-Major		Total		
			(	Governmental	(	Governmental		
	General Fund			Funds	Activities			
Federal sources	\$	200,770	\$	5,613	\$	206,383		
State categorical sources		847,272		1,133,804		1,981,076		
Total	\$	1,048,042	\$	1,139,417	\$	2,187,459		

#### **NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

		Restated						
		Balance				Balance		Balance Due
	Jı	aly 01, 2017	Additions	Deductions		June 30, 2018		In One Year
Governmental Activities								
General obligation bonds	\$	53,392,411	\$ -	\$ 10,222,247	\$	43,170,164	\$	9,915,669
Unamortized premium		5,610,754	-	827,002		4,783,752		827,002
Unamortized discount		(145,703)	-	(9,714)		(135,989)		(9,714)
Accreted interest		18,456,007	2,189,164	3,152,753		17,492,418		3,434,331
Total general obligation bonds		77,313,469	2,189,164	14,192,288		65,310,345		14,167,288
Certificates of participation		18,910,000	-	1,650,000		17,260,000		1,725,000
Unamortized premium		2,427,533	-	242,753		2,184,780		242,753
Total certificates of participation		21,337,533	-	1,892,753		19,444,780		1,967,753
Compensated absences		2,047,288	-	294,744		1,752,544		-
Total OPEB liability		56,050,003	-	246,980		55,803,023		-
Net pension liability		235,970,403	18,642,162			254,612,565		
Total	\$	392,718,696	\$ 20,831,326	\$ 16,626,765	\$	396,923,257	\$	16,135,041

- 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.
- 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, 2018 amounted to \$1,752,544. This amount is included as part of long-term liabilities in the government-wide financial statements.

#### 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 \$646,952 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, 2018, the principal balance outstanding amounted to \$17,260,000.

#### NOTE 8 – LONG-TERM DEBT (continued)

#### B. Certificates of Participation (continued)

The annual requirements to amortize all certificates of participation outstanding at June 30, 2018 were as follows:

Year Ended June 30,	Principal	Interest	Interest				
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	2,080,000	492,250		2,572,250			
2024 - 2027	7,765,000	915,000		8,680,000			
Total	\$ 17,260,000	\$ 4,325,250	\$	21,585,250			

#### 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.

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 \$285,997 remain to be amortized. As of June 30, 2018, 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 \$218,551 remain to be amortized. As of June 30, 2018, 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.

#### NOTE 8 - LONG-TERM DEBT (continued)

#### C. General Obligation Bonds (continued)

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

Year Ended June 30,	Principal	Interest	Total
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	1,460,902	2,423,136	3,884,038
2024 - 2028	7,734,065	11,234,682	18,968,747
2029 - 2031	9,365,000	883,300	10,248,300
Accretion	 17,492,418	(17,492,418)	-
Total	\$ 60,662,582	\$ 15,476,855	\$ 76,139,437

#### D. Other Postemployment Benefits

The District's restated beginning total OPEB liability was \$56,050,003 and decreased by \$246,980 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was \$55,803,023. See Note 10 for additional information regarding the total OPEB liability.

#### E. Net Pension Liability

The District's beginning net pension liability was \$235,970,403 and decreased by \$18,462,162 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$254,612,565. See Note 11 for additional information regarding the net pension liability.

#### **NOTE 9- FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2018:

					Non-Major overnmental	Go	Total overnmental
	Ge	eneral Fund	Bu	ilding Fund	Funds		Funds
Non-spendable							
Revolving cash	\$	150,000	\$	-	\$ -	\$	150,000
Stores inventory		193,717		-	64,882		258,599
Prepaid expenditures		908,079		-	35,100		943,179
All others		956,327		-	-		956,327
Total non-spendable		2,208,123		-	99,982		2,308,105
Restricted							
Educational programs		11,007,688		-	622,850		11,630,538
Capital projects		-		16,795,075	4,877,110		21,672,185
Debt service		-		-	1,445,617		1,445,617
All others		-		-	55,205		55,205
Total restricted		11,007,688		16,795,075	7,000,782		34,803,545
Committed							
Other commitments		-		-	2,647,218		2,647,218
Total committed		-		-	2,647,218		2,647,218
Assigned							
Reserved for future obligations		28,492,216		-	-		28,492,216
Total assigned	•	28,492,216		-	-		28,492,216
Unassigned							
Reserve for economic uncertainties		10,282,813		-	-		10,282,813
Total unassigned		10,282,813		-	-		10,282,813
Total	\$	51,990,840	\$	16,795,075	\$ 9,747,982	\$	78,533,897

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.

#### NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

#### A. Plan Description

The Compton Unified School District's defined benefit OPEB plan, Compton Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the district.

#### B. Benefits Provided

The eligibility requirements and benefits provided by the Plan as follows.

Effective November 1, 2011, the District provides continuation under PEMHCA to all of its retirees (except Teamsters). CEA (Certificated) retirees have participated in PEMHCA since November 1, 1992, and the minimum District contribution on their behalf, under the Unequal Contribution Method, is now 100% of the statutory minimum for active employees (\$128 per months for calendar 2017, \$133 per month for calendar year 2018, \$136 per month for calendar year 2019, and indexed with Medical CPI thereafter).

For Classified groups entering PEMHCA as of November 1, 2011, the minimum District contribution is subject to the Unequal Contribution Method based on the effective date of the groups' participation in PEMHCA as shown in the table below. The percentage of the statutory minimum for these retirees will increase by 5% per year until it reaches 100% in the year 2031. The statutory minimum itself is increased each year by medical inflation, which has recently averaged about 4% per year. Benefits are paid for the lifetime of the retiree as long as he or she continues to participate in PEMHCA. The District also pays an administrative fee of 0.32% of premium on behalf of all active employees and retirees.

CSEA, SEIU and CFPSE (now Teamsters) retirees who retire after age 60 with at least 20 years of service or after age 55 with at least 30 years of service are offered a 50% District contribution towards the purchase of medical, dental and vision insurance for the retiree only. After the retiree reaches age 65, the District will continue a Medicare Supplement benefit in the amount of \$500 per year to eligible retirees until age 68. This amount is subject to the PEMHCA minimum required contribution.

CEA retirees who retire between the ages of 55 and 65 with at least 11 years of service are eligible for an early retirement incentive program that pays 50% of group health, dental, vision, and life insurance premiums until age 65. ROP teachers are not eligible for the early retirement incentive program.

There is a Retirement Incentive of \$1,388 per year paid to Certificated retirees. Because this program is not related to health insurance and is not within the scope of GASB 75, it has not been considered in this report, and should not be counted as an employer contribution towards OPEB in the District's financial reporting.

#### C. Contributions

The contribution requirements of Plan members and the Compton Unified School District are established and may be amended by the Compton Unified School District and the local Teachers' Association and the local California Service Employees Association. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

#### NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

#### D. Plan Membership

Membership of the Plan consisted of the following:

	Number of
	participants
Inactive employees receiving benefits	351
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	2,301
Total number of participants**	2,652

<sup>\*</sup>Information not provided

#### E. Total OPEB Liability

The Compton Unified School District's total OPEB liability of \$55,803,023 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

#### F. Actuarial Assumptions and Other Inputs

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

#### **Economic assumptions:**

Inflation	2.75%
Salary increases	3.00%
Discount Rate	3.40%

#### Non-economic assumptions:

*Mortality:* 

Certificated Most recent rates used by CalSTRS Classified Most recent rates used by CalPERS

Retirement rates:

Certificated CalSTRS Retirement Rates Table

Classified CalPERS Retirement Rates for School Employees Table

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

<sup>\*\*</sup>As of the June 30, 2017 valuation date

#### NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

#### G. Changes in Total OPEB Liability

	Ju	ne 30, 2018
Total OPEB Liability		
Service Cost	\$	3,414,597
Interest on total OPEB liability		1,683,118
Changes of benefit terms		(815,657)
Changes of assumptions		(4,529,038)
Net change in total OPEB liability		(246,980)
Total OPEB liability - beginning		56,050,003
Total OPEB liability - ending	\$	55,803,023
Covered payroll	\$	132,662,000
District's total OPEB liability as a percentage of		
covered payroll		42%

The Compton Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

## H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Compton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.40 percent) or one percentage point higher (4.40 percent) than the current discount rate:

				Valuation			
	19	% Decrease	Di	scount Rate	1	% Increase	
		(2.4%)		(3.4%)		(4.4%)	
Total OPEB liability	\$	64,429,718	\$	55,803,023	\$	48,715,009	

## I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Compton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.00 percent) or one percentage point higher (6.00 percent) than the current healthcare cost trend rate:

	Valuation Trend					
	19	% Decrease		Rate	1	% Increase
	(4.0%)		(5.0%)		(6.0%)	
Total OPEB liability	\$	47,355,617	\$	55,803,023	\$	66,464,138

#### NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

#### J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Compton Unified School District recognized OPEB expense of \$246,980. At June 30, 2018, the Compton Unified School District reported deferred inflows of resources related to OPEB from the following sources:

	rred Outflows Resources	Deferred Inflows of Resources		
Changes in assumptions District contributions subsequent	\$ -	\$	3,882,033	
to the measurement date	1,374,630		-	
	\$ 1,374,630	\$	3,882,033	

The \$1,374,630 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Inflows			
Year Ended June 30,	of Resources			
2019	\$	647,005		
2020		647,005		
2021		647,005		
2022		647,005		
2023		647,005		
2024		647,008		
	\$	3,882,033		

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

#### **NOTE 11 – 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:

				Deferred	Def	erred inflows		
	N	Net pension	out	flows related		related to		
		liabilit <del>y</del>	t	o pensions		pensions	Pen	sion expense
STRS Pension	\$	183,615,185	\$	74,965,618	\$	53,346,474	\$	17,026,100
PERS Pension		70,997,380		23,017,745		7,226,223		11,047,733
Total	\$	254,612,565	\$	97,983,363	\$	60,572,697	\$	28,073,833

#### A. 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:

- 1. 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 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.
- 2. 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 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.

#### NOTE 11 - PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

#### 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 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$15,922,435 for the year ended June 30, 2018.

#### **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 \$8,833,553 to CalSTRS.

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

At June 30, 2018, 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	\$ 183,615,185
State's proportionate share of the net	
pension liability associated with the District	108,626,078
Total	\$ 292,241,263

The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.199 percent, which was a decrease of 0.016 percent from its proportion measured as of June 30, 2016.

#### **NOTE 11 – PENSION PLANS (continued)**

#### A. 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, 2018, the District recognized pension expense of \$17,026,100. In addition, the District recognized pension expense and revenue of \$3,122,060 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows</b>			<b>Deferred Inflows</b>		
	of Resources		of Resources			
Differences between projected and						
actual earnings on plan investments	\$	-	\$	4,890,184		
Differences between expected and						
actual experience		679,027		3,202,544		
Changes in assumptions		34,016,858		-		
Changes in proportion and differences						
between District contributions and						
proportionate share of contributions		24,347,298		45,253,746		
District contributions subsequent						
to the measurement date		15,922,435		-		
	\$	74,965,618	\$	53,346,474		

The \$15,922,435 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Deferred Outflows</b>		Def	erred Inflows
Year Ended June 30,	of Resources		0	f Resources
2019	\$	11,869,471	\$	12,323,672
2020		11,869,471		5,177,660
2021		11,869,471		7,815,440
2022		11,869,473		12,606,600
2023		5,782,647		7,880,811
2024		5,782,650		7,542,291
	\$	59,043,183	\$	53,346,474

#### NOTE 11 - PENSION PLANS (continued)

#### A. 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, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

<sup>\*</sup> 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 MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

<sup>\*20-</sup>year geometric average

#### NOTE 11 - PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1%			Current		1%
	Decrease		D	Discount Rate Incre		Increase
		(6.10%)		(7.10%)		(8.10%)
District's proportionate share of		_		_		
the net pension liability	\$	269,605,385	\$	183,615,185	\$	113,828,311

#### **Pension Plan Fiduciary Net Position**

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

#### NOTE 11 - PENSION PLANS (continued)

#### B. 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 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$6,348,967 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$70,997,380 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.297 percent, which was a decrease of 0.018 percent from its proportion measured as of June 30, 2016.

#### NOTE 11- PENSION PLANS (continued)

#### B. 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, 2018, the District recognized pension expense of \$11,047,733. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows</b>		Deferred Inflows		
	o	f Resources	of Resources		
Differences between projected and					
actual earnings on plan investments	\$	2,456,024	\$	-	
Differences between expected and					
actual experience		2,543,543		-	
Changes in assumptions		10,370,284		835,906	
Changes in proportion and differences					
between District contributions and					
proportionate share of contributions		1,298,927		6,390,317	
District contributions subsequent					
to the measurement date		6,348,967			
	\$	23,017,745	\$	7,226,223	

The \$6,348,967 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Deferred Outflows</b>		Defe	erred Inflows
Year Ended June 30,	of Resources		of Resources	
2019	\$	6,167,207	\$	4,710,374
2020		6,960,514		1,700,335
2021		4,885,975		815,514
2022		(1,344,918)		-
	\$	16,668,778	\$	7,226,223

#### NOTE 11 - PENSION PLANS (continued)

#### B. 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, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.75% Discount Rate 7.15%

Salary Increases Varies by Entry Age and Service

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, 2016, 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 adjusted to account for assumed administrative expenses.

#### NOTE 11 – PENSION PLANS (continued)

## B. 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.

	<b>Assumed Asset</b>	Real Return	Real Return
Asset Class	Allocation	Years 1 – 10*	Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

<sup>\*</sup>An expected inflation of 2.50% used for this period.

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1%		Current		1%	
	Decrease			Increase (8.15%)		
	 (6.15%)					
District's proportionate share of	_		_		_	
the net pension liability	\$ 104,459,897	\$	70,997,380	\$	43,237,420	

#### Pension Plan Fiduciary Net Position

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

<sup>\*\*</sup>An expected inflation of 3.00% used for this period.

# COMPTON UNIFIED SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS, continued JUNE 30, 2018

#### **NOTE 12 – 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, 2018.

#### 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, 2018.

#### C. Construction Commitments

As of June 30, 2018, the District had no commitments with respect to unfinished capital projects.

#### NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

#### NOTE 14 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

#### A. Refunded Debt

Pursuant to GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the District recognized deferred outflows or inflows 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, 2018, the deferred amount on refunding was \$1,151,500.

#### B. Pension Plans

Pursuant to GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was \$97,983,363 and total deferred inflows related to pensions was \$60,572,697.

#### C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to other postemployment benefits was \$1,374,630 and total deferred inflows related to other postemployment benefits was \$3,882,033.

#### **NOTE 15 – RESTATEMENT OF NET POSITION**

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	G	vernmentai		
	Activities			
Net Position - Beginning, as Previously Reported	\$	81,055,516		
Restatement due to OPEB		(37,246,416)		
Restatement from Self-Insurance Fund		(10,096,430)		
Net Position - Beginning, as Restated	\$	33,712,670		

# REQUIRED SUPPLEMENTARY INFORMATION

# COMPTON UNIFIED SCHOOL DISTRICT GENERAL FUND – BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>			Actual*		Variances -	
		Original	Final	(Bu	dgetary Basis)	Final to Actual	
REVENUES							
LCFF sources	\$	226,006,989 \$	225,893,458	\$	219,714,976	\$ (6,178,482)	
Federal sources		21,575,416	23,586,001		23,528,642	(57,359)	
Other state sources		24,143,331	21,704,340		29,927,468	8,223,128	
Other local sources		1,345,000	3,005,709		6,518,287	3,512,578	
Total Revenues		273,070,736	274,189,508		279,689,373	5,499,865	
EXPENDITURES							
Certificated salaries		119,692,219	120,694,332		112,677,522	8,016,810	
Classified salaries		42,276,259	34,475,965		39,027,390	(4,551,425)	
Employee benefits		49,415,428	42,025,550		58,425,221	(16,399,671)	
Books and supplies		10,297,233	17,417,933		19,197,039	(1,779,106)	
Services and other operating expenditures		46,047,500	51,490,916		51,236,890	254,026	
Capital outlay		1,840,033	1,755,799		1,639,768	116,031	
Other outgo							
Excluding transfers of indirect costs		2,441,185	2,599,305		2,710,617	(111,312)	
Transfers of indirect costs		(800,949)	(22,165)		(182,438)	160,273	
Total Expenditures		271,208,908	270,437,635		284,732,009	(14,294,374)	
Excess (Deficiency) of Revenues							
Over Expenditures		1,861,828	3,751,873		(5,042,636)	(8,794,509)	
Other Financing Sources (Uses)							
Transfers out		(3,667,083)	(3,667,083)		(3,667,083)	-	
Net Financing Sources (Uses)		(3,667,083)	(3,667,083)		(3,667,083)		
NET CHANGE IN FUND BALANCE		(1,805,255)	84,790		(8,709,719)	(8,794,509)	
Fund Balance - Beginning		60,700,559	60,700,559		60,700,559	-	
Fund Balance - Ending	\$	58,895,304 \$	60,785,349	\$	51,990,840	\$ (8,794,509)	

<sup>\*</sup> Audit adjustments are not included in this schedule.

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	Ju	ne 30, 2018
Total OPEB Liability		
Service Cost	\$	3,414,597
Interest on total OPEB liability		1,683,118
Changes of benefit terms		(815,657)
Changes of assumptions		(4,529,038)
Net change in total OPEB liability		(246,980)
Total OPEB liability - beginning		56,050,003
Total OPEB liability - ending	\$	55,803,023
Covered payroll	\$	132,662,000
District's total OPEB liability as a percentage of		
covered payroll		42%

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS

### FOR THE YEAR ENDED JUNE 30, 2018

	J1	une 30, 2018	J <sub>1</sub>	une 30, 2017	<u>J</u>	une 30, 2016	<u>J</u>	une 30, 2015
District's proportion of the net pension liability		0.199%		0.215%		0.276%		0.220%
District's proportionate share of the net pension liability	\$	183,615,185	\$	173,838,458	\$	186,073,187	\$	128,276,966
State's proportionate share of the net pension liability associated with the District		108,626,078		98,977,703		98,411,941		77,459,171
Total	\$	292,241,263	\$	272,816,161	\$	284,485,128	\$	205,736,137
District's covered payroll	\$	106,263,179	\$	111,062,465	\$	113,774,202	\$	97,771,818
District's proportionate share of the net pension liability as a percentage of its covered payroll		172.8%		156.5%		163.5%		131.2%
Plan fiduciary net position as a percentage of the total pension liability		69.5%		70.0%		74.0%		76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS

### FOR THE YEAR ENDED JUNE 30, 2018

	Ju	ne 30, 2018	Ju	ne 30, 2017	Ju	ine 30, 2016	Ju	ine 30, 2015
District's proportion of the net pension liability		0.297%		0.315%		0.340%		0.405%
District's proportionate share of the net pension liability	\$	70,997,380	\$	62,131,945	\$	50,161,465	\$	45,984,025
District's covered payroll	\$	42,733,687	\$	42,944,375	\$	42,326,807	\$	42,521,063
District's proportionate share of the net pension liability as a percentage of its covered payroll		166.1%		144.7%		118.5%		108.1%
Plan fiduciary net position as a percentage of the total pension liability		71.9%		73.9%		79.4%		83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015	
Contractually required contribution	\$	15,922,435	\$	11,699,892	\$	11,666,292	\$	12,531,812
Contributions in relation to the contractually required contribution*		(15,922,435)		(11,699,892)		(11,666,292)		(12,531,812)
Contribution deficiency (excess)	\$		\$	-	\$	-	\$	
District's covered payroll	\$	114,084,710	\$	106,263,179	\$	111,062,465	\$	113,774,202
Contributions as a percentage of covered payroll		13.96%		11.01%		10.50%		11.01%

<sup>\*</sup>Amounts do not include on-behalf contributions

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015	
Contractually required contribution	\$	6,348,967	\$	5,543,200	\$	4,966,156	\$	5,292,672
Contributions in relation to the contractually required contribution		(6,348,967)		(5,543,200)		(4,966,156)		(5,292,672)
Contribution deficiency (excess)	\$		\$		\$		\$	
District's covered payroll	\$	44,717,548	\$	42,733,687	\$	42,944,375	\$	42,326,807
Contributions as a percentage of covered payroll		14.20%		12.97%		11.56%		12.50%

## COMPTON UNIFIED SCHOOL DISTRICT NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

#### **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 Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee 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.

#### **Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

#### **Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

# COMPTON UNIFIED SCHOOL DISTRICT NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued FOR THE YEAR ENDED JUNE 30, 2018

#### NOTE 1 – PURPOSE OF SCHEDULES (continued)

#### **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 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 contributions as a percentage of the District's covered payroll.

#### NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses							
		Budget		Actual		Excess		
General Fund	·							
Classified salaries	\$	34,475,965	\$	39,027,390	\$	4,551,425		
Employee benefits	\$	42,025,550	\$	58,425,221	\$	16,399,671		
Books and supplies	\$	17,417,933	\$	19,197,039	\$	1,779,106		
Other outgo								
Excluding transfers of indirect costs	\$	2,599,305	\$	2,710,617	\$	111,312		

# SUPPLEMENTARY INFORMATION

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures		
U. S. DEPARTMENT OF EDUCATION:					
Passed through California Department of Education:					
Title I, Part A, Basic Grants Low-Income and Neglected [1]	84.010	14329	\$ 15,400,233		
Adult Education					
Adult Education: Adult Basic Education & ESL	84.002A	14508	5,613		
Adult Education: Adult Secondary Education	84.002	13978	75,120		
Subtotal Adult Education			80,733		
Title II, Part A, Teacher Quality [1]	84.367	14341	1,971,680		
Title III					
Title III, English Learner Student Program	84.365	14346	518,170		
Title III, Immigrant Education Program	84.365	15146	72,931		
Subtotal Title III			591,101		
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	131,618		
Special Education Cluster [1]					
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,695,615		
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	404,400		
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	154,992		
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	161,462		
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,000		
IDEA Quality Assurance & Focus Monitoring	84.027A	13693	(13,767)		
Alternative Dispute Resolution, Part B, Sec 611	84.173A	13007	7,420		
Subtotal Special Education Cluster			4,412,122		
IDEA Early Intervention Grants, Part C	84.181	23761	86,063		
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	324,163		
Promoting Readiness of Minors	84.418T	*	339,584		
Project READ	84.323	*	90,840		
Total U. S. Department of Education			23,428,137		
U. S. DEPARTMENT OF AGRICULTURE:					
Passed through California Department of Education:					
Child Nutrition Cluster					
School Breakfast Program - Needy	10.553	13526	3,101,005		
National School Lunch Program	10.555	13391	6,775,250		
USDA Commodities	10.555	*	801,779		
Meal Supplements	10.559	*	247,445		
Subtotal Child Nutrition Cluster			10,925,479		
CACFP Claims - Centers and Family Day Care	10.558	13393	479,300		
NSLP Equipment Assistance Grants	10.579	14906	54,035		
Total U. S. Department of Agriculture			11,458,814		
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Passed through California Department of Health Services:					
Medi-Cal Billing Option	93.778	10013	97,627		
Total U. S. Department of Health & Human Services			97,627		
Total Federal Expenditures			\$ 34,984,578		

<sup>[1] -</sup> Major Program

 $<sup>\</sup>mbox{\ensuremath{^{*}}}$  - 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, 2018

	Second	
	Period	Annual
	Report	Report
	<c3306a47></c3306a47>	<532536C2>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	6,877.83	7,133.42
Extended Year Special Education	45.17	0.11
Special Education - Nonpublic Schools	4.09	3.80
Extended Year Special Education - Nonpublic Schools	0.46	0.44
Total TK/K through Third	6,927.55	7,137.77
Fourth through Sixth		
Regular ADA	5,418.39	5,425.56
Extended Year Special Education	25.06	5.26
Special Education - Nonpublic Schools	11.47	11.57
Extended Year Special Education - Nonpublic Schools	1.51	1.45
Total Fourth through Sixth	5,456.43	5,443.84
Seventh through Eighth		
Regular ADA	3,244.15	3,266.04
Extended Year Special Education	35.59	5.22
Special Education - Nonpublic Schools	14.32	14.16
Extended Year Special Education - Nonpublic Schools	1.94	1.86
Community Day School	0.59	0.58
Total Seventh through Eighth	3,296.59	3,287.86
Ninth through Twelfth		
Regular ADA	5,065.59	5,045.74
Extended Year Special Education	203.60	18.04
Special Education - Nonpublic Schools	37.56	36.26
Extended Year Special Education - Nonpublic Schools	7.74	7.40
Community Day School	2.05	2.08
Total Ninth through Twelfth	5,316.54	5,109.52
TOTAL SCHOOL DISTRICT	20,997.11	20,978.99

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

		2017-18		
	Minutes	Actual	Number	
<b>Grade Level</b>	Requirement	Minutes	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	65,925	180	Complied
Grade 7	54,000	65,925	180	Complied
Grade 8	54,000	65,925	180	Complied
Grade 9	64,800	66,195	180	Complied
Grade 10	64,800	66,195	180	Complied
Grade 11	64,800	66,195	180	Complied
Grade 12	64,800	66,195	180	Complied

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	2	019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**					
Revenues And Other Financing Sources	\$	285,316,089	\$ 279,689,373	\$ 268,498,988	\$ 294,677,302
Expenditures And Other Financing Uses		287,947,667	288,399,092	268,602,663	269,182,591
Net change in Fund Balance	\$	(2,631,578)	\$ (8,709,719)	\$ (103,675)	\$ 25,494,711
Ending Fund Balance	\$	49,359,262	\$ 51,990,840	\$ 59,183,678	\$ 5,928,733
Available Reserves*	\$	10,385,641	\$ 10,282,813	\$ 8,326,683	\$ 8,075,478
Available Reserves As A					
Percentage Of Outgo		3.61%	3.57%	3.10%	3.00%
Long-term Debt	\$	380,788,216	\$ 396,923,257	\$ 359,354,313	\$ 347,812,669
Average Daily					
Attendance At P-2		20,997	20,997	21,054	21,663

The General Fund balance has increased by \$46,062,107 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$2,631,578. 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 2018-19 fiscal year. Total long-term obligations have increased by \$49,110,588 over the past two years.

Average daily attendance has decreased by 666 ADA over the past two years. No change in ADA is anticipated during the 2018-19 fiscal year.

<sup>\*</sup>Available reserves consist of all unassigned fund balance within the General Fund.

<sup>\*\*</sup>Audit adjustments for 2018 are not included in this schedule.

# COMPTON UNIFIED SCHOOL DISTRICT LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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 three alternative schools.

#### **GOVERNING BOARD**

GO VERMING DOMED				
Member	Office	Term Expires		
Micah Ali	President	2019		
Satra Zurita	Vice President	2021		
Margie Garrett	Clerk	2021		
Sandra Moss	Member	2019		
Mae P. Thomas	Member	2021		
Charles Davis	Member	2019		
Alma Pleasant	Legislative Representative	2021		

#### **DISTRICT ADMINISTRATORS**

Darin Brawley, Ed.D., Superintendent

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

William Wu, JD, Chief of School Police

Kanika White, Ed.D., Assistant Superintendent - Human Resources

Mario Marcos., Assistant Superintendent - Educational Services

# COMPTON UNIFIED SCHOOL DISTRICT SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2018

			Included in
Charter #	Charter School	Status	Audit Report
1772	Today's Fresh Start - Compton	Active	No
1827	Celerity Achernar Charter	Active	No
0963	Lifeline Education Charter	Active	No
1996	KIPP Compton Community School	Active	No
1990	Animo Compton Charter	Active	No
1952	Ingenium Clarion Charter Middle School	Active	No
1953	Ingenium Wings Independent Study - Compton	Active	No

# COMPTON UNIFIED SCHOOL DISTRICT NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

#### **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, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the		
Statement of Revenues, Expenditures, and		
Changes in Fund Balance		\$ 35,068,189
Medi-Cal Billing Option	93.778	(83,611)
Total Expenditures reported in the Schedule of		
Expenditures of Federal Awards		\$34,984,578

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, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

# COMPTON UNIFIED SCHOOL DISTRICT NOTES TO SUPPLEMENTARY INFORMATION, continued JUNE 30, 2018

#### 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.

#### **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

**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, 2018, and the related notes to the financial statements, which collectively comprise the Compton Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2018.

#### **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.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

**Heather Daud Rubio** 

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office: 348 Olive Street San Diego, CA 92103

toll-free: 877.220.7229 tel: 619.270.8222 fax: 619.260.9085 www.christywhite.com

Licensed by the California

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.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Compton Unified School District's financial statements are free from 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*.

#### **Purpose of this Report**

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

San Diego, California December 14, 2018

Christy White Associates



# 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, 2018. 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 D. Ash, CPA

John Whitehouse, CPA

**Heather Daud Rubio** 

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office: 348 Olive Street San Diego, CA 92103

toll-free: 877.220.7229 tel: 619.270.8222 fax: 619.260.9085 www.christywhite.com

Licensed by the California

State Board of Accountance

#### 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, 2018.

#### **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.

San Diego, California December 14, 2018

Christy White Associates



#### REPORT ON STATE COMPLIANCE

#### **Independent Auditors' Report**

Governing Board Compton Unified School District Compton, California

#### **Report on State Compliance**

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the 2017-2018 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, 2018, 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 2017-2018 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.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

**Heather Daud Rubio** 

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office: 348 Olive Street San Diego, CA 92103

toll-free: 877.220.7229 tel: 619.270.8222 fax: 619.260.9085 www.christywhite.com

Licensed by the California
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, 2018.

#### 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 Findings #2018-001, #2018-002 and #2018-003. 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:

	<b>PROCEDURES</b>
PROGRAM NAME	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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

(continued on the following page)

#### Procedures Performed (continued)

	<b>PROCEDURES</b>
PROGRAM NAME	PERFORMED
After/Before 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
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.

Christy White Associates
San Diego, California
December 14, 2018

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

# COMPTON UNIFIED SCHOOL DISTRICT SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS			
Type of auditors' report issued:	Unmodified		
Internal control over financial reporting	o.		
Material weakness(es) identified?		No	
Significant deficiency(ies) identified?		None Reported	
Non-compliance material to financial st	atements noted?	No	
FEDERAL AWARDS  Internal control over major program:			
Material weakness(es) identified?		No	
Significant deficiency(ies) identified?		None Reported	
Type of auditors' report issued:		Unmodifie	d
with Uniform Guidance 2 CFR 200.510 Identification of major programs: <u>CFDA Number(s)</u>	6(a)?  Name of Federal Program or Cluster	No	
84.010	Title I, Part A	_	
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster	_	
84.367	Title II, Part A	_	
Dollar threshold used to distinguish bet	tween Type A and Type B programs:	\$ 1,025	.484
Auditee qualified as low-risk auditee?		Yes	
STATE AWARDS  Internal control over state programs:  Material weaknesses identified?		No	
Significant deficiency(ies) identified?		Yes	
Type of auditors' report issued on compliance for state programs:		Unmodified	

# COMPTON UNIFIED SCHOOL DISTRICT FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

### **FIVE DIGIT CODE**

**AB 3627 FINDING TYPE** 

20000 30000 Inventory of Equipment Internal Control

There were no financial statement findings and questioned costs for the year ended June 30, 2018.

# COMPTON UNIFIED SCHOOL DISTRICT FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

# 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, 2018.

## COMPTON UNIFIED SCHOOL DISTRICT STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

<b>FIVE DIGIT CODE</b>	AB 3627 FINDING TYPE		
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 #2018-001: 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 2017-18 reporting information pertaining to 2016-17, 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 Tool forms 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.

Additionally, we noted inconsistencies between complaints related to teacher misassignments or vacancies reported on the Williams Quarterly Complaint reports and the SARCs. Inspection dates reported in the SARC did not correspond to the inspection date stated on the Facility Inspection Tool (FIT) forms provide for eight (8) school sites:

- 1. Bursch Elementary School
- 2. Clinton Elementary School
- 3. Foster Elementary School
- 4. Kelly Elementary School
- 5. Mayo Elementary School
- 6. Bunche Middle School
- 7. Roosevelt Middle School
- 8. Centennial High School

Cause: Oversight.

Questioned Costs: Not applicable for SARC findings.

## COMPTON UNIFIED SCHOOL DISTRICT STATE AWARD FINDINGS AND QUESTIONED COSTS, continued FOR THE YEAR ENDED JUNE 30, 2018

#### FINDING #2018-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000) (continued)

**Perspective:** Eight (8) of eight (8) school sites did not accurately report school facility conditions.

**Effect:** The 2016-17 School Accountability Report Card published and tested in 2017-18 reported inaccurate information reported for school facility conditions and complaints related to teacher vacancies and misassignments.

**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.

**Corrective Action Plan:** The Chief Facility Officer (CFO) will ensure that FIT reports are accurate. In addition, the CFO will verify the data on SARCs have proper and accurate supporting documents. It is the responsibility of the Facility department staff to complete FIT forms accurately for all schools. It is not the responsibility of the Los Angeles County Office of Education to conduct facility review for all district schools.

Accurate teacher misassignments on the William Quarterly Complaint reports rests with the Human Resources department. The Senior Director, HRS will create an internal process of reviewing the supporting documents and reports before publication.

## COMPTON UNIFIED SCHOOL DISTRICT STATE AWARD FINDINGS AND QUESTIONED COSTS, continued FOR THE YEAR ENDED JUNE 30, 2018

#### FINDING #2018-002: 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 classification. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: Nine (9) of sixty (60) students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as Free or Reduced Priced Meal (FRPM) only did not have documentation for their classification. Four (4) of sixty (60) students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as Free or Reduced Priced Meal (FRPM) and English Learners did not have documentation for either classification. This error rate was extrapolated over the only FRPM and FRPM and EL population of 1,716 students, for a total of 197 ineligible students.

Cause: District did not maintain household income verification or lunch applications for these students.

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

**Context:** Based on the extrapolation of error, 197 of 1,716 students reported in the District's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM and/or EL designation.

# COMPTON UNIFIED SCHOOL DISTRICT STATE AWARD FINDINGS AND QUESTIONED COSTS, continued FOR THE YEAR ENDED JUNE 30, 2018

# FINDING #2018-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Cost: \$150,820 as follows:

UPP Audi	t Adjustment				
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				65,428
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2			59,021	
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(197)
5	Revised Adjusted Enrollment		65,428		
6	Revised Adjusted Unduplicated Pupil Count		58,824		
7	UPP calculated as of P-2	0.9021			
8	Revised UPP for audit finding	0.8991			
9	Charter Schools Only: Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap	0.8991			
LCFF Targ	get Supplemental Grant Funding Audit Adjustment	TK/K-3	4-6	7-8	9–12
10	Supplemental and Concentration Grant ADA	7,626.34	5,475.78	3,266.05	4,704.98
11	Adjusted Base Grant per ADA	\$7,941	\$7,301	\$7,518	\$8,939
12	Target Supplemental Grant Funding calculated as of P-2	\$30,157,458			
13	Revised Target Supplemental Grant Funding for audit finding	\$30,057,168			
14	Target Supplemental Grant Funding audit adjustment	(\$100,290)			
LCFF Targ	get Concentration Grant Funding Audit Adjustment				
15	Target Concentration Grant Funding calculated as of P-2	\$29,427,008			
16	Revised Target Concentration Grant Funding for audit finding	\$29,176,280			
17	Target Concentration Grant Funding audit adjustment	(\$250,728)			
Estimated	Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at	t LCFF Tar	get		
18	Total Target Supplemental and Concentration audit adjustment	(\$351,018)			
Estimated	Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded o	n LCFF Flo	oor and Ga	p	
19	Statewide Gap Funding Rate as of P-2	0.4296644273			
20	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$150,820)			

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

**Corrective Action Plan:** The district will ensure that all responsible departments for the unduplicated pupil counts coordinate with each other. This will ensure proper maintenance of supporting documents affecting students classified as EL, or Free or Reduced Meal and Forster Youth in the CALPADS.

# COMPTON UNIFIED SCHOOL DISTRICT STATE AWARD FINDINGS AND QUESTIONED COSTS, continued FOR THE YEAR ENDED JUNE 30, 2018

#### FINDING #2018-003: 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 2017-18 1st Half After School Base Attendance Report (covering the period of August to December 2017) 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:** Three (3) of twenty-eight (28) school sites selected for ASES testing did not agree to the number of students served reported to the CDE and reported on ASES 2017-18 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 172,887 students served for the reporting time period of July 1, 2017 through December 31, 2017. As a result of our audit procedures, the adjusted amount for the 1st Half: After School Base should be increased to a total of 172,891 students served.

Context: An understatement of 4 students served for the ASES 2017-18 1st Half Base period were 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 over reporting of 4 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 and Safety (ASES) Program for reporting purposes to the California Department of Education.

Corrective Action Plan: The district has engaged outside consulting firm to handle the ASES program. The firm will ensure the proper maintenance of supporting documents. The consulting firm will be responsible for the ASES program accurate reporting to CDE with district review. In addition, they will ensure that CDE report agrees with the supporting documents.

# COMPTON UNIFIED SCHOOL DISTRICT SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

#### 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.
  - o 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.

Current Status: Implemented.

## 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.

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

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

UPP Audi	it 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 Tar	get 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 Tar	get Concentration Grant Funding Audit Adjustment								
14	Target Concentration Grant Funding calculated as of P-2	as of P-2 \$27,494,296							
15	Revised Target Concentration Grant Funding for audit finding	\$27,392,809							
16	get Concentration Grant Funding audit adjustment (\$101,487)								
Estimated	l Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded a	t LCFF Tar	get						
18	Total Target Supplemental and Concentration audit adjustment	ation audit adjustment (\$142,081)							
Estimated	Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded o	n LCFF Flo	oor and Ga	p					
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 response 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.

Current Status: Not Implemented. Refer to Finding #2018-002.

## 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.

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

**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.

**Current Status:** Not Implemented. Refer to Finding #2018-001.

## APPENDIX C

#### FORM OF APPROVING OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to render its approving opinion with respect to the Bonds in substantially the following form:

Board of Trustees Compton Unified School District Compton, California

## Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the \$229,996,079.85 principal amount of General Obligation Bonds, 2015 Election, 2019 Series B (the "Bonds") by Compton Unified School District (the "District"). The Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 et seq. and a resolution adopted by the Board of Trustees of the District (the "Board of Trustees") on June 12, 2019 (the "Resolution").

In such connection, we have examined the Resolution, certain estimates, expectations and assumptions made by or on behalf of the District, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the District and such other documents, including a certificate of the District relating to certain federal income tax matters (the "Tax Certificate"), and other matters deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that under existing law:

- (1) The Resolution has been duly adopted by the District and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
- (2) The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount (except as to certain personal property which is taxable at limited rates).
- (3) Under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the District will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph (3), we have relied upon and assumed (i) the material accuracy of the District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the District with procedures and covenants set forth in the Tax Certificate as to such matters.

(4) Under existing statutes, interest on the Bonds is exempt from State of California personal income tax.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs (3) and (4) above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Bonds.

Very truly yours,

## APPENDIX D

#### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") dated August 29, 2019, of the Compton Unified School District (the "District") is executed in connection with the issuance of the District's \$229,996,079.85 principal amount of General Obligation Bonds, 2015 Election, 2019 Series B (the "Bonds"), which are being issued pursuant to a resolution of the District's Board of Trustees adopted on June 12, 2019 (the "Resolution"). The District covenants and agrees as follows:

- **Section 1.** Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter has in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").
- **Section 2.** <u>Definitions.</u> In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings:
- "Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.
- "Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), (b) is treated as the Owner of any Bonds for federal income tax purposes or (c) Build America Mutual Assurance Company, or any successor thereto, so long as the municipal bond insurance policy issued thereby remains in effect.
  - "County" shall mean the County of Los Angeles, California.
- "CUSIP Numbers" shall mean the Committee on Uniform Securities Identification Procedures' unique identification numbers for each public issue of a security.
- "Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under Rule 15c2-12(b)(5) of the Securities and Exchange Commission of the United States of America, duly admitted to the practice of law before the highest court of any state of the United States of America.
- "Dissemination Agent" shall mean the District or any Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.
  - "Financial Obligation" means "financial obligation" as such term is defined in the Rule.
- "Resolution" shall mean the resolution of the Board of Trustees of the District adopted on August 23, 2016 authorizing the issuance of the Bonds.
  - "EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.
- "Holder" shall mean either the registered owners of the Bonds, or if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Official Statement" shall mean the Official Statement dated August 7, 2019 with respect to the Bonds.

"Participating Underwriter has" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

- **Section 3.** <u>Transmission of Notices, Documents and Information</u>. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's EMMA System, the current internet address of which is http://emma.msrb.org.
- (b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.
- Section 4. Provision of Annual Reports. (a) The District shall provide to the Dissemination Agent not later than the March 1 following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than March 1, 2020), an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate, and the Dissemination Agent shall submit the Annual Report to the MSRB through its EMMA System no later than March 15 after the end of such fiscal year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).
- (b) Not later than thirty (30) days (not more than sixty (60) days) prior to March 15 as specified in Section 4(a) above, the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in Section 4(a), the Dissemination Agent shall send a notice of such fact to the MSRB through its EMMA System.
- (c) The Dissemination Agent shall: (i) determine each year, prior to the date for providing the Annual Report to the MSRB through the EMMA System, the date on which such Annual Report shall be due and notify the District of such date; and (ii) (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.
- **Section 5.** <u>Content of Annual Reports.</u> The District's Annual Report shall contain or include by reference the following:
- (a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited

financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

- (b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:
  - (i) Table 1 "Historical Gross Assessed Valuation of Taxable Property", if and to the extent provided to the District by the County;
  - (ii) Table 5 "Property Tax Levies and Collections", if and to the extent provided to the District by the County;
    - (iii) Table 6 "Largest Local Secured Taxpayers";
    - (iv) Table A-1 "District Budget" for the current fiscal year;
  - (v) Table A-2 "Statement of Revenues, Expenditures and District General Fund Balances" for the prior fiscal year;
    - (vi) Table A-12 "Outstanding General Obligation Bonds";
    - (vii) Table A-13 "Outstanding Certificates of Participation"; and
  - (viii) Table A-16 "Annual Average Daily Attendance", as may be reasonably available.
- (c) It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB website (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.
- (d) The descriptions of financial information and operating data to be included in the Annual Report contained in Section 5(b) above are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.
- **Section 6.** Reporting of Listed Events. (a) If a Listed Event occurs, the District shall provide or caused to be provided, in a timely manner not in excess of ten (10) business days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.
- (b) Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:
  - (i) principal and interest payment delinquencies;

- (ii) non-payment related defaults, if material;
- (iii) modifications to rights of Holders, if material;
- (iv) bond calls, if material and tender offers;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
  - (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
  - (ix) unscheduled draws on the credit enhancements reflecting financial difficulties;
- (x) release, substitution or sale of property securing repayment of the certificates, if material;
- (xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);
  - (xii) substitution of credit or liquidity providers, or their failure to perform;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional Bond Registrar or the change of name of a Bond Registrar, if material;
- (xv) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material;
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties; and

(xvii) any amendment or waiver of a provision of this Disclosure Certificate.

The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Bonds.

(c) If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

Notwithstanding the foregoing, notice of Listed Events described in Section 6(b)(iv) and Section 6(b)(v) need not be given under this Section 6 any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

**Section 7.** <u>CUSIP Numbers</u>. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, audited financial statements and notices of Listed Events, the District shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

## **Section 8.** Termination of Reporting Obligation.

The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the District (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the District and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

- Section 9. <u>Dissemination Agent</u>. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.
- **Section 10.** <u>Amendment; Waiver</u>. (a) This Disclosure Certificate may be amended by the District without the consent of the Holders of the Bonds, if all of the following conditions are satisfied:
  - (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

- (ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (iii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in Section 10(a)(ii) above;
- (iv) either (1) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (2) is approved by the Holders of the Bonds in the same manner as provided in the Resolution; and
- (v) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA System within ten (10) business days from the execution thereof.
- (b) In addition to Section 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the District, without the consent of the Holders of the Bonds, if all of the following conditions are satisfied:
  - (i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;
  - (ii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and
  - (iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA System.
- (c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.
- **Section 11.** Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriter has or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Bonds then outstanding, shall) or any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section 13 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 14.** <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter has and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

COMPTON UNIFIED SCHOOL DISTRICT

By:		
•	Authorized Officer	



## APPENDIX E

#### **BOOK-ENTRY ONLY SYSTEM**

THE INFORMATION IN THIS APPENDIX E CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE DISTRICT AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company ("DTC"), will act as securities depository for Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each series and maturity of the Bonds, in the aggregate principal amount or Maturity Value, as applicable, of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Information on these websites is not incorporated herein by reference.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, Maturity Value and premium, if any, of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Maturity Value and premium, if any, of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Paying Agent Agreement with respect to certificated Bonds will apply.

THE DISTRICT, THE COUNTY, THE PAYING AGENT AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES (I) PAYMENTS OF PRINCIPAL AND MATURITY VALUE OF AND INTEREST EVIDENCED BY THE SECURITIES (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE DISTRICT, THE COUNTY, THE PAYING AGENT NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR MATURITY VALUE OF OR INTEREST ON SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE TRUST AGREEMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SECURITIES.



## **APPENDIX F**

## THE LOS ANGELES COUNTY TREASURY POOL

In accordance with California Government Code Section 53600 et seq., funds are deposited with the Treasurer (defined herein) by County (defined herein) school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool (defined herein) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is http://ttc.lacounty.gov, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Bonds.

## **County of Los Angeles Pooled Surplus Investments**

The Treasurer and Tax Collector (the "Treasurer") of the County of Los Angeles (the "County") has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of May 31, 2019, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)					
County of Los Angeles and Special Districts	\$14.278					
Schools and Community Colleges	15.806					
Discretionary Participants	2.693					
Total	\$32.777					
The Treasury Pool participation composition is as follows:						

Non-discretionary Participants	91.78%
Discretionary Participants:	
Independent Public Agencies	7.82
County Bond Proceeds and Repayment Funds	0.40
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

- 1. Safety of Principal
- 2. Liquidity
- 3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated June 30, 2019, the May 31, 2019 book value of the Treasury Pool was approximately \$32.777 billion and the corresponding market value was approximately \$32.713 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of May 31, 2019:

Type of Investment	% of Pool
Certificates of Deposit	6.19%
U.S. Government and Agency Obligations	64.56
Bankers Acceptances	0.00
Commercial Paper	28.77
Municipal Obligations	0.17
Corporate Notes & Deposit Notes	0.31
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00%

The Treasury Pool is highly liquid. As of May 31, 2019, approximately 40.99% of the investments mature within 60 days, with an average of 521 days to maturity for the entire portfolio.

# APPENDIX G ACCRETED VALUES TABLE



#### Bond Accreted Value Table

## Compton Unified School District

#### General Obligation Bonds Election of 2015, Series B

## CIBs Callable 6/1/27 @ 100 CABs Callable 6/1/29 @ 100

#### FINAL NUMBERS

CAB Bonds CAB Bo

	06/01/2033	06/01/2034	06/01/2035	06/01/2036	06/01/2037	06/01/2038	06/01/2039	06/01/2040	06/01/2041	06/01/2042	06/01/2043	06/01/2044
Date	2.8%	2.88%	2.95%	2.99%	3.03%	3.07%	3.11%	3.15%	3.19%	3.23%	3.26%	3.27%
8/29/2019	3,410.80	3,278.90	3,152.00	3,040.90	2,931.35	2,823.60	2,717.65	2,613.60	2,511.55	2,411.60	2,319.25	2,240.00
12/1/2019	3,435.10	3,302.95	3,175.65	3,064.05	2,954.00	2,845.65	2,739.15	2,634.55	2,531.95	2,431.45	2,338.50	2,258.60
6/1/2020	3,483.20	3,350.50	3,222.50	3,109.85	2,998.75	2,889.35	2,781.75	2,676.05	2,572.35	2,470.70	2,376.60	2,295.55
12/1/2020	3,532.00	3,398.75	3,270.05	3,156.35	3,044.15	2,933.70	2,825.00	2,718.20	2,613.35	2,510.60	2,415.35	2,333.10
6/1/2021	3,581.45	3,447.70	3,318.30	3,203.50	3,090.30	2,978.70	2,868.90	2,761.00	2,655.05	2,551.15	2,454.70	2,371.25
12/1/2021	3,631.55	3,497.30	3,367.25	3,251.40	3,137.10	3,024.45	2,913.55	2,804.50	2,697.40	2,592.35	2,494.75	2,410.00
6/1/2022	3,682.40	3,547.70	3,416.90	3,300.00	3,184.65	3,070.85	2,958.85	2,848.65	2,740.40	2,634.25	2,535.40	2,449.40
12/1/2022	3,733.95	3,598.75	3,467.30	3,349.35	3,232.90	3,118.00	3,004.85	2,893.50	2,784.15	2,676.75	2,576.70	2,489.45
6/1/2023	3,786.25	3,650.60	3,518.45	3,399.45	3,281.85	3,165.85	3,051.60	2,939.10	2,828.55	2,720.00	2,618.70	2,530.15
12/1/2023	3,839.25	3,703.15	3,570.35	3,450.25	3,331.60	3,214.45	3,099.05	2,985.40	2,873.65	2,763.95	2,661.40	2,571.55
6/1/2024	3,893.00	3,756.50	3,623.00	3,501.85	3,382.05	3,263.80	3,147.20	3,032.40	2,919.50	2,808.55	2,704.80	2,613.55
12/1/2024	3,947.50	3,810.60	3,676.45	3,554.20	3,433.30	3,313.90	3,196.15	3,080.15	2,966.05	2,853.90	2,748.85	2,656.30
6/1/2025	4,002.75	3,865.45	3,730.65	3,607.30	3,485.30	3,364.80	3,245.85	3,128.70	3,013.35	2,900.00	2,793.70	2,699.75
12/1/2025	4,058.80	3,921.10	3,785.70	3,661.25	3,538.10	3,416.45	3,296.35	3,177.95	3,061.45	2,946.85	2,839.20	2,743.85
6/1/2026	4,115.65	3,977.60	3,841.55	3,716.00	3,591.70	3,468.85	3,347.60	3,228.00	3,110.25	2,994.45	2,885.50	2,788.75
12/1/2026	4,173.25	4,034.85	3,898.20	3,771.55	3,646.15	3,522.10	3,399.65	3,278.85	3,159.85	3,042.80	2,932.55	2,834.35
6/1/2027	4,231.65	4,092.95	3,955.70	3,827.95	3,701.35	3,576.20	3,452.50	3,330.50	3,210.25	3,091.95	2,980.35	2,880.70
12/1/2027	4,290.90	4,151.90	4,014.05	3,885.15	3,757.45	3,631.10	3,506.20	3,382.95	3,261.45	3,141.90	3,028.90	2,927.75
6/1/2028	4,351.00	4,211.70	4,073.25	3,943.25	3,814.35	3,686.80	3,560.70	3,436.25	3,313.50	3,192.60	3,078.30	2,975.65
12/1/2028	4,411.90	4,272.35	4,133.35	4,002.20	3,872.15	3,743.40	3,616.10	3,490.35	3,366.35	3,244.20	3,128.45	3,024.30
6/1/2029	4,473.65	4,333.85	4,194.30	4,062.00	3,930.85	3,800.85	3,672.30	3,545.35	3,420.05	3,296.60	3,179.45	3,073.75
12/1/2029	4,536.30	4,396.25	4,256.15	4,122.75	3,990.40	3,859.20	3,729.45	3,601.15	3,474.60	3,349.80	3,231.30	3,124.00
6/1/2030	4,599.80	4,459.60	4,318.95	4,184.40	4,050.85	3,918.45	3,787.40	3,657.90	3,530.00	3,403.90	3,283.95	3,175.10
12/1/2030	4,664.20	4,523.80	4,382.65	4,246.95	4,112.20	3,978.60	3,846.30	3,715.50	3,586.30	3,458.90	3,337.50	3,227.00
6/1/2031	4,729.50	4,588.95	4,447.30	4,310.45	4,174.50	4,039.70	3,906.15	3,774.00	3,643.50	3,514.75	3,391.90	3,279.75
12/1/2031	4,795.70	4,655.00	4,512.90	4,374.90	4,237.75	4,101.70	3,966.85	3,833.45	3,701.65	3,571.50	3,447.15	3,333.40
6/1/2032	4,862.85	4,722.05	4,579.45	4,440.30	4,301.95	4,164.65	4,028.55	3,893.85	3,760.65	3,629.20	3,503.35	3,387.90
12/1/2032	4,930.95	4,790.05	4,647.00	4,506.65	4,367.10	4,228.55	4,091.20	3,955.15	3,820.65	3,687.80	3,560.45	3,443.25
6/1/2033	5,000.00	4,859.05	4,715.55	4,574.05	4,433.30	4,293.50	4,154.80	4,017.45	3,881.60	3,747.35	3,618.50	3,499.55
12/1/2033		4,929.00	4,785.10	4,642.40	4,500.45	4,359.40	4,219.40	4,080.75	3,943.50	3,807.90	3,677.50	3,556.80
6/1/2034		5,000.00	4,855.70	4,711.80	4,568.65	4,426.30	4,285.05	4,145.00	4,006.40	3,869.40	3,737.40	3,614.95
12/1/2034			4,927.30	4,782.25	4,637.85	4,494.25	4,351.65	4,210.30	4,070.30	3,931.90	3,798.35	3,674.05
6/1/2035			5,000.00	4,853.75	4,708.10	4,563.25	4,419.35	4,276.60	4,135.25	3,995.40	3,860.25	3,734.10
12/1/2035				4,926.35	4,779.45	4,633.30	4,488.05	4,343.95	4,201.20	4,059.90	3,923.20	3,795.15
6/1/2036				5,000.00	4,851.85	4,704.40	4,557.85	4,412.40	4,268.20	4,125.45	3,987.15	3,857.20
12/1/2036				,	4,925.35	4,776.60	4,628.70	4,481.90	4,336.25	4,192.10	4,052.10	3,920.30
6/1/2037					5,000.00	4,849.95	4,700.70	4,552.45	4,405.45	4,259.80	4,118.15	3,984.40
12/1/2037					-,	4,924.40	4,773.80	4,624.15	4,475.70	4,328.60	4,185.30	4,049.55
6/1/2038						5,000.00	4,848.05	4,697.00	4,547.10	4,398.50	4,253.50	4,115.75
12/1/2038						0,000.00	4,923.40	4,771.00	4,619.60	4,469.55	4,322.85	4,183.05
6/1/2039							5,000.00	4,846.10	4,693.30	4,541.70	4,393.30	4,251.45
12/1/2039							2,222.22	4,922.45	4,768.15	4,615.05	4,464.90	4,320.95
6/1/2040								5,000.00	4,844.20	4,689.60	4,537.70	4,391.60
12/1/2040								3,000.00	4,921.50	4,765.35	4,611.65	4,463.40
6/1/2041									5,000.00	4,842.30	4,686.85	4,536.35
12/1/2041									3,000.00	4,920.50	4,763.25	4,610.55
6/1/2042										5,000.00	4,763.25	4,685.90
12/1/2042										3,000.00		4,762.55
6/1/2043											4,919.80	
											5,000.00	4,840.40
12/1/2043 6/1/2044												4,919.55
0/1/2044												5,000.00



# APPENDIX H

# SPECIMEN MUNICIPAL BOND INSURANCE POLICY





# MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]	Policy No:
MEMBER: [NAME OF MEMBER]	
BONDS: \$ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]	Effective Date:
	Risk Premium: \$
	Member Surplus Contribution: \$
	Total Insurance Payment: \$

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

By:			
	Authorized	Officer	

BUILD AMERICA MUTUAL ASSURANCE COMPANY



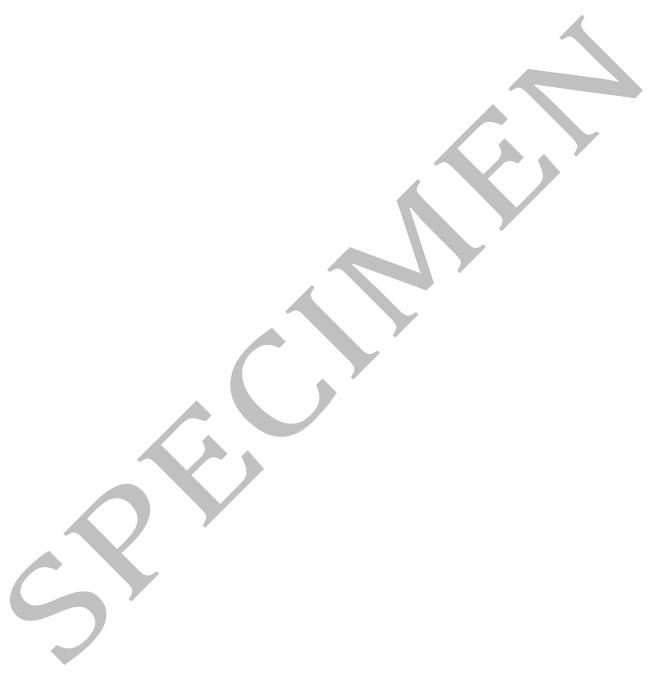
## Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com Address:

200 Liberty Street, 27th floor New York, New York 10281

Telecopy: 212-962-1524 (attention: Claims)





**CALIFORNIA** 

**ENDORSEMENT TO** 

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

