

CERRITOS COLLEGE
GENERAL OBLIGATION BOND
MEETING OF THE CITIZENS' BOND OVERSIGHT COMMITTEE
Cheryl A. Epple Board Room
December 16, 2019
6:00 p.m.

- I. Call to Order
- II. Welcome
- III. Public Comments
- IV. Approval of Minutes – May 6, 2019
- V. Measure G Expenditure List as of October 31, 2019
- VI. Measure G Financial and Performance Audit Report as of June 30, 2019
- VII. Construction Update
- VIII. Report of Citizens' Bond Oversight Committee Members
- IX. Next Meeting – May 11, 2020
- X. Adjournment

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CERRITOS COLLEGE
GENERAL OBLIGATION BOND
MINUTES OF THE MEETING OF THE
CITIZENS' BOND OVERSIGHT COMMITTEE

MAY 6, 2019

I. Call to Order

Mr. Patnaik called the meeting to order at 6:00 p.m.

Those present were:

Pat Patnaik

Carmen Amarillas-Rivera

Richard Fisler

Paul Martinez

Parimal Shah

Absent:

Alan Gafford

Phil Herrera

Others present were:

Felipe Lopez

David Moore

Linda Kaufman

II. Welcome

Dr. Fierro welcomed the members of the Citizens' Bond Oversight Committee.

III. Public Comments

There were no public comments.

IV. Committee Members Term Expiration

Mr. Lopez noted that Mr. Gafford and Mr. Shah's terms end in March 2019. He noted they are welcome to apply, and the college would also be seeking applicants through the application process which will be advertised on the college website.

V. Approval of Minutes – December 17, 2018

It was moved by Mr. Lopez and seconded by Mr. Shah that the minutes of December 17, 2018 be approved as presented. The minutes were approved as presented.

VI. Approval of Draft 2017-18 Annual Report to the Committee

Mr. Lopez reviewed the draft 2017-2018 Annual Report of the Citizens' Bond Oversight Committee. He noted this report that provides information regarding the committee, an executive summary of bond expenditures, statement of compliance, the 2017-2018 committee roster, a year fifteen commentary, Measure CC and

Measure G bond fund information, a continuing disclosure certificate and an appendix which provides hyperlinks to all the available GO Bond information on the college's website.

It was moved by Mr. Patnaik and seconded by Mr. Martinez to approve the draft 2017-2018 Annual Report to the Citizens' Bond Committee. The motion passed unanimously.

VII. Measure G Expenditure Lists as of March 31, 2019

The committee reviewed and provided feedback on the expenditure list, which reflected the G.O. Bond expenditures and/or monetary commitments of the college for Measure G through March 31, 2019.

VIII. Construction Update

Mr. Moore, Director of Physical Plant and Construction provided an update of both the ongoing and upcoming G.O. Bond construction projects on campus.

IX. Continuing Disclosure Annual Report for the Period Ending June 30, 2018

Mr. Lopez reviewed the Continuing Disclosure Annual Report for the period ending June 30, 2018. He noted that this report outlines audited financial statements, current year budget, full-time equivalent students, information relating to the District's outstanding debt history, history of assessed valuations of taxable property within the District, secured tax charges and delinquencies, history of tax rates, ratings, debt service schedules and the official statement cover pages and continuing disclosure certificates.

X. Report of Citizens' Bond Oversight Committee Members

There were no reports from the Citizens' Bond Oversight Committee Members.

XI. Next Meeting – December 16, 2019

The next meeting is scheduled for December 16, 2019.

XII. Adjournment

The meeting adjourned at 6:52 p.m.

CERRITOS COLLEGE REVENUE BOND FUND - MEASURE G

GENERAL OBLIGATION BOND AS OF 10/31/19

Location	Project Description	Budget Updated (Per Print Date: 11/5/18)	Total Expended Amount	Encumbered Amount	Project Balance
65000	Cost of Issuance		786,075	-	-
65004	Bond Implementation and Administration	2,000,000	1,244,863	255,301	499,836
65008	Liberal Arts Renovation		-	42,207	-
65009	Social Science Renovation Project		-	-	-
65010	Parking Lots: Improvements	5,000,000	2,571,493	-	2,428,507
65011 ¹	Social Science Elevator	2,841,167	3,281,013	13,379	-
65014	Parking Lot 2 Renovation		-	-	-
65015	Construction Management	12,504,131	3,465,096	747,230	8,291,805
65023	Student Services Relocation - Swing Space	1,973,891	1,973,895	-	-
65025	Learning Resource Center	7,138,769	6,991,140	-	147,629
65035 ²	Stadium Turf Replacement	1,027,012	105,227	9,970	911,815
65036 ²	Stadium ADA Upgrades	1,200,000	1,115,537	-	84,463
65037	Stadium Upgrades	-	-	7,000	-
65039	Culinary Arts	7,653,964	7,752,166	-	-
65040	Fine Arts	34,199,656	34,168,820	15,233	15,603
65041	Child Development Center	5,000,000	2,598	-	4,997,402
65043	DSA Uncertified Projects		3,588	2,816	-
65044	Roof Replacements - Campus Wide	3,000,000	2,237,437	-	762,563
65045	Computer Information Systems/ Math		18,560	-	-
65050	Campus Wide Projects - Security	2,223,878	2,052,503	29,053	142,322

CERRITOS COLLEGE REVENUE BOND FUND - MEASURE G

GENERAL OBLIGATION BOND AS OF 10/31/19

Location	Project Description	Budget Updated (Per Print Date: 11/5/18)	Total Expended Amount	Encumbered Amount	Project Balance
65051	IT Infrastructure	66,214	356,587	-	-
65052	Health & Wellness Complex	67,800,000	54,695,968	9,337,520	3,766,512
65053	Health Science	11,919,000	97,523	-	11,821,477
65054	Field House	11,660,000	814,574	8,689	10,836,737
65056	Landscape		-	-	-
65057	Shade Structures	6,900,000	5,988,418	616,401	295,182
65059	Electrical Upgrade	3,780,000	5,849,886	-	-
65060	Central Plant Expansion & EMS Upgrade	10,800,000	10,364,204	112,588	323,208
65061	Performing Arts Center	102,500,000	27,829,417	36,855,762	37,814,821
65062	Utilities Infrastructure	2,400,000	382,468	15,503	2,002,029
65065	Modernization	10,000,000	-	-	10,000,000
65066	Falcon Center	88,100,000	-	174,858	87,925,143
65067	Business Education/Language Arts	30,645,000	-	-	30,645,000
65068	Student Services Relocation		-	-	-
65075	LRC Improvements - Swing Space	1,496,006	1,496,006	-	0
65079	Culinary Arts - Swing Space	1,193,893	1,119,166	-	74,727
	Total	435,022,581	176,764,228	48,243,509	213,786,780

CERRITOS COLLEGE REVENUE BOND FUND - MEASURE G

GENERAL OBLIGATION BOND AS OF 10/31/19

Location	Project Description	Budget Updated (Per Print Date: 11/5/18)	Total Expended Amount	Encumbered Amount	Project Balance
	Budget Revision	3,771,935			
	Grant Total	438,794,516	176,764,228	48,243,509	213,786,780
	Measure G Funds	350,000,000			
	Unidentified Funds	88,794,516			
	Total Funds	438,794,516			
	Fiscal 2019-20 Total Expenditures		7,911,630		
	Fiscal 2019-20 Ending Fund Balance (As of 10/31/19)				
Notes:					
1. Funds for the Social Science Elevator project, in Measure CC, were reassigned / reallocated to Measure G					
2. Funds for the Stadium Turf Replacement project, in Measure G, were reassigned / reallocated to Measure CC and to the Stadium ADA Upgrades project in Measure G					



Financial and Performance Audits
Bond Building Fund (Measure G)
June 30, 2019

Cerritos Community College District



Financial Audit
Bond Building Fund (Measure G)
June 30, 2019

Cerritos Community College District

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**FINANCIAL AUDIT
TABLE OF CONTENTS
JUNE 30, 2019**

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	4
Bond Building Fund (Measure G)	
Balance Sheet	9
Statement of Revenues, Expenditures, and Changes in Fund Balance	10
Notes to Financial Statements	11

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings	20
Summary Schedule of Prior Audit Findings	21



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens' Oversight Committee
Cerritos Community College District
Norwalk, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Cerritos Community College District's (the District), Bond Building Fund (Measure G), as of and for the year ended June 30, 2019, and the related notes to the 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 statement 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 an opinion 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 of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's Bond Building Fund (Measure G) 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 District's Bond Building Fund (Measure G) internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Building Fund (Measure G) of the District at June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Bond Building Fund specific to Measure G are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the District's Bond Building Fund (Measure G) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Bond Building Fund (Measure G) 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 the District's Bond Building Fund (Measure G) internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 5, 2019

CERRITOS COMMUNITY COLLEGE DISTRICT BOND BUILDING FUND (MEASURE G)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

In accordance with Section 1(b)(3)(D) of Article XIII A of the California Constitution, the Cerritos Community College District (the District) conducted an annual, independent financial audit of our Bond Building Fund (Measure G). This section provides an overview and analysis of the financial activities of the Bond Building Fund (Measure G) of the District for the fiscal year ended June 30, 2019, with comparative information for fiscal year ended June 30, 2018. The fund was established after the November 2012 election. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

INTRODUCTION AND BACKGROUND

The District operates Measure G, General Obligation Bond Funds to report the activity of bond measures passed by residents within the District. The election was conducted under Proposition 39, being chaptered as the Strict Accountability in Local School Construction Bonds Act of 2000, at Section 15264 et seq. of the California Education Code (Prop 39).

Measure G was on the local ballot on November 6, 2012. The ballot measure asked local voters to prepare local Cerritos College students by:

"Updating classrooms, technology, math, science and computer labs, upgrading job- training facilities, providing classrooms and labs to accommodate growing demand, replacing leaky roofs, aging and unsafe buildings, facilities/equipment, and acquiring, constructing, repairing buildings, classrooms, sites/facilities/equipment."

The voters overwhelmingly approved Measure G with a 70.33 percent pass rate.

The General Obligation Bond Fund is overseen by a Citizens' Oversight Committee comprised of the following nine member types:

Member Type

Senior Citizens' Organization Member Representative Community-at-large
Representative
Community-at-large Representative
Local Business Community Representative Community-at-large
Representative
Support Organization for the College Representative Associated Student Body
Representative
Bona Fide Taxpayer Organization Member Representative

CERRITOS COMMUNITY COLLEGE DISTRICT BOND BUILDING FUND (MEASURE G)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The Citizen's Oversight Committee is charged with informing the public, reviewing expenditures, and preparing an annual report. The Committee meets at least once a year, but no more than quarterly and receive expenditure reports and construction updates.

For the fiscal year ended June 30, 2019, the major expenditures were for the Health and Wellness Complex, Outdoor Instructional Shade Structures, Social Science Elevator, and Performing Arts Center project for Measure G.

FINANCIAL HIGHLIGHTS

The restricted fund balance of Cerritos Community College District Bond Building Fund (Measure G) at the close of fiscal year 2019 is \$108,335,139. All of the fund balance is available to meet the District's ongoing obligations for its bond projects.

Funding for the Bond Building Fund (Measure G) is derived from general obligation bond proceeds and related premiums and interest income. Funds are restricted to be used for District bond projects including building construction, renovation and related furniture and equipment purchases. Bonds are issued as needed to fund District bond projects. Generally, the District issues bonds needed to fund three years of projects. Fund balances decline as projects continue, then they increase when the next bonds are issued.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the District's Bond Building Fund (Measure G) financial statements, which comprises these components:

1. Balance Sheet
2. Statement of Revenues, Expenditures, and Changes in Fund Balance

The Balance Sheet is a snapshot of account balances at year-end. It indicates the assets available for future payments for bond projects and any current liabilities that are owed at this time.

The Statement of Revenues, Expenditures, and Changes in Fund Balance provides a view of current year revenue and expenditures. Both statements are in compliance with Governmental Accounting Standards. These Standards require certain disclosures and require the state and local governments to report using the modified accrual method of accounting. The District complies with all material requirements of these pronouncements.

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance report information about the District's Bond Building Fund (Measure G) activities. These statements include all assets and liabilities, using the modified accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Comparisons of the balance sheets for the Bond Building Fund (Measure G) is presented below:

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
ASSETS			
Cash in County	\$ 109,275,997	\$ 50,335,977	117%
Accounts receivable	114,656	296,226	-61%
Total Assets	<u>\$ 109,390,653</u>	<u>\$ 50,632,203</u>	<u>116%</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	<u>\$ 1,055,514</u>	<u>\$ 4,426,581</u>	<u>-76%</u>
FUND BALANCE			
Restricted for capital projects	108,335,139	46,205,622	134%
Total Liabilities and Fund Balance	<u>\$ 109,390,653</u>	<u>\$ 50,632,203</u>	<u>116%</u>

- Cash and total assets increased over \$58.8 million due to bond proceeds of \$100.3 million during the 2018-2019 fiscal year net of bond expenditures.
- Accounts payable represents expenses that were incurred as of the end of the fiscal year, but not paid until the following year.
- Fund balance increased over \$62.1 million due to bond proceeds of \$100.3 million for bond construction and renovation projects as planned.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Comparisons of the statements of revenues, expenditures, and changes in fund balance for the Bond Building Fund (Measure G) is presented below:

	2019	2018	% Change
REVENUES			
Interest and investment income	\$ 673,862	\$ 501,225	34%
EXPENDITURES			
Materials and supplies	680	1,132	-40%
Services and other operating expenditures	1,120,553	324,025	246%
Capital Outlay	37,737,812	41,223,104	-8%
Total Expenditures	38,859,045	41,548,261	-6%
DEFICIENCY OF REVENUES OVER EXPENDITURES	(38,185,183)	(41,047,036)	-7%
OTHER FINANCING SOURCES			
Other sources - proceeds from bond issuance	100,250,000	75,000,000	34%
Other sources	64,700	-	100%
Total Other Financing Sources	100,314,700	75,000,000	34%
NET CHANGE IN FUND BALANCE	62,129,517	33,952,964	83%
FUND BALANCE - BEGINNING	46,205,622	12,252,658	277%
FUND BALANCE - ENDING	\$ 108,335,139	\$ 46,205,622	134%

- Total expenditures decreased \$2.7 million due to the decrease in bond project activity. Bond project expenditures in this fund have ranged from \$ 1.9 to \$ 41.3 million annually. Expenditures change due to many factors including construction plans, approvals, performance of contractors and the need to minimize disruption on the campuses due to construction work.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

OTHER INFORMATION

Selected Highlights

The District continues to make significant progress with the construction of new facilities and the renovation of existing facilities including:

Location/Project	% Complete
Health and Wellness Complex	80%
Outdoor Instructional Shade Structures	95%
Performing Arts Center	25%

Projects in the planning, design, and preconstruction stages are:

- Student Services/Administration Building

These projects are funded through the District's \$350.0 million (Measure G, November 2012) general obligation bond program.

Economic Factors Affecting the Future of the Cerritos Community College District

Credit Ratings

The District's bond ratings are Aa2 positive from Moody's Investors Service and AA from Standard and Poor's. These ratings were received in May 2019.

Contacting the District

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be addressed to the Cerritos Community College District Office of the Vice President of Business Services/Assistant Superintendent, 11110 Alondra Blvd., Norwalk, CA 90650.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

Cash in County	\$ 109,275,997
Accounts receivable	114,656
Total Assets	<u>\$ 109,390,653</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	<u>\$ 1,055,514</u>
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FUND BALANCE

Restricted for capital projects	108,335,139
Total Liabilities and Fund Balance	<u>\$ 109,390,653</u>

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

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Local revenues	\$ 673,862
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EXPENDITURES

Materials and supplies	680
Services and other operating expenditures	1,120,553
Capital outlay	37,737,812
Total Expenditures	<u>38,859,045</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(38,185,183)</u>
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OTHER FINANCING SOURCES

Other sources - proceeds from bond issuance	100,250,000
Other sources	64,700
Total Other Financing Sources	<u>100,314,700</u>

NET CHANGE IN FUND BALANCE	62,129,517
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FUND BALANCE - BEGINNING	<u>46,205,622</u>
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FUND BALANCE - ENDING	<u><u>\$ 108,335,139</u></u>
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The accompanying notes are an integral part of these financial statements.

CERRITOS COMMUNITY COLLEGE DISTRICT BOND BUILDING FUND (MEASURE G)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cerritos Community College District's (the District) Bond Building Fund (Measure G) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District Bond Building Fund (Measure G) accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Bond Building Fund (Measure G) of the District used to account for Measure G projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure G. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Bond Building Fund (Measure G) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Bond Building Fund (Measure G) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by major object. Expenditures cannot legally exceed appropriations by major object account.

CERRITOS COMMUNITY COLLEGE DISTRICT BOND BUILDING FUND (MEASURE G)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance - Bond Building Fund (Measure G)

As of June 30, 2019, the fund balance of the Bond Building Fund (Measure G) is classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts 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.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

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 is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool. The District maintains a Bond Building Fund (Measure G) investment of \$109,275,997 with the Los Angeles County Investment Pool, with the average maturity of 547 days.

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 rating by a nationally recognized statistical rating organization. The District's investment in Los Angeles County Investment Pool is not required to be rated, nor has been rated as of June 30, 2019.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, 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 in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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 reasonably 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 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 are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 109,275,997</u>	<u>\$ 109,275,997</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of the following:

Interest	<u>\$ 114,656</u>
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NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

Capital outlay	<u>\$ 1,055,514</u>
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**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

Restricted	
Capital projects	<u>\$ 108,335,139</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, the Bond Building Fund (Measure G) had the following commitments with respect to unfinished projects:

Measure G Projects	Remaining Construction Commitment	Expected Date of Completion
Electrical Upgrade	\$ 75,560	September 2019
Bond Implementation/Management	518,962	December 2019
Social Science Elevator	130,705	June 2020
Parking Lot 2 Renovation	6,630	June 2020
Stadium ADA Upgrades	4,429	June 2020
Fine Arts	359,983	June 2020
DSA Uncertified Projects	2,816	June 2020
Computer Information Systems/Math	17,880	June 2020
Campus Wide Projects - Security	29,053	June 2020
Field House	350,360	June 2020
Shade Structures	645,725	June 2020
Central Plant Expansion and EMS Upgrade	126,953	June 2020
Health and Wellness Complex	11,613,428	August 2020
Construction Management	1,154,810	December 2020
Performing Arts Center	69,391,828	May 2022
	<u>\$ 84,429,122</u>	

Litigation

The District is not currently a party to any legal proceedings related to the Bond Building Fund (Measure G) at June 30, 2019.



INDEPENDENT AUDITOR'S REPORT



**INDEPENDENT AUDITOR'S 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***

Governing Board and
Citizens' Oversight Committee
Cerritos Community College District
Norwalk, 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 Cerritos Community College District (the District) Bond Building Fund (Measure G), as of and for the year ended June 30, 2019, and the related notes of the financial statements, and have issued our report thereon dated December 5, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Bond Building Fund specific to Measure G are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's Bond Building Fund (Measure G) 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 the District's Bond Building Fund (Measure G) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Bond Building Fund (Measure G) 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Bond Building Fund (Measure G) financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 District's Bond Building Fund (Measure G) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Bond Building Fund (Measure G) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 5, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Performance Audit
Bond Building Fund (Measure G)
June 30, 2019

Cerritos Community College District

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**PERFORMANCE AUDIT
TABLE OF CONTENTS
JUNE 30, 2019**

Independent Auditor's Report on Performance	2
Authority for Issuance	3
Purpose of Issuance	3
Authority for the Audit	3
Objectives of the Audit	4
Scope of the Audit	4
Procedures Performed	4
Conclusion	5
Schedule of Findings and Questioned Costs	6
Summary Schedule of Prior Year Audit Findings	7



INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizens' Oversight Committee
Cerritos Community College District
Norwalk, California

We were engaged to conduct a performance audit of the Cerritos Community College District (the District) Bond Building Fund (Measure G) for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's Bond Building Fund (Measure G) funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 5, 2019

CERRITOS COMMUNITY COLLEGE DISTRICT BOND BUILDING FUND (MEASURE G)

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure G were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The District received authorization from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$350,000,000 to finance specific construction and modernization projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization). The bonds represent the first, second, and third series of the authorized bonds to be issued under the 2012 Authorization.

PURPOSE OF ISSUANCE

"To prepare local Cerritos College students for high-skilled jobs and 4-year universities by updating classrooms, technology, math, science and computer labs, upgrading job-training facilities, providing classrooms and labs to accommodate growing demand, replacing leaky roofs, aging and unsafe buildings, facilities/equipment, and acquiring, constructing, repairing buildings, classrooms, sites/facilities/equipment, shall Cerritos Community College District issue \$350,000,000 in bonds, at legal rates, with citizen oversight, and no money for Sacramento, administrators' salaries or employee pensions?"

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district operating expenses.
2. The community college district must list the specific facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.

CERRITOS COMMUNITY COLLEGE DISTRICT BOND BUILDING FUND (MEASURE G)

JUNE 30, 2019

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Bond Building Fund (Measure G) have been made in accordance with the bond project list approved by the voters through the approval of Measure G.
2. Determine whether salary transactions, charged to the Bond Building Fund (Measure G) were in support of Measure G and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Bond Building Fund (Measure G). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure G as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$18,113,697. This represents 47 percent of the total expenditures of \$38,859,045.
3. Based on our testing, we verified that the expenditures from the Bond Building Fund (Measure G) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

JUNE 30, 2019

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Bond Building Fund (Measure G) and that such expenditures were made for authorized Bond projects.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

None reported.

**CERRITOS COMMUNITY COLLEGE DISTRICT
BOND BUILDING FUND (MEASURE G)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Cerritos College Construction Update

Current Projects

- Health & Wellness Complex – Phase II
- Performing Arts Center
- Shade Structures
- Social Sciences Interior Elevator Retrofit

Upcoming Projects

- Administration/Student Services Building
- Health Sciences Building Modernization

Completed Projects

- ADA Ramps at Stadium and Social Science Building
- Alondra Monument Sign and Improvements
- Alondra Boulevard Drop-Off
- Alondra/Studebaker Landscape
- Aquatics Center
- Automotive Partners Building
- Automotive Technology Modernization
- Baseball Field Modernization
- Blue Light Emergency Phones
- Boiler Replacement
- Campus Wide Accessibility Updates
- Central Plant/Campus Wide Infrastructure
- Child Development Center Relocation
- Classroom/Lab/Office Complex (Physical Science & Technology Building)
- Math and Computer Information Science Building
- Culinary Arts Dining Room Remodel
- Culinary Arts Kitchen Renovation
- Culinary Arts Mobile Kitchen
- Eastside Security Fence
- Energy Management System Project
- Facilities/Purchasing Complex
- Fire Alarm Upgrade (Groups 1, 2, 3, 4, 5 & 6)
- Fine Arts Complex
- Gym Seismic Retrofit
- Gym Site Improvements and Gym Marquee Sign
- Health & Wellness Complex – Phase I
- Infrastructure Improvements
- Primary Electrical Infrastructure
- Learning Resource Center Roof Replacement
- Learning Resource Center Modernization
- Liberal Arts/Disabled Student Programs and Services Building
- Metals Building Seismic Update
- Modular Classrooms
- North/South Fire Line
- Parking Lot Renovation
- Parking Lot Improvements
- Physical Science Swing Space Project
- Pool Demolition/Soccer Field
- Press Box Renovations
- Re-Roof Project (Campus Wide)
- Science Building
- Science Building Plaster & Paint
- Seismic Upgrades
- Social Sciences Exterior Elevator
- Social Science Building Renovation
- Softball Field Modernization
- Sports Field Restroom
- Stadium ADA Improvements
- Stadium Track & Field
- Stadium Turf Replacement
- Student Services Relocations
- Technology Swing Space Project
- Tennis Court Modernization
- Wayfinding