



Financial Statements  
June 30, 2020

# Cerritos Community College District

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## Independent Auditor's Report

Board of Trustees  
Cerritos Community College District  
Norwalk, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Cerritos Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 15, and other required supplementary information as listed in the table of contents on pages 69 through 73 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 schedule of expenditures of federal awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 the District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California  
February 19, 2021



# Cerritos College

## **INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and activities of the Cerritos Community College District (the District) for the year ended June 30, 2020. This discussion has been prepared by college administration and should be read in conjunction with the financial statements and notes thereto which follow this section. The District is using the Business Type Activity (BTA) model in which financial reports are generated using the full accrual basis of accounting. The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the reporting standards of the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District has adopted the BTA reporting model for these financial statements.

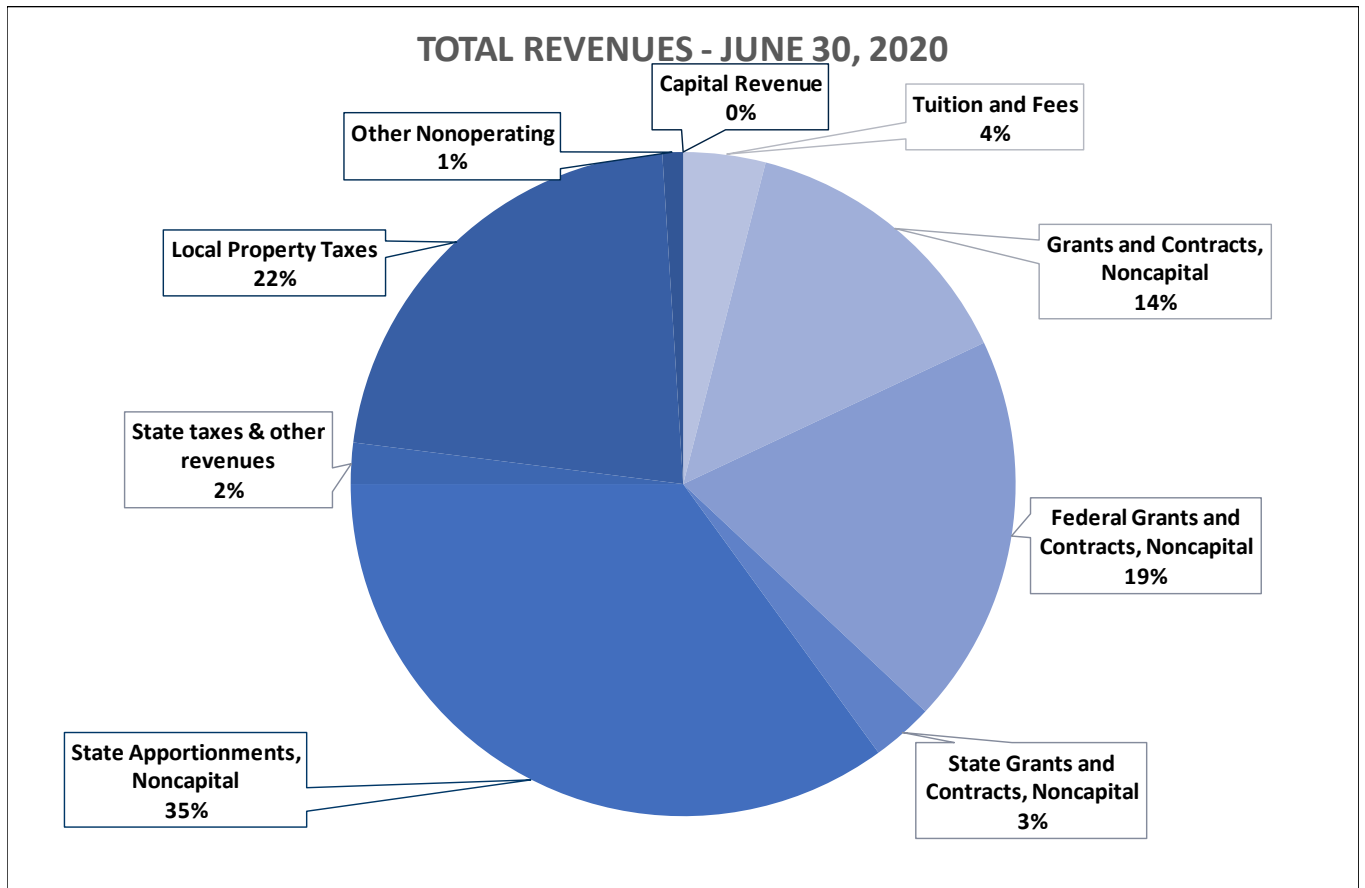
## **THE COLLEGE**

Cerritos College is the preeminent educational, cultural, and economic development institution in the cities of Artesia, Bellflower, Cerritos, Downey, Hawaiian Gardens, La Mirada, Norwalk, and portions of Bell Gardens, Lakewood, Long Beach, Santa Fe Springs, and South Gate. We offer programs of the highest quality for Cerritos College students who continue on with their higher education studies; programs of remediation and reentry for Cerritos College students; cultural and arts programs of national distinction; programs of exceptional depth in professional training, job training and workforce development; and community education programs of personal interest. In addition, we are a leading community provider of programs for seniors. We invite you to learn more about us and our services to students and the community at [www.cerritos.edu](http://www.cerritos.edu).

**FINANCIAL HIGHLIGHTS**

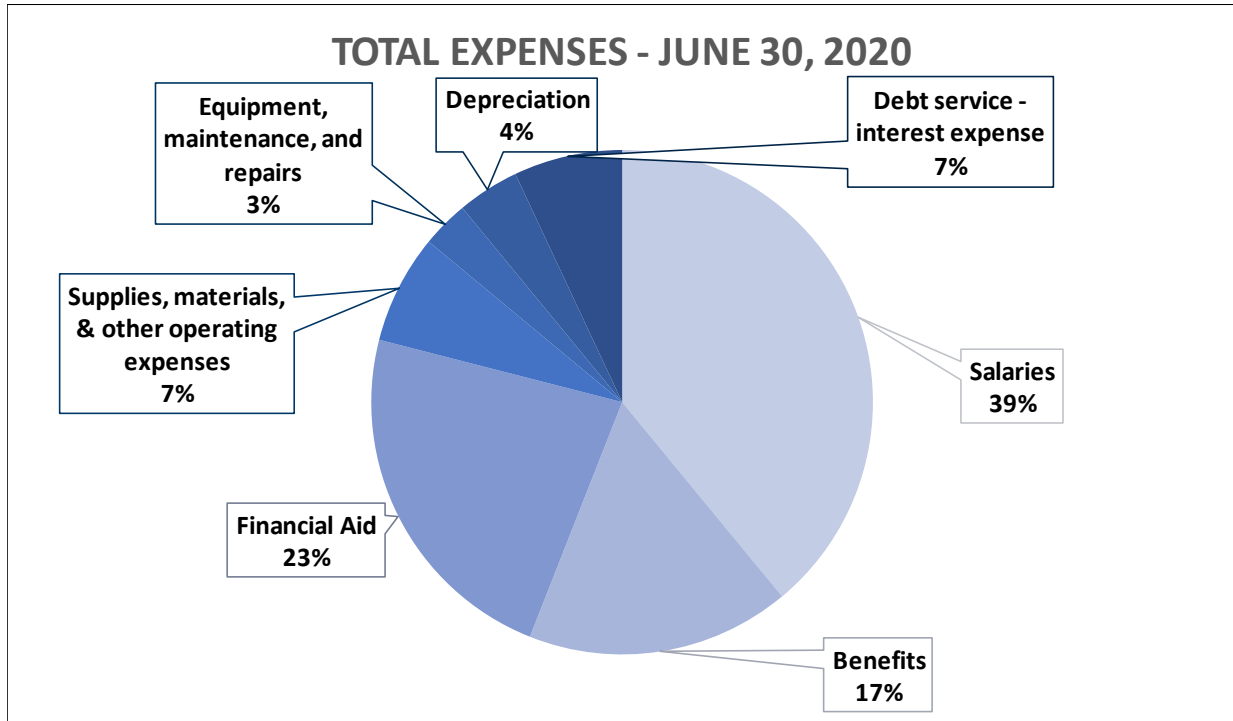
**Revenues**

For fiscal year (FY) 2019-2020, the District received total revenues of \$237.4 million, including pass-through financial aid revenues that are to be distributed to students. The following chart depicts each source of revenue with its relevant percentage to total revenues.



**Expenditures**

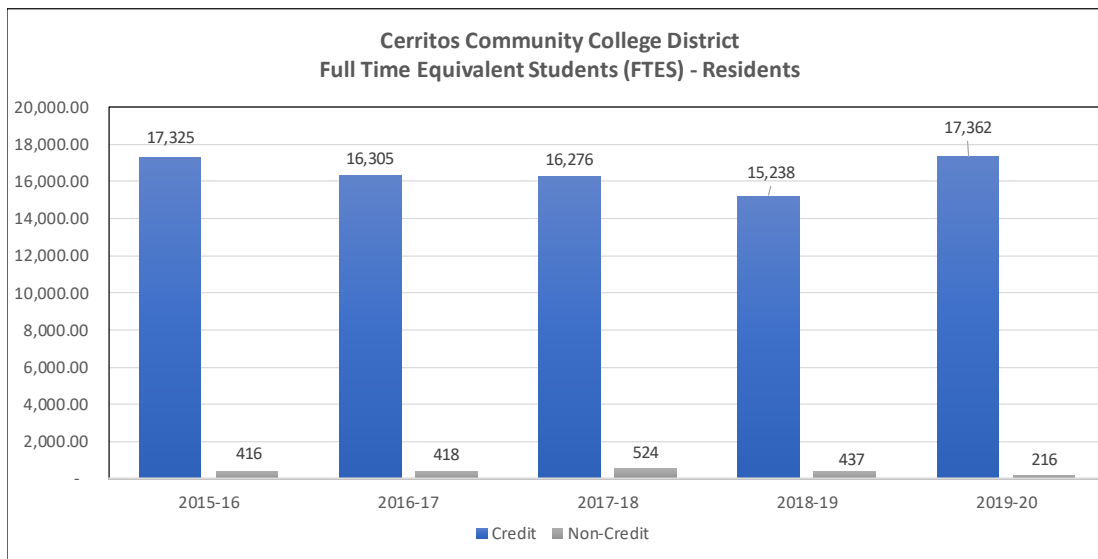
For FY 2019-2020, the District's total expenditures were \$238.2 million, including pass-through financial aid funds that were distributed to students. The following chart depicts each expenditure category with its relevant percentage to total expenditures.





**ENROLLMENT**

Enrollment can fluctuate due to factors such as population growth, competition from private institutions, economic conditions and housing values. Losses in enrollment will cause a district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs. For FY 2019-2020 the Districts' total actual FTES increased by 1,902.61. The following chart shows the trend for credit and non-credit FTES combined for the past five years.



## **GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) REPORTING STANDARDS**

As required by the Governmental Accounting Standards Board (GASB) reporting standards, the annual report consists of three basic financial statements that provide information on the District as a whole:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

## **STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the District as of the end of the fiscal year and is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of year data concerning assets (current and non-current), deferred outflows, liabilities (current and non-current), deferred inflows and net position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operation of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position availability for expenditure by the District. The difference between total assets, total deferred outflows, total liabilities and total deferred inflows (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, deferred outflows, liabilities and deferred inflows are generally measured using current values. One notable exception is capital assets, which is stated at historical cost less an allocation for depreciation expense. The Net Position listed on the Statement of Net Position is divided into three major categories. The first category, Invested in Capital Assets net of related debt, provides the equity amount in property, plant, and equipment owned by the District with the debt related to those amounts subtracted. The second category is Restricted; this net position are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted; this net position is available to the District for any lawful purpose of the District.

**THE DISTRICT AS A WHOLE**

The Statement of Net Position as of June 30, 2020 and 2019, is summarized and presented herein:

**Table 1**

	2020	2019	Change
<b>Assets</b>			
Cash, cash equivalents, and investments	\$ 188,638,900	\$ 238,185,051	\$ (49,546,151)
Accounts receivable (net)	17,346,478	10,507,353	6,839,125
Other current assets	222,548	256,080	(33,532)
Capital assets (net)	425,085,883	382,452,735	42,633,148
Total Assets	<u>631,293,809</u>	<u>631,401,219</u>	<u>(107,410)</u>
<b>Deferred Outflows of Resources</b>			
Deferred charges on refunding	13,403,289	9,126,618	4,276,671
Deferred outflows of resources related to OPEB	2,476,174	853,438	1,622,736
Deferred outflows of resources related to pensions	37,334,450	44,733,879	(7,399,429)
Total deferred outflows of resources	<u>53,213,913</u>	<u>54,713,935</u>	<u>(1,500,022)</u>
Total assets and deferred outflows of resources	<u>\$ 684,507,722</u>	<u>\$ 686,115,154</u>	<u>\$ (1,607,432)</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 37,883,841	\$ 30,462,574	\$ 7,421,267
Current portion of long-term liabilities	16,274,283	13,546,744	2,727,539
Total Current Liabilities	<u>54,158,124</u>	<u>44,009,318</u>	<u>10,148,806</u>
Long-term liabilities	590,054,649	605,825,392	(15,770,743)
Total liabilities	<u>644,212,773</u>	<u>649,834,710</u>	<u>(5,621,937)</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to OPEB	734,108	854,454	(120,346)
Deferred inflows of resources related to pensions	26,434,316	21,471,291	4,963,025
Total deferred inflows of resources	<u>27,168,424</u>	<u>22,325,745</u>	<u>4,842,679</u>
Total liabilities and deferred inflows of resources	<u>671,381,197</u>	<u>672,160,455</u>	<u>(779,258)</u>
<b>Net Position</b>			
Net investment in capital assets	61,998,898	56,564,800	5,434,098
Restricted	44,819,616	48,815,216	(3,995,600)
Unrestricted deficit	(93,691,989)	(91,425,317)	(2,266,672)
Total net position	<u>13,126,525</u>	<u>13,954,699</u>	<u>(828,174)</u>
Total liabilities and net position	<u>\$ 684,507,722</u>	<u>\$ 686,115,154</u>	<u>\$ (1,607,432)</u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District; the operating and nonoperating expenses incurred, whether paid or not, by the District; and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

Generally, operating revenues, including tuition and fees and grants and contracts, non-capital, are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues earned and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

**Operating Results for the Year**

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2020 and 2019, is summarized and presented herein:

**Table 2**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating Revenues			
Tuition and fees, net	\$ 9,457,372	\$ 10,493,087	\$ (1,035,715)
Grants and contracts	33,998,363	30,989,820	3,008,543
Total operating revenues	<u>43,455,735</u>	<u>41,482,907</u>	<u>1,972,828</u>
Operating Expenses			
Salaries and benefits	133,660,490	142,563,314	(8,902,824)
Supplies, maintenance, and student aid	77,355,747	63,414,557	13,941,190
Depreciation	10,314,913	9,040,383	1,274,530
Total operating expenses	<u>221,331,150</u>	<u>215,018,254</u>	<u>6,312,896</u>
Loss on Operations	<u>(177,875,415)</u>	<u>(173,535,347)</u>	<u>(4,340,068)</u>
Nonoperating Revenues (Expenses)			
State apportionments	81,801,755	68,836,044	12,965,711
Property taxes	50,671,067	47,523,329	3,147,738
Other state revenues	3,767,062	4,718,619	(951,557)
Federal and state financial aid grants, noncapital	52,969,662	43,669,830	9,299,832
Net interest expense	(13,363,146)	(10,937,905)	(2,425,241)
Other nonoperating revenues	1,003,612	1,379,416	(375,804)
Total nonoperating revenues (expenses)	<u>176,850,012</u>	<u>155,189,333</u>	<u>21,660,679</u>
Other Revenues (Losses)			
State revenues, capital	197,229	613,366	(416,137)
Loss on disposal of capital assets	-	(25,856)	25,856
Total other revenues	<u>197,229</u>	<u>587,510</u>	<u>(390,281)</u>
Change in Net Position	<u>\$ (828,174)</u>	<u>\$ (17,758,504)</u>	<u>\$ 16,930,330</u>

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

**Table 3**

Year ended June 30, 2020:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Aid	Depreciation	Total
Instructional activities	\$ 78,203,095	\$ 2,542,228	\$ 279,297	\$ -	\$ -	\$ 81,024,620
Academic support	4,577,832	199,646	48,576	-	-	4,826,054
Instructional support services	5,993,636	2,454,607	117,038	-	-	8,565,281
Student services	18,884,869	649,659	28,209	-	-	19,562,737
Plant operations and maintenance	5,878,988	2,782,964	2,406	-	-	8,664,358
General institutional support services	12,835,421	3,136,914	483,399	-	-	16,455,734
Community services and economic development	401,849	204,674	-	-	-	606,523
Ancillary services and auxiliary operations	6,884,800	2,853,580	54,022	-	-	9,792,402
Student aid	-	-	-	54,331,069	-	54,331,069
Physical property and related acquisitions	-	1,015,971	6,171,488	-	-	7,187,459
Unallocated depreciation	-	-	-	-	10,314,913	10,314,913
<b>Total</b>	<b>\$ 133,660,490</b>	<b>\$ 15,840,243</b>	<b>\$ 7,184,435</b>	<b>\$ 54,331,069</b>	<b>\$ 10,314,913</b>	<b>\$ 221,331,150</b>

**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and determine the need for external financing. The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for nonoperating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This deals with the cash used for the acquisition and construction of capital and related items. The fourth section provides information from investing activities and the amount of interest received. The fifth and final section reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Cash Flows for the year ended June 30, 2020 and 2019, is summarized and presented herein:

**Table 4**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Cash from			
Operating activities	\$ (164,754,653)	\$ (142,110,097)	\$ (22,644,556)
Noncapital financing activities	160,829,714	148,309,977	12,519,737
Capital financing activities	(49,032,624)	60,278,587	(109,311,211)
Investing activities	3,411,412	2,196,850	1,214,562
	<u>(49,546,151)</u>	<u>68,675,317</u>	<u>(118,221,468)</u>
Net Change in Cash			
	(49,546,151)	68,675,317	(118,221,468)
Cash and Cash Equivalents, Beginning of Year	<u>238,185,051</u>	<u>169,509,734</u>	<u>68,675,317</u>
Cash and Cash Equivalents, End of Year	<u>\$ 188,638,900</u>	<u>\$ 238,185,051</u>	<u>\$ (49,546,151)</u>

**Capital Assets**

As of June 30, 2020, the District had \$425.1 million in net capital assets. Total capital assets consist of land, buildings, and building improvements, construction in progress, vehicles, data processing equipment, and other equipment. Accumulated depreciation related to these assets is \$94.9 million. Depreciation expense of \$10.3 million was recorded for the fiscal year. Note 5 to the financial statements provides additional information on capital assets.

**Table 5**

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Land and construction in progress	\$ 121,227,001	\$ 51,029,264	\$ (12,524,607)	\$ 159,731,658
Buildings and improvements	333,031,338	12,524,607	-	345,555,945
Equipment	12,800,426	1,918,797	-	14,719,223
	<u>467,058,765</u>	<u>65,472,668</u>	<u>(12,524,607)</u>	<u>520,006,826</u>
Subtotal				
	467,058,765	65,472,668	(12,524,607)	520,006,826
Accumulated depreciation	<u>(84,606,030)</u>	<u>(10,314,913)</u>	<u>-</u>	<u>(94,920,943)</u>
	<u>\$ 382,452,735</u>	<u>\$ 55,157,755</u>	<u>\$ (12,524,607)</u>	<u>\$ 425,085,883</u>

**Long-Term Liabilities Other than OPEB and Pensions**

At June 30, 2020, the District had \$457.3 million in outstanding long-term liabilities compared to \$463.4 million at June 30, 2019. We present more detailed information regarding our long-term liabilities in Note 9 to the financial statements.

**Table 6**

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
General obligation bonds	\$ 457,952,302	\$ 55,259,622	\$ (60,838,128)	\$ 452,373,796
Other long-term liabilities	5,492,370	345,966	(910,323)	4,928,013
<b>Total</b>	<b>\$ 463,444,672</b>	<b>\$ 55,605,588</b>	<b>\$ (61,748,451)</b>	<b>\$ 457,301,809</b>
Amount due within one year				<u>\$ 16,274,283</u>

**OPEB and Pension Liabilities**

At June 30, 2020, the District has an aggregate other postemployment benefit liability (OPEB) of \$24,338,162 compared to \$21,773,792 at June 30 2019, a net increase of \$2,564,370 or 11.8 percent.

At June 30, 2020, the District has an aggregate net pension liability of \$124,688,961 compared to \$134,153,672 at June 30 2019, a net decrease of \$9,464,711 or 7.1 percent.

**STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK**

The enacted budget maintains the state's recent commitment to paying down liabilities, building reserves, and increasing spending primarily for one-time initiatives. In this budget, about 80 percent of discretionary resources are being used for these purposes.

Specifically, the budget deposits an additional \$1.2 billion into the Rainy Day Fund, bringing that reserve to \$16.5 billion in 2019-20. By the end of 2022-23—the final year of the multi-year budget window considered by state budget-writers—the Rainy Day Fund balance is projected to be \$18.7 billion. This amount is on top of other reserves reflected in 2019-20, including a fund balance of \$1.5 billion in the Special Fund for Economic Uncertainties and \$1.5 billion in the Safety Net Reserve. The enacted budget also deposits \$389 million in Proposition 98 funds in the Public School System Stabilization Account, as required by Proposition 2, the first time such a deposit has been made. In total, the state would end 2019-20 with \$19.2 billion in reserves.

The budget also makes \$9 billion in additional payments over the next four years to pay down unfunded pension liabilities. This includes \$5.9 billion to CalSTRS and CalPERS on behalf of the state and \$3.2 billion to CalSTRS and CalPERS on behalf of schools.



The Budget Act includes routine adjustments using updated estimates of revenue, enrollment, and inflation. It includes a few major changes, including Student Centered Funding Formula adjustments and expansion of the California College Promise.

Looking to fiscal year 2020-2021, the District, based on year three of the student centered funding formula; the District anticipates flat revenue growth to continue.

#### **DISTRICT'S FIDUCIARY RESPONSIBILITY**

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because these assets cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### **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 Cerritos Community College District, Office of the Vice President of Business/Assistant Superintendent, 11110 Alondra Boulevard, Norwalk, California 90650.

Cerritos Community College District  
Statement of Net Position  
June 30, 2020

Assets	
Cash and cash equivalents	\$ 22,575
Investments	188,616,325
Accounts receivable	11,881,370
Student receivables, net	5,465,108
Prepaid expenses	222,548
Capital Assets	
Nondepreciable capital assets	159,731,658
Depreciable capital assets, net of depreciation	265,354,225
Total capital assets	<u>425,085,883</u>
Total assets	<u>631,293,809</u>
Deferred Outflows of Resources	
Deferred charges on refunding	13,403,289
Deferred outflows of resources related to aggregate net other post employment benefits (OPEB) liability	2,476,174
Deferred outflows of resources related to pensions	37,334,450
Total deferred outflows of resources	<u>53,213,913</u>
Liabilities	
Accounts payable	19,193,013
Interest payable	5,697,651
Unearned revenue	12,993,177
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	16,274,283
Long-term liabilities other than OPEB and pensions, due in more than one year	441,027,526
Aggregate net OPEB liability	24,338,162
Aggregate net pension liability	124,688,961
Total liabilities	<u>644,212,773</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	734,108
Deferred inflows of resources related to pensions	26,434,316
Total deferred inflows of resources	<u>27,168,424</u>
Net Position	
Net investment in capital assets	61,998,898
Restricted for	
Debt service	20,560,461
Capital projects	13,615,405
Educational programs	10,171,431
Other activities	472,319
Unrestricted deficit	(93,691,989)
Total net position	<u>\$ 13,126,525</u>

Cerritos Community College District  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees	\$ 22,868,774
Less scholarship discount and allowance	(13,411,402)
Net tuition and fees	<u>9,457,372</u>
Grants and Contracts, noncapital	
Federal	3,360,894
State	28,581,262
Local	2,056,207
Total grants and contracts, noncapital	<u>33,998,363</u>
Total operating revenues	<u>43,455,735</u>
Operating Expenses	
Salaries	91,957,752
Employee benefits	41,702,738
Supplies, materials, and other operating expenses and services	15,840,243
Student financial aid	54,331,069
Equipment, maintenance, and repairs	7,184,435
Depreciation	10,314,913
Total operating expenses	<u>221,331,150</u>
Operating loss	<u>(177,875,415)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	81,801,755
Local property taxes, levied for general purposes	27,910,048
Taxes levied for other specific purposes	22,761,019
Federal financial aid grants, noncapital	44,488,433
State financial aid grants, noncapital	8,481,229
State taxes and other revenues	3,767,062
Investment income	3,167,370
Interest expense on capital related debt	(16,869,379)
Investment income on capital asset-related debt	338,863
Other nonoperating revenues	1,003,612
Total nonoperating revenues (expenses)	<u>176,850,012</u>
Loss before other revenues	<u>(1,025,403)</u>
Other Revenues	
State revenues, capital	<u>197,229</u>
Change in Net Position	(828,174)
Net Position, Beginning of Year	<u>13,954,699</u>
Net Position, End of Year	<u>\$ 13,126,525</u>

Cerritos Community College District  
Statement of Cash Flows  
Year Ended June 30, 2020

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Operating Activities	
Tuition and fees	\$ 8,699,059
Federal, state and local grants and contracts, noncapital	39,886,412
Payments to vendors for supplies and services	(23,515,473)
Payments to or on behalf of employees	(135,493,582)
Payments to students for scholarships and grants	<u>(54,331,069)</u>
Net Cash Flows from Operating Activities	<u>(164,754,653)</u>
Noncapital Financing Activities	
State apportionments	75,448,916
Federal and state financial aid grants	52,969,662
Property taxes - nondebt related	27,910,048
State taxes and other apportionments	3,581,621
Other nonoperating revenues	<u>919,467</u>
Net Cash Flows from Noncapital Financing Activities	<u>160,829,714</u>
Capital Financing Activities	
Purchase of capital assets	(46,094,830)
Proceeds from capital debt	52,655,000
State revenue, capital projects	197,229
Property taxes - related to capital debt	22,761,019
Interest received on capital debt	338,863
Principal paid on capital debt	(59,380,000)
Interest paid on capital debt	<u>(19,509,905)</u>
Net Cash Flows from Capital Financing Activities	<u>(49,032,624)</u>
Investing Activities	
Interest received from investments	<u>3,411,412</u>
Net Change in Cash and Cash Equivalents	(49,546,151)
Cash and Cash Equivalents, Beginning of Year	<u>238,185,051</u>
Cash and Cash Equivalents, End of Year	<u>\$ 188,638,900</u>

Cerritos Community College District  
Statement of Cash Flows  
Year Ended June 30, 2020

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Reconciliation of net operating loss to net cash flows from operating activities	
Operating Loss	<u>\$ (177,875,415)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	10,314,913
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Receivables, net	(678,517)
Prepaid expenses	33,532
Deferred outflows of resources related to pensions	7,399,429
Deferred outflows of resources related to OPEB	(1,622,736)
Accounts payable and accrued liabilities	144,768
Unearned revenue	151,392
Compensated absences and SERP	(564,357)
Deferred inflows of resources related to pensions	4,963,025
Deferred inflows of resources related to OPEB	(120,346)
Aggregate net pension liability	(9,464,711)
Aggregate net OPEB liability	<u>2,564,370</u>
Total adjustments	<u>13,120,762</u>
Net Cash Flows from Operating Activities	<u><u>\$ (164,754,653)</u></u>
Cash and Cash Equivalents Consist of the Following	
Cash on hand and in banks	\$ 22,575
Cash in county treasury	<u>188,616,325</u>
Total cash and cash equivalents	<u><u>\$ 188,638,900</u></u>
Noncash Transactions	
Amortization of debt premium	\$ 1,458,128
Amortization of deferred charges on refunding	\$ 912,374
Accretion of interest on capital appreciation bonds	\$ 2,604,622

Cerritos Community College District

Fiduciary Funds

Statement of Net Position

June 30, 2020

	<u>Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 605,089
Investments	1,211,288
Accounts receivable	<u>107,402</u>
Total assets	<u>1,923,779</u>
Liabilities	
Accounts payable	153,995
Due to student groups	<u>504,023</u>
Total liabilities	<u>658,018</u>
Net Position	
Unrestricted	<u>1,265,761</u>
Total net position	<u><u>\$ 1,265,761</u></u>

Cerritos Community College District  
 Fiduciary Funds  
 Statement of Changes in Net Position  
 Year Ended June 30, 2020

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	Trust Funds
Additions	
Federal revenues	\$ 69,036
Local revenues	1,332,930
	1,401,966
 Deductions	
Services and operating expenditures	1,219,120
	182,846
Change in Net Position	182,846
Net Position - Beginning of Year	1,082,915
	\$ 1,265,761
Net Position - End of Year	\$ 1,265,761

**Note 1 - Organization**

Cerritos Community College District (the District) was established in 1955 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college within Los Angeles County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

**Note 2 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The District has adopted policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with the Cerritos College Foundation (the Foundation) in conjunction with the GASB Statement No. 61 criteria. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundation's financial statements in the District's annual report. Information on the Foundation may be requested through the Cerritos College Foundation.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally



accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees and noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State grants, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39 and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be 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.

**Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$2,065,380 for the year ended June 30, 2020.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years, site improvements, 15 to 20 years, and equipment and technology, 5 to 15 years.

### **Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements.

### **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. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### **Debt Premiums**

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, OPEB related items, and pension related items. The deferred charges on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan and MPP. For this purpose, the District OPEB Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

### **Unearned Revenue**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

### **Noncurrent Liabilities**

Noncurrent liabilities include general obligation bonds, compensated absences, supplemental early retirement plan (SERP), the aggregate net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government wide financial statements report \$44,819,616 of restricted net position.

**Operating Revenues and Expenses**

*Classification of Revenues* - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

*Operating revenues* - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts.

*Nonoperating revenues* - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

*Classification of Expenses* - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

*Operating expenses* - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

*Nonoperating expenses* - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

**State Apportionments**

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. 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 of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2004 and 2012 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

**Scholarships, Discounts, and Allowances**

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

**Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG) Grants, Direct Loans and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**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.

**Interfund Activity**

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

### Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented this standard as of June 30, 2020.

### New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.



As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

### **Note 3 - Deposits and 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 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; 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 the involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements 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.

**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

**Authorized Under Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2020, consist of the following:

Primary government	\$ 188,638,900
Fiduciary funds	1,816,377
	<u>\$ 190,455,277</u>
Cash on hand and in banks	\$ 627,664
Investments	189,827,613
	<u>\$ 190,455,277</u>

**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 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.

Investment Type	Reported Amount	Weighted Average Days to Maturity
Los Angeles County Investment Pool	<u>\$ 189,827,613</u>	590

**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 District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2020.

**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 (unless so waived by the governmental unit). 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 agency. 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, 2020, the District's bank balance of approximately \$298 thousand was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.



**Note 4 - Accounts Receivable**

Accounts receivable at June 30, 2020, consisted of the following:

	Primary Government
Federal Government	
Categorical aid	\$ 1,894,206
State Government	
Apportionment	6,352,839
Categorical aid	656,669
Lottery	795,429
Other State sources	370,255
Local Sources	
Interest	467,481
Other local sources	1,344,491
Total	\$ 11,881,370
Student receivables	\$ 7,530,488
Less allowance for bad debt	(2,065,380)
Student receivables, net	\$ 5,465,108
	Fiduciary Funds
Local Sources	
Other local sources	\$ 107,402

**Note 5 - Capital Assets**

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 3,570,212	\$ -	\$ -	\$ 3,570,212
Construction in progress	117,656,789	51,029,264	(12,524,607)	156,161,446
<b>Total capital assets not being depreciated</b>	<b>121,227,001</b>	<b>51,029,264</b>	<b>(12,524,607)</b>	<b>159,731,658</b>
<b>Capital Assets Being Depreciated</b>				
Site improvements	20,966,402	-	-	20,966,402
Buildings	312,064,936	12,524,607	-	324,589,543
Equipment	12,800,426	1,918,797	-	14,719,223
<b>Total capital assets being depreciated</b>	<b>345,831,764</b>	<b>14,443,404</b>	<b>-</b>	<b>360,275,168</b>
<b>Total capital assets</b>	<b>467,058,765</b>	<b>65,472,668</b>	<b>(12,524,607)</b>	<b>520,006,826</b>
<b>Less Accumulated Depreciation</b>				
Site improvements	(6,492,040)	(969,705)	-	(7,461,745)
Buildings	(71,060,910)	(8,497,385)	-	(79,558,295)
Equipment	(7,053,080)	(847,823)	-	(7,900,903)
<b>Total accumulated depreciation</b>	<b>(84,606,030)</b>	<b>(10,314,913)</b>	<b>-</b>	<b>(94,920,943)</b>
<b>Net Capital Assets</b>	<b>\$ 382,452,735</b>	<b>\$ 55,157,755</b>	<b>\$ (12,524,607)</b>	<b>\$ 425,085,883</b>

Depreciation expense for the year was \$10,314,913.

**Note 6 - Accounts Payable**

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government
Accrued payroll	\$ 10,148,787
Construction	8,026,925
Other vendor payables	1,017,301
Total	\$ 19,193,013
	Fiduciary Funds
Other vendor payables	\$ 153,995

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
Federal financial assistance	\$ 97,328
State categorical aid	10,162,911
Enrollment and other student fees	2,625,664
Other local	107,274
Total	\$ 12,993,177

**Note 8 - Interfund Transactions**

**Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, there were no amounts owed between the primary government and the fiduciary funds.

**Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the year ended June 30, 2020, no amounts were transferred between the primary government and the fiduciary funds.

**Note 9 - Long-Term Liabilities other than OPEB and Pensions**

**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
<b>Bonds Payable</b>					
<b>Measure CC</b>					
2004 General obligation bonds, Series 2009C	\$ 1,360,000	\$ -	\$ (1,360,000)	\$ -	\$ -
2004 General obligation bonds, Series 2012D	95,159,601	2,604,622	(48,070,000)	49,694,223	1,215,000
2014 General Obligation Refunding Bonds, Series A	77,305,000	-	(585,000)	76,720,000	2,050,000
2014 General Obligation Refunding Bonds, Series B	11,900,000	-	(2,070,000)	9,830,000	2,210,000
2020 General Obligation Refunding Bonds	-	52,655,000	-	52,655,000	825,000
Unamortized Bond Premiums	9,124,873	-	(659,860)	8,465,013	-
<b>Measure G</b>					
2012 General obligation bonds, Series 2014A	73,900,000	-	-	73,900,000	-
2012 General obligation bonds, Series 2018B	68,430,000	-	(7,295,000)	61,135,000	7,720,000
2012 General obligation bonds, Series 2019C	100,000,000	-	-	100,000,000	875,000
Unamortized Bond Premiums	20,772,828	-	(798,268)	19,974,560	-
<b>Total bonds payable</b>	<b>457,952,302</b>	<b>55,259,622</b>	<b>(60,838,128)</b>	<b>452,373,796</b>	<b>14,895,000</b>
<b>Other Liabilities</b>					
Compensated absences	2,761,401	345,966	-	3,107,367	468,960
Supplemental employee retirement plan	2,730,969	-	(910,323)	1,820,646	910,323
<b>Total other liabilities</b>	<b>5,492,370</b>	<b>345,966</b>	<b>(910,323)</b>	<b>4,928,013</b>	<b>1,379,283</b>
<b>Total long-term obligations</b>	<b>\$ 463,444,672</b>	<b>\$ 55,605,588</b>	<b>\$ (61,748,451)</b>	<b>\$ 457,301,809</b>	<b>\$ 16,274,283</b>

**Description of Long-Term Liabilities**

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences will be paid by the fund for which the employee worked. The supplemental employee retirement plan will be paid by the General Fund.

**Bonded Debt**

On March 2, 2004, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$210,000,000 (Measure CC). Proceeds from the sale of the bonds are to be used to finance the acquisition, construction, and modernization of certain District property and facilities, and to prepay certain of the District's outstanding Certificates of Participation, Series 2002.

On May 27, 2009, the District issued \$55,000,000 of 2004 General Obligation Bonds, Series 2009C. Proceeds from the sale of bonds will be used to finance the acquisition, construction, and modernization of certain District facilities. Interest rates range from 3.00 percent to 5.25 percent payable semi-annually on February 1 and August 1.

On March 21, 2012, the District issued \$82,825,515 of 2004 General Obligation Bonds, Series 2012D. Proceeds from the sale of bonds will be used to finance the acquisition, construction, modernization, and renovation of District sites and facilities and to retire the District's outstanding 2011 General Obligation Bond Anticipation Notes which matured on April 30, 2012, and to pay the costs of issuance associated with the bonds. Interest rates range from 1.97 percent to 5.88 percent payable semi-annually on February 1 and August 1.

On November 4, 2014, the District issued \$98,370,000 of General Obligation Refunding Bonds, Series 2014A and 2014B. Proceeds from the sale of bonds were issued to refund portions of the District's prior bonded indebtedness and pay the costs of issuance associated with the Refunding Bonds. Interest rates range from 0.506 percent to 5.00 percent payable semi-annually on February 1 and August 1.

On November 6, 2012, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$350,000,000 (Measure G). Proceeds from the sale of the bonds are to be used to finance the update of classrooms, technology, math, science and computer labs, upgrade of job-training facilities, provide classrooms and labs to accommodate growing demand, replace leaky roofs, aging and unsafe buildings, facilities/equipment, and acquire, construct, repair buildings, classrooms, sites/facilities/equipment.

On November 4, 2014, the District issued \$100,000,000 of 2012 General Obligation Bonds, Series 2014A. Proceeds from the sale of bonds will be used to finance the acquisition, construction, modernization, and equipping of District sites and facilities and to pay the costs of issuance associated with the bonds. Interest rates range from 1.50 percent to 5.00 percent payable semi-annually on February 1 and August 1.

On January 23, 2018, the District issued \$75,000,000 of 2012 General Obligation Bonds, Series 2018B. Proceeds from the sale of bonds will be used to finance the acquisition, construction, modernization, and equipping of District sites and facilities and to pay the costs of issuance associated with the bonds. Interest rates range from 2.00 percent to 5.00 percent payable semi-annually on February 1 and August 1.

Cerritos Community College District

Notes to Financial Statements

June 30, 2020

On June 11, 2019, the District issued \$100,000,000 of 2012 General Obligation Bonds, Series 2019C. Proceeds from the sale of bonds will be used to finance the acquisition, construction, modernization, and equipping of District sites and facilities and to pay the costs of issuance associated with the bonds. Interest rates range from 3.00 percent to 5.00 percent payable semi-annually on February 1 and August 1.

On June 4, 2020, the District issued \$52,655,000 of General Obligation Refunding Bonds, Series 2020. Proceeds from the sale of bonds were issued to refund portions of the District's prior bonded indebtedness and pay the costs of issuance associated with the Refunding Bonds. Interest rates range from 0.744 percent to 2.998 percent payable semi-annually on February 1 and August 1.

The outstanding general obligation bonded debt was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2019	Accreted/ Issued	Redeemed	Outstanding June 30, 2020
5/27/2009	8/1/2019	3.00-5.25%	\$ 55,000,000	\$ 1,360,000	\$ -	\$ (1,360,000)	\$ -
3/21/2012	8/1/2038	1.97-5.88%	82,825,515	95,159,601	2,604,622	(48,070,000)	49,694,223
11/4/2014	8/1/2033	1.75-5.00%	80,395,000	77,305,000	-	(585,000)	76,720,000
11/4/2014	8/1/2023	0.506-3.121%	17,975,000	11,900,000	-	(2,070,000)	9,830,000
11/4/2014	8/1/2044	1.50-5.00%	100,000,000	73,900,000	-	-	73,900,000
1/23/2018	8/1/2043	2.00-5.00%	75,000,000	68,430,000	-	(7,295,000)	61,135,000
6/11/2019	8/1/2044	3.00-5.00%	100,000,000	100,000,000	-	-	100,000,000
6/4/2020	8/1/2038	0.744-2.998%	52,655,000	-	52,655,000	-	52,655,000
				<u>\$ 428,054,601</u>	<u>\$ 55,259,622</u>	<u>\$ (59,380,000)</u>	<u>\$ 423,934,223</u>

The 2004 General Obligation Bonds, Series 2012D mature through 2039 as follows:

Fiscal Year	Principal (Including Capitalized Interest to Date)	Accreted Interest	Total
2021	\$ 1,190,990	\$ 24,010	\$ 1,215,000
2022	1,340,997	89,003	1,430,000
2023	1,471,798	173,202	1,645,000
2024	1,595,688	284,312	1,880,000
2025	2,386,677	578,323	2,965,000
2026-2030	13,008,014	6,326,986	19,335,000
2031-2035	22,707,286	24,502,714	47,210,000
2036-2039	5,992,773	9,237,227	15,230,000
Total	<u>\$ 49,694,223</u>	<u>\$ 41,215,777</u>	<u>\$ 90,910,000</u>

Cerritos Community College District

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The 2014 General Obligation Refunding Bonds, Series A mature through 2034 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 2,050,000	\$ 3,471,150	\$ 5,521,150
2022	2,290,000	3,362,650	5,652,650
2023	2,540,000	3,250,025	5,790,025
2024	2,790,000	3,132,400	5,922,400
2025	5,010,000	2,944,900	7,954,900
2026-2030	33,805,000	10,187,125	43,992,125
2031-2034	28,235,000	1,943,900	30,178,900
Total	\$ 76,720,000	\$ 28,292,150	\$ 105,012,150

The 2014 General Obligation Refunding Bonds, Series B mature through 2024 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 2,210,000	\$ 254,496	\$ 2,464,496
2022	2,365,000	193,091	2,558,091
2023	2,535,000	122,549	2,657,549
2024	2,720,000	42,446	2,762,446
Total	\$ 9,830,000	\$ 612,582	\$ 10,442,582

The 2020 General Obligation Refunding Bonds, Series 2020 mature through 2039 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 825,000	\$ 876,672	\$ 1,701,672
2022	480,000	1,457,951	1,937,951
2023	485,000	1,453,394	1,938,394
2024	490,000	1,448,160	1,938,160
2025	495,000	1,441,736	1,936,736
2026-2030	2,610,000	7,072,045	9,682,045
2031-2035	2,925,000	6,744,069	9,669,069
2036-2039	44,345,000	3,033,988	47,378,988
Total	\$ 52,655,000	\$ 23,528,015	\$ 76,183,015



Cerritos Community College District

Notes to Financial Statements

June 30, 2020

The 2012 General Obligation Bonds, Series 2014A mature through 2045 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ -	\$ 3,310,450	\$ 3,310,450
2022	-	3,310,450	3,310,450
2023	-	3,310,450	3,310,450
2024	-	3,310,450	3,310,450
2025	-	3,310,450	3,310,450
2026-2030	-	16,552,250	16,552,250
2031-2035	11,385,000	15,505,375	26,890,375
2036-2040	24,060,000	10,948,500	35,008,500
2041-2045	38,455,000	4,098,900	42,553,900
Total	\$ 73,900,000	\$ 63,657,275	\$ 137,557,275

The 2012 General Obligation Bonds, Series 2018B mature through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 7,720,000	\$ 2,559,350	\$ 10,279,350
2022	645,000	2,350,225	2,995,225
2023	420,000	2,323,600	2,743,600
2024	680,000	2,296,100	2,976,100
2025	965,000	2,254,975	3,219,975
2026-2030	10,035,000	10,089,625	20,124,625
2031-2035	10,230,000	6,994,250	17,224,250
2036-2040	13,980,000	4,792,600	18,772,600
2041-2044	16,460,000	1,383,800	17,843,800
Total	\$ 61,135,000	\$ 35,044,525	\$ 96,179,525

The 2012 General Obligation Bonds, Series 2019C mature through 2045 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 875,000	\$ 3,501,400	\$ 4,376,400
2022	5,800,000	3,367,900	9,167,900
2023	590,000	3,240,100	3,830,100
2024	770,000	3,212,900	3,982,900
2025	960,000	3,178,300	4,138,300
2026-2030	8,285,000	14,941,300	23,226,300
2031-2035	15,945,000	12,214,675	28,159,675
2036-2040	25,930,000	8,297,100	34,227,100
2041-2045	40,845,000	3,389,175	44,234,175
Total	<u>\$ 100,000,000</u>	<u>\$ 55,342,850</u>	<u>\$ 155,342,850</u>

**Compensated Absences**

At June 30, 2020, the liability for compensated absences was \$3,107,367.

**Supplemental Early Retirement Plan**

The District has entered into various agreements including a Supplementary Early Retirement Plan (SERP) to provide certain benefits to employees participating in the early retirement incentive program. The District will pay \$1,820,646 on behalf of the retirees through 2022 in accordance with the following schedule:

Year Ending June 30,	SERP Payment
2021	\$ 910,323
2022	910,323
Total	<u>\$ 1,820,646</u>

**Note 10 - Aggregate Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 23,795,966	\$ 2,476,174	\$ 734,108	\$ 899,676
Medicare Premium Payment (MPP) Program	542,196	-	-	(78,388)
Total	<u>\$ 24,338,162</u>	<u>\$ 2,476,174</u>	<u>\$ 734,108</u>	<u>\$ 821,288</u>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Plan Membership**

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	346
Active employees	<u>609</u>
Total	<u><u>955</u></u>

**Benefits Provided**

The Plan provides postemployment healthcare, dental and vision benefits to all full-time and part-time Certificated, Administrative and Classified employees who have reached age 50 and retire with at least 10 years of service, however, District paid retiree benefits begin at age 55 and terminate on June 30 for the fiscal year during which the retiree reaches age 65. Retirees and spouses covered under AB-528 have lifetime benefits. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period.

### Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Cerritos College Faculty Federation (CCFF), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, CCFF, CSEA, and the unrepresented groups. For measurement period of June 30, 2019, the District paid \$853,438 in benefits.

### Total OPEB Liability of the District

The District's total OPEB liability of \$23,795,966 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	3.50 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study as of September 2020.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance, June 30, 2018	\$ 21,153,208
Service cost	807,825
Interest	804,239
Differences between expected and actual experience	915,868
Changes of assumptions	968,264
Benefit payments	(853,438)
	2,642,758
Net change in total OPEB liability	2,642,758
Balance, June 30, 2019	\$ 23,795,966

There were no changes in benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.80 percent to 3.50 percent since the previous valuation.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	\$ 27,517,568
Current discount rate (3.5%)	23,795,966
1% increase (4.5%)	20,792,246

**Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	\$ 21,196,095
Current healthcare cost trend rate (4.0%)	23,795,966
1% increase (5.0%)	28,224,791

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 836,735	\$ -
Differences between expected and actual experience	796,924	-
Changes of assumptions	842,515	734,108
Total	\$ 2,476,174	\$ 734,108

The 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 subsequent fiscal year.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to differences between expected and actual experience and changes of assumptions will be amortized over the expected average remaining service life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7.7 years and amounts will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 124,347
2022	124,347
2023	124,347
2024	124,347
2025	124,347
Thereafter	283,596
Total	\$ 905,331

**Medicare Premium Payment (MPP) Program**

**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report,

Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>

### Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California Education Code Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$542,196 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.1456 percent and 0.1622, respectively, resulting in a net decrease in the proportionate share of 0.0166 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(78,388).

### Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.50%)	\$ 591,660
Current discount rate (3.50%)	542,196
1% increase (4.50%)	496,716



### Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rate, as well as what the net OPEB liability would be if it were calculated using a Medicare costs trend rate that is one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 508,199
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	542,196
1% increase (4.7% Part A and 5.1% Part B)	610,102

### Note 11 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of California State Teachers' Retirement System (CalSTRS) and classified employees are members of California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of the aggregate net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 74,333,331	\$ 26,073,686	\$ 22,850,608	\$ 8,622,930
CalPERS	50,355,630	11,260,764	3,583,708	6,844,940
Total	\$ 124,688,961	\$ 37,334,450	\$ 26,434,316	\$ 15,467,870

The details of each plan are as follows:

#### California State Teachers' Retirement System (CalSTRS)

##### Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10	17.10
Required state contribution rate	10.328	10.328

## Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$9,160,890.

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

At June 30, 2020, 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:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 74,333,331
State's proportionate share of the net pension liability	<u>40,553,795</u>
Total	<u><u>\$ 114,887,126</u></u>

The net pension liability was measured as of June 30, 2019. 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 college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0823 percent and 0.0904 percent, respectively, resulting in a net decrease in the proportionate share of 0.0081 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$8,622,930. In addition, the District recognized pension expense and revenue of \$6,039,335 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,160,890	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	7,323,602	17,892,638
Differences between projected and actual earnings on pension plan investments	-	2,863,343
Differences between expected and actual experience in the measurement of the total pension liability	187,652	2,094,627
Changes of assumptions	<u>9,401,542</u>	<u>-</u>
Total	<u><u>\$ 26,073,686</u></u>	<u><u>\$ 22,850,608</u></u>

The 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (288,818)
2022	(2,273,157)
2023	(471,943)
2024	<u>170,575</u>
Total	<u>\$ (2,863,343)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 871,641
2022	871,643
2023	(885,378)
2024	192,423
2025	(3,079,694)
Thereafter	<u>(1,045,104)</u>
Total	<u>\$ (3,074,469)</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk mitigating strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

**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 the contributions from plan members and employers will be made at statutory contribution rates. 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 occurred midyear. Based on these assumptions, the STRP'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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 110,688,483
Current discount rate (7.10%)	74,333,331
1% increase (8.10%)	44,187,987

**California Public Employees' Retirement System (CalPERS)****Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$5,205,839.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$50,355,630. The net pension liability was measured as of June 30, 2019. 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 college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and 2018, was 0.1728 percent and 0.1916 percent, respectively, resulting in a net decrease in the proportionate share of 0.0188 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$6,844,940. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,205,839	\$ -
Change in proportion and differences between contribution made and District's proportionate share of contributions	-	3,116,650
Differences between projected and actual earnings on pension plan investments	-	467,058
Differences between expected and actual experience in the measurement of the total pension liability	3,657,840	-
Changes of assumptions	2,397,085	-
	<u>\$ 11,260,764</u>	<u>\$ 3,583,708</u>
Total	<u>\$ 11,260,764</u>	<u>\$ 3,583,708</u>

The deferred outflow 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 subsequent fiscal year.



The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 461,037
2022	(920,909)
2023	(139,552)
2024	132,366
Total	<u>\$ (467,058)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and the District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions, will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 2,756,936
2022	585,865
2023	(367,753)
2024	(36,773)
Total	<u>\$ 2,938,275</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 72,584,330
Current discount rate (7.15%)	50,355,630
1% increase (8.15%)	31,915,388

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to \$4,235,973 (10.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019-2020 contribution on behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

**Note 12 - Lease Revenues**

A ground lease has been entered into with The Grove Senior Living for a term that exceeds one year. The agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to the lessors, but it is unlikely that the District will cancel the agreement prior to the expiration date.

A ground lease has been entered into with C.A.R. Group for a term that exceeds one year. The agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to the lessors, but it is unlikely that the District will cancel the agreement prior to the expiration date.

The future minimum lease payments expected to be received under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>The Grove Senior Living</u>	<u>C.A.R Group</u>
2021	\$ 635,126	\$ 21,300
2022	681,138	-
2023	681,138	-
2024	681,138	-
2025	681,138	-
2026-2030	3,608,146	-
2031-2035	3,881,461	-
2036-2040	4,182,107	-
2041-2043	1,764,707	-
	<u>\$ 16,796,099</u>	<u>\$ 21,300</u>
Total		

### **Note 13 - Participation in Public Entity Risk Pools and Joint Powers Authorities**

The District participates in four joint powers agreement (JPA) entities, the Statewide Association of Community Colleges (SWACC), the Schools Association for Excess Risk (SAFER), the Southern California Community Colleges District Joint Powers Agency (SCCCD-JPA), Protected Insurance Program for Schools and Community Colleges (PIPS), and the California Statewide Delinquent Finance Tax Authority.

SWACC provides liability and property insurance for fifty community colleges. SWCC is governed by a Board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the Board. Each member shares surpluses and deficits proportionally to its participation in SWACC.

SAFER provides excess insurance coverage for liability losses from \$1,000,000 to \$50,000,000 and \$5,000,000 to \$250,000,000 for excess property coverage.

SCCCD provides workers' compensation coverage for its seven member districts for workers' compensation self-insured run-off claims dated prior to 1995. Payments transferred to funds maintained under the JPA are expensed when made. SCCCDD has self-funded their workers' compensation coverage since inception as a joint banking pool, and accordingly, does not transfer risk between members. District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims.

PIPS provides workers' compensation insurance protection to its membership of public schools and community colleges throughout California. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense and additional premiums may be required in subsequent years.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

#### **Note 14 - Commitments and Contingencies**

##### **Grants**

The District receives 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. 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, 2020.

##### **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, 2020.

**Construction Commitments**

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Measure G Projects	Remaining Construction Commitment	Expected Date of Completion
Bond Implementation /Management	\$ 753,099	Fall 2024
Central Plant Expansion & EMS Upgrades	750,999	Spring 2021
DSA Uncertified Projects	1,401	Spring 2021
Health & Wellness Complex	2,809,867	Fall 2020
Health Science Bldg. Renovation	6,762,946	Spring 2024
Parking Lot 2 Renovation	42,207	Fall 2020
Performing Arts Center	37,584,700	Fall 2021
Shade Structures	633,093	Fall 2020
Social Science Elevator	76,072	Fall 2020
Student Services / Administration Bldg.	12,204,319	Fall 2024
	\$ 61,618,703	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

**Note 15 - Subsequent Events**

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information  
June 30, 2020

# Cerritos Community College District

Cerritos Community College District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 807,825	\$ 858,624	\$ 835,644
Interest	804,239	808,501	716,068
Differences between expected and actual experience	915,868	-	-
Changes of assumptions	968,264	(974,800)	-
Benefit payments	<u>(853,438)</u>	<u>(772,284)</u>	<u>(742,581)</u>
Net Changes in Total OPEB Liability	2,642,758	(79,959)	809,131
Total OPEB Liability - Beginning	<u>21,153,208</u>	<u>21,233,167</u>	<u>20,424,036</u>
Total OPEB Liability - Ending	<u><u>\$ 23,795,966</u></u>	<u><u>\$ 21,153,208</u></u>	<u><u>\$ 21,233,167</u></u>
Covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented

*Note* : In the future, as data becomes available, ten years of information will be presented.



Cerritos Community College District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
District's proportion of the net OPEB liability	0.1456%	0.1622%	0.1612%
District's proportionate share of the net OPEB liability	\$ 542,196	\$ 620,584	\$ 677,975
District's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup>As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

Cerritos Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
District's proportion of the net pension liability	0.0823%	0.0904%	0.0890%	0.0810%	0.0900%	0.0830%
District's proportionate share of the net pension liability	\$ 74,333,331	\$ 83,058,280	\$ 82,307,200	\$ 65,513,610	\$ 60,498,229	\$ 48,502,710
State's proportionate share of the net pension liability associated with the District	40,553,795	47,554,750	48,692,641	37,301,221	31,996,809	29,565,599
Total	<u>\$ 114,887,126</u>	<u>\$ 130,613,030</u>	<u>\$ 130,999,841</u>	<u>\$ 102,814,831</u>	<u>\$ 92,495,038</u>	<u>\$ 78,068,309</u>
District's covered payroll	<u>\$ 49,386,407</u>	<u>\$ 51,039,986</u>	<u>\$ 49,832,067</u>	<u>\$ 42,318,462</u>	<u>\$ 41,708,840</u>	<u>\$ 40,964,775</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	150.51%	162.73%	165.17%	154.81%	145.05%	118.40%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>						
District's proportion of the net pension liability	0.1728%	0.1916%	0.1925%	0.1941%	0.1928%	0.1950%
District's proportionate share of the net pension liability	\$ 50,355,630	\$ 51,095,392	\$ 45,954,831	\$ 38,334,870	\$ 28,421,773	\$ 30,106,846
District's covered payroll	<u>\$ 25,201,666</u>	<u>\$ 25,165,566</u>	<u>\$ 24,467,461</u>	<u>\$ 23,288,866</u>	<u>\$ 19,920,015</u>	<u>\$ 19,931,911</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	199.81%	203.04%	187.82%	164.61%	142.68%	151.05%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Cerritos Community College District  
Schedule of the District Contributions  
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>						
Contractually required contribution	\$ 9,160,890	\$ 8,040,107	\$ 7,365,070	\$ 6,268,874	\$ 4,540,771	\$ 3,703,745
Contributions in relation to the contractually required contribution	<u>9,160,890</u>	<u>8,040,107</u>	<u>7,365,070</u>	<u>6,268,874</u>	<u>4,540,771</u>	<u>3,703,745</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 53,572,456</u>	<u>\$ 49,386,407</u>	<u>\$ 51,039,986</u>	<u>\$ 49,832,067</u>	<u>\$ 42,318,462</u>	<u>\$ 41,708,840</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>						
Contractually required contribution	\$ 5,205,839	\$ 4,551,925	\$ 3,908,464	\$ 3,398,041	\$ 2,759,032	\$ 2,344,785
Contributions in relation to the contractually required contribution	<u>5,205,839</u>	<u>4,551,925</u>	<u>3,908,464</u>	<u>3,398,041</u>	<u>2,759,032</u>	<u>2,344,785</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 26,397,439</u>	<u>\$ 25,201,666</u>	<u>\$ 25,165,566</u>	<u>\$ 24,467,461</u>	<u>\$ 23,288,866</u>	<u>\$ 19,920,015</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

## **Note 1 - Purpose of Schedules**

### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented.

**Changes in Benefit Terms** - There were no changes in the benefit terms since the previous valuation.

**Changes of Assumptions** - Changes of assumptions and other inputs reflect a change in the discount rate from 3.80 percent to 3.50 percent since the previous valuation.

### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

**Changes in Benefit Terms** - There were no changes in the benefit terms since the previous valuation.

**Changes of Assumptions** - The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

**Changes in Benefit Terms** - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

**Changes of Assumptions** - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of District Contributions for Pensions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2020

## Cerritos Community College District

Cerritos Community College is a public community college that has been serving the people of Artesia, Bellflower, Cerritos, Downey, Hawaiian Gardens, Lakewood, La Mirada, Norwalk, and surrounding areas since the District was formed on June 10, 1955. The campus is located in the cities of Norwalk and Cerritos, California.

The name of Cerritos Community College District was changed from Cerritos Junior College District by Board resolution on February 8, 1971. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

**BOARD OF TRUSTEES**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Marisa Perez	President	December 2020
Martha Camacho-Rodriguez	Vice President	December 2020
James Cody Birkey	Clerk	December 2022
Carmen Avalos	Member	December 2020
Zurich Lewis	Member	December 2022
Dr. Shin Liu	Member	December 2022
Dr. Sandra Salazar	Member	December 2022
Valery Escobar	Student Trustee	May 2020

**ADMINISTRATION**

Dr. Jose Fierro	President/Superintendent
Mr. Edmund R. Miranda Jr.	Vice President of Academic Affairs/Assistant Superintendent
Mr. Felipe Lopez	Vice President of Business Services/Assistant Superintendent
Dr. Adriana Flores-Church	Vice President of Human Resources/Assistant Superintendent
Dr. Dilcie Perez	Vice President of Student Services/Assistant Superintendent

**AUXILIARY ORGANIZATIONS IN GOOD STANDING**

Cerritos College Foundation, established 1979

Master Agreement revised June 25, 2020

Carol Krumbach, Executive Director

Cerritos Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
U.S. Department of Education			
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F		\$ 796,143
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		<u>2,368,464</u>
Subtotal			<u>3,164,607</u>
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		36,333,857
Federal Pell Grant Program (PELL) Administrative Allowance	84.063		55,462
Federal Direct Student Loans (Direct Loans)	84.268		5,065,813
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		720,299
Federal Work-Study Program (FWS)	84.033		592,885
Federal Work-Study Program Administrative Allowance	84.033		<u>29,644</u>
Subtotal Student Financial Assistance Cluster			<u>42,797,960</u>
Passed through from California Department of Education			
Adult Education: English Literacy and Civics Education	84.002A	14109	220,450
Adult Education: Adult Secondary Education	84.002	13978	125,703
Adult Education: Adult Basic Education and ELA	84.002A	14508	<u>565</u>
Subtotal			<u>346,718</u>
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	19-C01-006	878,958
Title I, CTEA Transitions	84.048A	19-C01-006	<u>35,133</u>
Subtotal			<u>914,091</u>
Total U.S. Department of Education			<u>47,223,376</u>
U.S. Department of Agriculture			
Passed through from California Department of Education Child and Adult Care Food Program	10.558	04356-CACFP- 19-CC-IC	<u>70,921</u>
U.S. Department of Health and Human Services			
Passed through from California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	99,383
Passed through from Los Angeles County Department of Public Social Services Temporary Assistance for Needy Families (TANF)	93.558	CCCP18002	<u>108,102</u>
Subtotal			<u>207,485</u>

[1] Pass-Through Entity Identifying Number is not available.



Cerritos Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
Passed through from California Community Colleges Chancellor's Office Foster and Kinship Care Education	93.658	[1]	\$ 66,810
Passed through from the California Department of Education Child Care and Development Fund (CCDF) Cluster			
Child Development: Federal Child Care, Center - based	93.596	13609	46,522
Child Development: Federal Child Care, Center - based	93.575	15136	21,385
Subtotal CCDF Cluster			<u>67,907</u>
Passed through from the Community College Foundation Foster Care Independence Program - PS MAPP	93.674	117-110	28,052
Total U.S. Department of Health and Human Services			<u>370,254</u>
U.S. Department of Justice			
Passed through the California Office of Emergency Services			
Crime Victim Assistance	16.575	CT18-01-1311	109,004
Violence Against Women Formula Grants	16.588	CT19-02-1311	72,757
Total U.S. Department of Justice			<u>181,761</u>
U.S. Department of Veterans Affairs			
Veterans Services	64.117		<u>1,976</u>
Corporation for National and Community Service			
AmeriCorps - National Service Awards	94.006		<u>69,036</u>
Total Federal Program Expenditures			<u><u>\$ 47,917,324</u></u>

[1] Pass-Through Entity Identifying Number is not available.

Cerritos Community College District  
 Schedule of Expenditures of State Awards  
 Year Ended June 30, 2020

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Veterans Resource Center	\$ 93,816	\$ -	\$ 157,281	\$ 212	\$ 212
Guided Pathways	607,232	-	1,588,890	331,673	331,673
Strong Workforce Program - Local #2	-	-	-	706,274	706,274
Strong Workforce Program - Regional #2 - Career Pathways	48,182	-	-	48,182	48,182
Strong Workforce Program - Regional #2 - Non Credit Readiness	18,983	-	-	18,983	18,983
Strong Workforce Program - Regional #2 - Teacher Preparation	70,569	-	-	70,569	70,569
SWP Reg#2 Regional Marketing	28,402	-	-	28,402	28,402
Strong Workforce Program - Local #2 Year #2	-	-	475,372	1,361,853	1,361,853
SWP Reg#2-2 Non-Credit Rdiness	98,500	-	-	98,500	98,500
SWP Reg#2-2 Teacher Prep.	19,755	43,609	-	63,364	63,364
SWP Reg#2-2 Netlab Cybersecurity	346	45,497	-	45,844	45,844
SWP Reg#2-2 Marketing	39,230	10,770	-	50,000	50,000
SWP Local - Rd #2 Year #3	1,615,802	-	1,615,802	-	-
SFCC Mentor Program	-	18	-	121	121
Prekindergarten & Family Literacy Program/CPKS (Category 70771)	625	1,875	-	2,500	2,500
Prekindergarten & Family Literacy Program/CSPP (Category 00000)	881,989	-	-	881,989	881,989
General Childcare & Dev. Prog./CCTR	190,801	-	-	190,801	190,801
Child and Adult Care Food Program	3,972	-	-	3,972	3,972
BFAP	787,953	-	-	787,953	787,953
Hunger Free Campus Support	59,471	-	139,358	61,533	61,533
California College Promise	869,763	-	638,079	805,671	805,671
Financial Aid Technology	58,971	-	-	277,215	277,215
College Homeless and Housing Insecure	700,000	-	700,000	-	-
EOPS	1,343,412	-	-	1,343,412	1,343,412
Instructional Support Program	-	-	35,566	-	-
AB 104	529,569	-	-	557,917	557,917
Apprenticeship	2,239,109	-	3,163,582	1,727,785	1,727,785
Calif. Apprenticeship Initiative - Pre-Apprenticeship Grant	79,480	-	-	79,480	79,480
CalWorks ==> "State"	533,476	-	33,810	499,667	499,667
CalWorks ==> "Work-Study"	79,565	-	-	79,565	79,565
CTE / Chancellor's Pre-Apprenticeship	-	-	11,353	-	-
CARE	143,342	-	-	143,342	143,342
Mental Health Services	-	-	121,100	26,908	26,908
Basic Skills funding year: 2018/19	-	-	-	384,348	384,348
Basic Skills funding year: 2019/20	921,720	-	1,242,396	-	-
Student Success (Credit)	3,095,902	-	-	3,095,902	3,095,902
Student Success (Non-Credit)	243,996	-	-	243,996	243,996

Cerritos Community College District  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2020

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Student Equity Plans	\$ 2,098,621	\$ -	\$ -	\$ 2,098,621	\$ 2,098,621
Umoja Grant	46,000	-	32,408	13,592	13,592
Equal Employment Opportunity	50,000	-	70,384	19,465	19,465
Campus Safety & Sexual Assaults	-	-	6,173	5,344	5,344
Classified Professiona Development	-	-	63,614	-	-
Education Futures	36,460	-	-	88,888	88,888
AAC&U Service Learning Grant	1,750	-	38	1,712	1,712
Assoc Degree Nursing Prgm 2018-19	170,619	-	-	170,619	170,619
Foster and Kinship Care Education (FKCE)	102,121	-	-	102,121	102,121
Faculty Entrepreneurship Champion Mini-Grant	-	-	468	-	-
Sector Navigator - Advance Transportation & Logistics	91,163	-	-	91,163	91,163
Deputy Sector Navigator - Advanced Transportation & Logistics 2018-19	75,692	-	-	75,692	75,692
Deputy Sector Navigator - Business & Entrepreneurship 2018-19	99,540	1,511	-	101,050	101,050
Career Pathways Specialists Project - AT&L	75,000	-	-	75,000	75,000
Career Pathways Specialists Project - B&E	54,724	-	-	54,724	54,724
Industry Sector Project in Common (ISPIC)	131,000	-	-	131,000	131,000
DSN-Adv. Transp. & Logistics 2019-20	160,000	12,061	-	172,061	172,061
DSN-Bus. & Entrepreneurship 2019-20	160,000	4,919	-	164,919	164,919
Sector Navigator - AT&L 2019-20	297,600	19,650	-	317,250	317,250
Career Pathways Specialists Project - AT&L #2	-	10,321	-	10,321	10,321
Career Pathways Specialists Project - B&E #2	-	23,684	-	23,684	23,684
Sector Aviation Industry Project	80,000	11,500	-	91,500	91,500
ECDV HUBS	-	-	23,543	-	-
California Energy Commission - ATTE	522,792	371,020	-	893,812	893,812
DSPS	1,909,421	-	-	1,909,421	1,909,421
Puente	1,500	-	-	1,500	-
Physical Plant	197,230	-	-	197,230	187,559
Cal Grant 2018-19 funding	4,574,472	100,234	-	4,674,706	4,674,706
Full Time Student Success Completion Grant	3,517,074	-	43,694	3,806,523	3,806,523
<b>Total state programs</b>	<b>\$ 29,856,712</b>	<b>\$ 656,669</b>	<b>\$ 10,162,911</b>	<b>\$ 29,309,851</b>	<b>\$ 29,298,680</b>

Cerritos Community College District  
 Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance  
 Year Ended June 30, 2020

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit*	88.63	-	88.63
2. Credit	1,090.88	-	1,090.88
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit*	-	-	-
2. Credit	1,478.49	-	1,478.49
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,698.35	-	9,698.35
(b) Daily Census Contact Hours	1,887.61	-	1,887.61
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	370.93	-	370.93
(b) Credit	58.16	-	58.16
3. Alternative Attendance Accounting Procedures Courses			
(a) Weekly Census Procedure Courses	996.62	-	996.62
(b) Daily Census Procedure Courses	1,692.13	-	1,692.13
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>17,361.80</u>	<u>-</u>	<u>17,361.80</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	189.01	-	189.01
2. Credit	273.44	-	273.44
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	315.10	-	315.10

\* Including Career Development and College Preparation (CDCP) FTES.

Cerritos Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 26,144,568	\$ -	\$ 26,144,568	\$ 26,144,568	\$ -	\$ 26,144,568
Other	1300	18,420,929	-	18,420,929	19,043,527	-	19,043,527
Total Instructional Salaries		44,565,497	-	44,565,497	45,188,095	-	45,188,095
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	5,842,115	-	5,842,115
Other	1400	-	-	-	3,963,720	-	3,963,720
Total Noninstructional Salaries		-	-	-	9,805,835	-	9,805,835
Total Academic Salaries		44,565,497	-	44,565,497	54,993,930	-	54,993,930
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	19,619,219	-	19,619,219
Other	2300	-	-	-	1,226,157	-	1,226,157
Total Noninstructional Salaries		-	-	-	20,845,376	-	20,845,376
Instructional Aides							
Regular Status	2200	371,233	-	371,233	539,319	-	539,319
Other	2400	189,092	-	189,092	673,568	-	673,568
Total Instructional Aides		560,325	-	560,325	1,212,887	-	1,212,887
Total Classified Salaries		560,325	-	560,325	22,058,263	-	22,058,263
Employee Benefits	3000	20,884,787	-	20,884,787	32,852,842	-	32,852,842
Supplies and Material	4000	-	-	-	1,339,627	-	1,339,627
Other Operating Expenses	5000	395,851	-	395,851	6,635,270	-	6,635,270
Equipment Replacement	6420	-	-	-	77,936	-	77,936
Total Expenditures Prior to Exclusions		66,406,460	-	66,406,460	117,957,868	-	117,957,868

Cerritos Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	77,715	-	77,715
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	102,530	-	102,530
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	1,504,477	-	1,504,477
Employee Benefits	3000	-	-	-	754,582	-	754,582
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

Cerritos Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	2,439,304	-	2,439,304
Total for ECS 84362, 50 Percent Law Percent of CEE (Instructional Salary Cost/Total CEE)		\$ 66,406,460	\$ -	\$ 66,406,460	\$ 115,518,564	\$ -	\$ 115,518,564
50% of Current Expense of Education		57.49%		57.49%	100.00%		100.00%
					\$ 57,759,282		\$ 57,759,282

Cerritos Community College District  
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements  
Year Ended June 30, 2020

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2020.



Cerritos Community College District  
 Proposition 30 Education Protection Account (EPA) Expenditure Report  
 Year Ended June 30, 2020

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 7,955,773
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 7,955,773	\$ -	\$ -	\$ 7,955,773
Total Expenditures for EPA		\$ 7,955,773	\$ -	\$ -	\$ 7,955,773
Revenues Less Expenditures					\$ -

Cerritos Community College District  
 Reconciliation of Government Funds to the Statement of Net Position  
 Year Ended June 30, 2020

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance		
General Funds	\$ 41,695,135	
Special Revenue Funds	7,848,575	
Capital Project Funds	72,532,252	
Debt Service Funds	26,258,112	
Internal Service Funds	24,977,313	
Fiduciary Funds	472,319	
Total fund balance - all district funds		173,783,706

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	520,006,826	
Accumulated depreciation is	(94,920,943)	
Less fixed assets already recorded in the Internal Service funds	(230,930)	
Total capital assets		424,854,953

In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred. (5,697,651)

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources amount to and related to:

Deferred charges on refunding	13,403,289	
Aggregate net other postemployment benefits (OPEB) liability	2,476,174	
Aggregate net pension liability	37,334,450	
Total deferred outflows of resources		53,213,913

Deferred inflows of resources represent an acquisition of net position that applies in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to:

Aggregate net other postemployment benefits (OPEB) liability	(734,108)	
Aggregate net pension liability	(26,434,316)	
Total deferred inflows of resources		(27,168,424)

Aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. (24,338,162)

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (124,688,961)

Cerritos Community College District  
Reconciliation of Government Funds to the Statement of Net Position  
Year Ended June 30, 2020

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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of		
Bonds payable	(435,407,121)	
Compensated absences	(3,107,367)	
Less compensated absences recorded in the General Fund	468,960	
Supplemental employee retirement plan	(1,820,646)	
In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is	<u>(16,966,675)</u>	
Total long-term liabilities		<u>(456,832,849)</u>
Total net position		<u>\$ 13,126,525</u>

**Note 1 - Purpose of Schedules**

**District Organization**

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations as of June 30, 2020.

**Schedule of Expenditures of Federal Awards**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. No federal financial assistance has been provided to a subrecipient. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

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

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and Statement of Changes in Net Position - Fiduciary Funds		\$ 47,918,363
Foster Care Independence Program - PS MAPP	93.674	1,485
Veterans Services	64.117	(2,524)
Total expenditures of federal awards		<u>\$ 47,917,324</u>

**Schedule of Expenditures of State Awards**

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

**Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance**

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

**Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation**

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

**Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

**Proposition 30 Education Protection Account (EPA) Expenditure Report**

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

**Reconciliation of Government Funds to the Statement of Net Position**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



Independent Auditor's Reports  
June 30, 2020

# Cerritos Community College District



**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***

Board of Trustees  
Cerritos Community College District  
Norwalk, California

We have audited, 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, the financial statements of the business-type activities and the aggregate remaining fund information of Cerritos Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2021.

**Internal Control over Financial Reporting**

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
February 19, 2021





## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

Board of Trustees  
Cerritos Community College District  
Norwalk, California

### **Report on Compliance for Each Major Federal Program**

We have audited Cerritos Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The 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 the 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 the 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 the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the 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, 2020.

## **Report on Internal Control Over Compliance**

Management of the 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 the 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 the District's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
February 19, 2021



## Independent Auditor's Report on State Compliance

Board of Trustees  
Cerritos Community College District  
Norwalk, California

### Report on State Compliance

We have audited Cerritos Community College District's (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

### **Compliance Requirements Tested**

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

Section 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apportionment for Activities Funded from Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to TBA Hours; therefore, tests within this section were not applicable.

The District does not have any Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable

### **Unmodified Opinion**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
February 19, 2021

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted:	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
Dollar threshold used to distinguish between type A and type B programs:	\$1,437,520
Auditee qualified as low-risk auditee	Yes

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	Unmodified
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None reported.

None reported.

None reported.



Summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**2019-001 COMMON ORIGINATION AND DISBURSEMENT (COD) REPORTING**

**Federal Program Affected**

**Program Name:** Student Financial Assistance Cluster

**CFDA Number:** 84.007, 84.033, 84.063, and 84.268

**Federal Agency:** U.S. Department of Education

**Pass-Through Entity:** Direct Funded

**Criteria or Specific Requirement**

*Common Origination and Disbursement (COD) System (OMB No. 1845-0039)* - All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. The U.S. Department of Education processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

**Condition**

*Significant Deficiency* - The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records. One out of the forty students tested had a transaction processed in excess of 15 days.

**Questioned Costs**

There were no questioned costs associated to the noncompliance.

**Context**

The District processed and reported approximately \$29,461,639 in Pell grants during the year.

**Effect**

The District is not in compliance with the Federal requirements described in the OMB Compliance Supplement.

**Cause**

The District did not report student files to COD on a timely basis.

**Repeat Finding:** No

**Recommendation**

The District should implement review procedures to verify that all information is properly reported and in compliance with Federal guidelines.

**Current Status**

Implemented.